

ELRON ELECTRONIC INDUSTRIES LTD.

English Translation of Periodic Report
for the First Quarter of 2021
Filed with the Israel Securities Authority

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II	Board of Directors Report
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ELRON ELECTRONIC INDUSTRIES LTD.

English Translation of Periodic Report
for the First Quarter of 2021
Filed with the Israel Securities Authority

Part I

Material Changes and Updates that Occurred in
Elron's Business for the Three Months ended
March 31, 2021

Elron Electronic Industries Ltd.
("Elron" or the "Company")
English Translation of Quarterly Report
for the First Quarter of 2021

Part I

Material Changes and Updates that Occurred in the Company's
Business in the Three Months Ended March 31, 2021

Details according to Regulation 39A of the Israel Securities Regulations (Periodic
and Immediate Reports), 1970

In this section:

- | | |
|------------------------------------|--|
| "Board of Directors Report" | English Translation of Elron's Board of Directors Report for the First Quarter of 2021, included in Part II of this report. |
| "Financial Statements" | English Translation of Elron's Interim Consolidated Financial Statements as of March 31, 2021, included in Part III of this report. |
| "Annual Report" | Elron's Annual Report for the year ended December 31, 2020 filed with the Israeli Securities Authority. |

The rest of the terms in this report shall have the meaning ascribed to them in the Annual Report, unless stated explicitly otherwise.

The matters described below are in addition to the developments and changes that occurred in the first quarter of 2021 that were already previously described in Part I of the Annual Report. The matters described below are presented according to the section numbers in Part I of the Annual Report.

1. Section 2 of Part I of the Annual Report – Description of Elron's Operations and Description of the Evolution of Its Business

Section 2.2 – Elron's Shareholders

Further to Section 2.2 of Part A of the Annual Report, regarding the appointment of receivers over the shares of Discount Investment Corporation Ltd. ("DIC"), the Company's controlling shareholder, and regarding the Tel-Aviv District Court's approval to sell DIC shares to Mega Or Holdings Ltd. ("Mega Or") and to a group of investors led by it, according to the terms of its offer (the "Sale Transaction"), on March 25, 2021, the first stage of the Sale Transaction was consummated in the framework of which approximately 35.2 million DIC shares, constituting approximately 24.9% of its issued share capital, were transferred to Mega Or, and approximately 31.9 million additional DIC shares, constituting approximately 22.5% of its issued share capital, were transferred to additional purchasers.

Upon the consummation of the aforementioned transfer of the DIC shares and as of such date, DIC is considered a company without a controlling shareholder (as the term "control" is defined in the Securities Law, 5728-1968), and is no longer considered a "tier company" (as such term is defined in the Law for Promotion of Competition and Reduction of Concentration, 5774-2013 ("Concentration Law")).

On April 20, 2021, approximately 7 million additional DIC shares, constituting approximately 5% of its issued share capital, were transferred to Mega Or, such that Mega Or's holding percentage in DIC's issued share capital, following the transfer, is approximately 29.9%.

To the Company's best knowledge, in February 2021 the board of directors of Elco Ltd. ("Elco") approved to submit an offer to purchase between 27% and 29.8% of DIC's issued share capital. To the Company's best knowledge, on April 21, 2021, subsequent to the reporting date, Elco obtained the decision of the Director General of the Israeli Competition Authority, to approve the merger between Elco and DIC. The purchase of DIC shares by Elco is subject to the approval of the Ministry of Communications.

2. Section 4 of Part I of the Annual Report – Investments in Elron's Capital and Transactions in Its Shares

In April 2021, Elron issued 8,855,400 ordinary shares on the Tel Aviv Stock Exchange. The price determined in the pricing process for the issue is NIS 12.6 per share (approximately \$3.9 per share). As part of the issuance, Elron raised a total of approximately NIS 111.6 million (approximately \$34.3 million) and approximately NIS 109.5 million (approximately \$33.6), after issuance expenses. DIC invested a total of NIS 61.7 million (approximately \$19 million) in the said issuance. For further details, see the Company's immediate reports from April 21, 2021 and April 22, 2021 (Reference numbers: 2021-01-067926, 2021-01-067947, 2021-01-069156).

3. Section 15 of Part I of the Annual Report – Investments

In the first quarter of 2021, Elron (directly and indirectly) invested approximately \$1 million in group companies. For further details, see Section 1.4 of the Board of Directors Report and Note 3 to the Financial Statements.

4. Section 18 of Part I of the Annual Report – Restrictions and Supervision on Elron's Operations

4.1. As stated in section 1 above, upon consummation of the transfer of DIC shares as aforesaid and commencing from such date, DIC is a company without a controlling shareholder, and no longer considered a "tier company". Accordingly, no restrictions under the Concentration Law apply to the Company regarding its ability to control other tier companies.

4.2. Further to Section 18.4.5 of Part A of the Annual Report, regarding eligibility for immediate insurance coverage for four years in respect of the use of devices that have gained Breakthrough Designation status, in May 2021, subsequent to the reporting date, the CMS (a federal agency that administers the U.S.'s national healthcare programs) announced that implementation of the regulation regarding the immediate insurance coverage has been postponed to December 2021.

Yaron Elad

CEO

Niv Levy

CFO

May 20, 2021, Tel Aviv, Israel

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Part II

Board of Directors Report for the First Quarter
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Elron Electronic Industries Ltd.
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1. Board of Directors' Analysis of the Company's Business

1.1. Company Description

1.1.1. General

Elron Electronic Industries Ltd. ("Elron", the "Company") is an operational holding company that focuses on building technology companies. Currently, Elron has significant holdings in medical device, cybersecurity and enterprise software companies, and is examining investment opportunities mainly in cybersecurity and enterprise software companies. Elron's principal shareholder is Discount Investment Corporation Ltd. ("DIC") (60.08%).

Elron operates through consolidated companies (companies controlled by Elron and whose financial statements are consolidated with Elron's financial statements), associates (companies over which Elron has significant influence and which are included in its financial statements using the equity method), and other companies over which the Company does not have significant influence (included in the financial statements based on fair value) (the "Group Companies").

For details on the accounting method applied to the Group Companies in Elron's financial statements, Elron's holding percentage in the Group Companies, and their carrying value, see the annex to the Company's consolidated financial statements as of March 31, 2021 (the "Financial Statements").

The Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

1.1.2. Main goal

Elron's main goal is to build value for its shareholders by enhancing and exiting its Group Company holdings (whether through their sale or through the public listing of their shares), while simultaneously seeking new investment opportunities in technology companies.

1.1.3. Strategy

In order to achieve this goal, Elron operates according to the following business strategy:

- Identifying and exploiting investment opportunities in companies with innovative technology and significant exit potential.
- Investing over the long term in order to maximize the possibility of enhancing the Group Companies' value.
- Focusing on investments which afford Elron influence and active involvement in their management.
- Actively enhancing the Group Companies' value by providing hands-on assistance to their management.
- Exploiting opportunities to exit Group Companies.

1.1.4. RDC

As part of its business strategy, Elron examines a broad range of cooperation and investment proposals, including through RDC – Rafael Development Corporation Ltd. ("RDC"), an Elron subsidiary.

RDC is engaged in the establishment of ventures and investment in early stage technology companies, mostly ventures that utilize technologies developed by Rafael – Advanced Defense Systems Ltd. ("Rafael") to develop products that meet the needs of the civilian market, and ventures that have synergy

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potential and are either based on Rafael's know-how and expertise or on Raphael's technologies. RDC has first rights to adapt military technologies developed by Rafael for civilian markets .

1.1.5. Group companies

Elron's main Group Companies and its holding percentage of outstanding shares in them as of the date of filing this report are as follows:

- **RDC (50.1%)** - See description in section 1.1.4 above.
- **BrainsGate Ltd. (28%) ("BrainsGate")** - BrainsGate is developing a system for treating ischemic stroke. The system operates by electrically stimulating a nerve center located behind the nasal cavity using a miniature implantable electrode, in order to increase blood flow to the brain. The system is intended to enable treatment up to 24 hours post-symptom onset.
- **CartiHeal (2009) Ltd. (27%) ("CartiHeal")** - CartiHeal is developing an implant for repair of articular cartilage and osteochondral defects in loadbearing joints, such as the knee. The implant biodegrades in the implantation site, and promotes the regeneration of cartilage and subchondral bone.

For details on the criteria for classifying a Group Company as a main company, see section 1.5 of Part I of the Company's Annual Report for 2020.

Additional Group Companies and Elron's holding percentage of outstanding shares in them as of the date of filing this report are, among others, as follows:

- **SixGill Ltd. (23%) ("SixGill")** - SixGill develops and provides an automated system that crawls the Dark Web and extracts information to provide its customers with relevant intelligence and alerts regarding possible or ongoing cyber-attacks against the enterprise.
- **Pocared Diagnostics Ltd. (4% by Elron, 6% by RDC¹) ("Pocared")** - Pocared is developing a real-time and automated system for infectious diseases diagnosis using optical technology, intended for use by major microbiological laboratories and hospitals, as an alternative to current microbiological practice of bacteria culturing.
- **Coramaze Technologies Ltd. (30%) ("Coramaze")** - Coramaze is developing a minimally invasive device to repair heart valves.
- **Nitinotes Ltd. (25%) ("Nitinotes")** - Nitinotes is developing a minimally invasive endoscopic procedure for treatment of obesity.
- **Notal Vision Inc. (12%) ("Notal Vision")** - Notal Vision develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) from home and improving vision outcomes.
- **SecuredTouch Inc. (28% by RDC) ("SecuredTouch")** – SecuredTouch develops and provides a solution that enables the identification of end users by creating a biometric profile for mobile applications.
- **IronScales Ltd. (13% by RDC) ("IronScales")** - IronScales develops and provides a cloud-based (SaaS) solution, which aims to protect the organization from targeted email attacks (spear-phishing) by using an automated and multi-layered solution combining machine learning and active identification by employees of the organization.
- **Open Legacy Technologies Ltd. (23% by RDC) ("Open Legacy")** - Open Legacy develops and markets a software solution for digital integration of information systems in organizations, based on API (Application Programming Interface).

¹ In regards with additional economic rights, see Note 3.C to the Financial Statements.

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- **Cynerio Israel Ltd. (22% by RDC) ("Cynerio")** - Cynerio develops and provides a platform that enables healthcare providers to secure patient data and connected medical devices against cyber threats.
- **Oz Code Ltd. (46% by RDC) ("OzCode")** - Ozcode has developed and markets a debugging platform for development and production environments that reduces time spent on debugging and shortens release cycles.
- **Sayata Labs Ltd. (19% by RDC) ("Sayata")** - Sayata develops and markets technological solutions for insurance agencies and companies to assess the risk in cyber insurance policies for small and medium businesses.
- **One-View Space Ltd. (10% by RDC) ("One-View")** - One-View develops an automated platform for analyzing and extracting insights from satellite imagery from multiple sources using artificial intelligence (AI) based algorithms.
- **Imvision Software Technologies Ltd. (SAFE- Simple Agreement for Future Equity by RDC) ("ImVision")** - Imvision develops an AI-based API security threat detection solution.
- **Sighted Technologies Ltd. (21% by RDC) ("Sighted")**- Sighted is developing a security platform to detect and defeat SaaS-native threats.
- **PlyMedia Israel (2006) Ltd. (22%) ("PlyMedia")** - PlyMedia has developed and markets a digital advertising platform for ad networks.
- **AudioBurst Ltd. (7%) ("AudioBurst")** - AudioBurst is developing and supplying a search engine which enables one to find and to hear audio content on any subject from anywhere in the world.
- **Kzen Networks Ltd. (8%) ("KZen")** - KZen develops and provides a secure crypto wallet that doesn't compromise between security and user experience.

1.1.6. Factors affecting the results of operations and capital resources

As a holding company, Elron's operating results mainly derive from:

- its share in the net losses of Group Companies;
- gains or losses from exit transactions or changes in holdings, and revaluation of investments recorded based on fair value;
- its corporate activities.

Elron's capital resources in any given period are primarily affected by:

- the extent of its investments;
- proceeds from exit transactions;
- dividends distributed to shareholders or received from Group Companies.

For details regarding the public offering Elron completed, see Note 3.K to the Financial Statements.

Most of the Group Companies are technology companies which have not yet generated significant revenues, if any, and which invest considerable resources in development and record losses. As a result, Elron has recorded and is expected to continue to record losses in respect of their ongoing operations, based on the accounting method applied to them in the Financial Statements.

The technology field in which the Group Companies operate is characterized by a high degree of risk. The Group Companies' success is dependent, among other things, upon: their intellectual property and ability to protect it; their ability to raise financing; their ability to successfully complete their products' development and receive regulatory clearance to market them, including through clinical trials; their ability to make the transition from development to manufacturing stages; their ability to market their

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products on a significant commercial scale; their ability to develop additional products; and their ability to successfully compete in the markets in which they operate.

Elron's ability to effect exit transactions at significant values is affected, among other things, by economic conditions, market conditions in the hi-tech industry, the status of the venture capital industry, the status of the capital markets, various contractual and regulatory restrictions, and is also dependent on management's ability to successfully lead exit transactions, and the circumstances and characteristics of the group company whose sale is being considered.

In addition, Elron's and the Group Companies' ability to obtain external financing is affected by economic conditions, the status of the capital markets, and the status of the venture capital industry and more recently also from the consequences of the corona virus (COVID-19). The Company is continuously monitoring and examining the impact of the spread of the coronavirus (COVID-19) on its activities as a whole, and the focal points of risk in particular. For further details, see Section 1.2.3 below.

1.2. Description of Operations in the Period of this Report and Subsequently

1.2.1. Exit Transactions

Alcide.IO Ltd. ("Alcide") - In January 2021, Alcide and its shareholders (including Elron) signed a definitive agreement with Rapid7 Inc (the "Acquirer") for the sale of the entire outstanding share capital of Alcide (the "Transaction"). Along with the signing, the transaction was simultaneously completed. Pursuant to the Transaction, in February 2021, Elron received a total of approximately \$11.8 million from the proceeds of the Transaction (of which approximately \$1.3 million was deposited in escrow for a period of 18 months, mainly in order to secure certain indemnification obligations of the selling security holders to the Acquirer). As a result, Elron recognized income before tax of approximately \$11.3 million during the first quarter of 2021 (For further details, see Note 3.B to the Financial Statements).

Kindite - In March 2021, Kindite sold all its assets in consideration for approximately \$8.2 million. RDC's expected share in the sale consideration is estimated at approximately \$3.7 million and as a result, in the first quarter of 2021, RDC recognized income in the amount of \$3.7 million (For further details, see Note 3.G to the Financial Statements).

Aqwise – Wise Water Technologies Ltd. ("Aqwise") - In April 2021, subsequent to the reporting date, an agreement for the sale of Aqwise was signed in consideration for an immediate consideration, an escrow deposit and contingent consideration. The investment in Aqwise as of March 31, 2021, is in the amount of \$2.4 million and reflects the estimate of the consideration that is expected to be received as a result of the sale of Aqwise (For further details, see Note 3.I to the Financial Statements).

1.2.2. Investments

- In the first quarter of 2021, Elron (directly and through RDC) invested approximately \$1.0 million in the Group Companies. For further details see section 1.4 below and Note 3 to the Financial Statements.
- **External financing round in Kzen, led by new investor** - In April 2021, subsequent to the reporting date, an investment in Kzen, led by a new investor, in an amount of \$20 million was completed (Elron's share was approximately \$1.7 million and included purchase of shares in a secondary transaction) (For further details, see Note 3.F to the Financial Statements).
- **External financing round in Cynerio, led by new investor** - In April 2021, subsequent to the reporting date, an investment agreement in Cynerio was signed in a total amount of up to \$25 million led by a new investor and with the participation of its existing investors. An amount of \$13.25

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million was invested immediately (RDC's share in this amount is \$2.25 million) (For further details, see Note 3.H to the Financial Statements).

1.2.3. Developments in Group Companies

- **The impact of the coronavirus** - Further to section 22.1 in Part I of the Company's Annual Report for 2020, the Company is monitoring and examining the impact of the spread of the coronavirus (COVID-19) on its activities as a whole, and the focal points of potential risk in particular. The main focal points of risk that have been identified so far are: potential difficulties in raising capital for group companies; the impact of disruptions to the activities of the group companies' existing and potential clients, suppliers and business partners at the focal points of the virus; budget cuts among potential customers and subsequent decisions to increase product life-cycles rather than adopt new technology solutions; potential difficulties for group companies in closing commercial transactions or generating leads and managing lengthy and complex sale-cycles, among other things, due to mobility constraints between countries; operational constraints amassing raw material inventories; difficulties or delays in recruiting patients for clinical trials and a worldwide global slowdown that may make it difficult to execute exit transactions. The aforesaid factors had no material effect on the Company's results in the first quarter of 2021.

1.2.4. Financing

- On April 20, 2021, subsequent to the reporting date, Elron issued 8,855,400 ordinary shares on the Tel Aviv Stock Exchange, in consideration for (net, after issuance expenses) approximately NIS 109.5 million (approximately \$33.6 million). For further details, see Note 3.K to the Financial Statements.
- As of the date of filing this report, Elron's and RDC's non-consolidated liquid resources amounted to approximately \$50.9 million and \$31.3 million, respectively. These amounts include Elron and RDC's bank deposits in the amount of approximately \$5.0 and \$4.0 million, respectively and other short term investments in securities of Elron and RDC in the amount of approximately \$3.8 million and \$0.3 million, respectively. As of the date of filing this report, Elron has no debt.
- In March 2021, Elron and Rafael granted a loan to RDC in an amount of \$16 million (in equal parts) to make new investments and continue to support the Group Companies.

1.3. Results of Operations

1.3.1. Elron's main operating results

	For the three months ended March 31,		For the year ended December 31, 2020
	2021	2020	Audited
	Unaudited		
	\$ thousands		
Gain (loss) attributable to Elron's shareholders	7,928	(8,058)	(17,723)
Basic gain (loss) per share attributable to Elron's shareholders (in \$)	0.18	(0.19)	(0.41)

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	For the three months ended March 31,		For the year ended December 31, 2020
	2021	2020	Audited
	Unaudited		Audited
	\$ thousands		
Diluted gain (loss) per share attributable to Elron's shareholders (in \$)	0.17	(0.19)	(0.41)

The gain (loss) attributable to Elron's shareholders mainly comprised of: I) Elron's share in the losses of Group Companies, II) gains and losses from disposal and revaluation of investee companies and changes in holdings, III) corporate operating expenses, IV) taxes on income*

	For the three months ended March 31,		For the year ended December 31, 2020
	2021	2020	Audited
	Unaudited		Audited
	\$ thousands		
Losses in respect of Group Companies:			
Elron's share in net losses of Group Companies, net	(2,072)	(5,714)	(12,281)
Excess cost amortization	(25)	(33)	(116)
Total	(2,097)	(5,747)	(12,397)
Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net	13,536	(695)	765
Corporate operating expenses	(927)	(961)	(4,252)
Tax benefit (Taxes on income)	(2,413)	(28)	1,339
Other	(171)	(627)	(3,178)
Gain (loss) attributable to shareholders	7,928	(8,058)	(17,723)

*The results summarized in the table are presented net of non-controlling interests.

I) Losses in respect of Group Companies

Elron's share in the net losses of Group Companies:

As previously mentioned, most of our group companies are technology companies which have not yet generated significant revenues, if at all, and which invest considerable resources in research and development and in marketing activities. According to accounting principles, these companies' investments in the development of their products are recorded as they occur in their statement of income as an increase in R&D expenses (insofar as these expenses are not capitalized as intangibles assets as is permitted, according to accounting principles, only when technological feasibility has been established). Therefore, as our group companies increase their investments in order to develop their products and advance their business, they cause us to record greater losses in respect of our share in their losses.

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The loss Elron recorded in the first quarter of 2021 in respect of its share in the net losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of Pocared, SixGill and Sayata.

The loss Elron recorded in the first quarter of 2020 in respect of its share in the net losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of BrainsGate, Pocared and Alcide.

II) Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net:

Gain (loss) from sale, revaluation, realization of operation and changes in holdings, in the first quarter of 2021 resulted mainly from:

- An approximately \$11.3 million gain as a result of the sale of Alcide (for further details see section 1.2.1 above).
- An approximately \$2.8 million gain as a result of increase in the fair value of the investment in KZen.
- An approximately \$1.9 million gain (net of non-controlling interests) as a result of the sale of Kindite's operation (for further details see section 1.2.1 above).
- An approximately \$0.5 million loss recorded due to a decrease in the fair value of the investment in Aqwise.
- An approximately \$1.9 million loss (net of non-controlling interests) which was recorded due to the decrease in Elron's participating share in profit or loss of Pocared in light of the recapitalization in the capital structure (see Note 3.C to the Financial Statements).

Gain (loss) from sale, revaluation, realization of operation and changes in holdings, in the first quarter of 2020 resulted mainly from an approximately \$0.8 million loss recorded due to a decrease in the fair value of the investment in Aqwise.

III) Corporate operating expenses

Corporate operating expenses in Elron include mainly general and administrative expenses

IV) Tax Benefit (taxes on Income)

Tax benefits in 2020 resulted mainly due to the recognition of a deferred tax asset of approximately \$1.5 million which was recorded in respect of the temporary difference relating to Elron's investment in Alcide and in respect of losses carried forward for tax purposes that are expected to be utilized in 2021, due to income expected from sale of Alcide. Tax expenses in the first quarter of 2021 were mainly due to the reversal of the said tax asset.

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1.3.2. Analysis of the consolidated statements of profit and loss

	<u>For the three months ended March 31,</u>		<u>For the year ended December 31,</u>	<u>Explanation</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>	
	<u>Unaudited</u>		<u>Audited</u>	
	<u>\$ thousands</u>			
Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net	13,918	(667)	3,789	In the first quarter of 2021, this item mainly included a \$11,300 thousand gain recorded due to the sale of Alcide, a \$3,700 thousand gain as a result of the sale of Kindite's operation, a \$2,800 thousand gain recorded due to an increase in the fair value of the investment in Kzen, a \$550 thousand loss recorded due to the decrease in the fair value of the investment in Aqwise and a \$3,300 thousand loss recorded due to the decrease in the participating share in profit or loss of Pocared. In the first quarter of 2020, this item mainly included a \$800 thousand loss recorded due to a decrease in the fair value of the investment in Aqwise.
Financial income	142	701	611	Financial income in the first quarter of 2021 and the first quarter of 2020 resulted mainly from interest income on deposits and debentures and from USD-NIS exchange rate fluctuations.
Total income	14,060	34	4,400	
Research and development expenses	-	1,112	2,150	See analysis of Elron's and consolidated companies' operating expenses below.
General and administrative expenses	1,432	2,121	8,569	

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	For the three months ended March 31,		For the year ended December 31,	Explanation
	2021	2020	2020	
	Unaudited		Audited	
	\$ thousands			
Equity in losses of associates, net				Elron's share in the net losses of its associates results from its holdings in certain investments that are accounted for under the equity method. As most of the Group Companies are companies whose operations have not yet generated significant revenues, if at all, and invest considerable resources in research and development and in marketing activities, Elron expects to continue to record losses in respect of these companies' ongoing operations in accordance with the accounting method applied to them in Elron's financial statements. In addition, see the analysis of the results of operations of main associates below. The decrease in the first quarter of 2021 compared with the first quarter of 2020 resulted mainly since in the first quarter of 2021 no loss was recorded due to the investment in BrainsGate, as the investment in BrainsGate is fully deducted, compared with a loss of \$2,000 thousand which was recorded during the first quarter of 2020. Also, the decrease resulted from a decrease in Elron's share in Alcide's losses since it was sold in the first quarter of 2021 (see section 1.2.1 above).
	3,044	5,809	14,520	
Financial expenses	46	1,095	1,177	Financial expenses in the first quarter of 2020 resulted mainly from a decrease in the fair value of debentures measured at fair value.
Other expenses, net	-	-	354	
Total expenses	4,522	10,137	26,770	
Loss before taxes on income	9,538	(10,103)	(22,370)	
Tax benefit (taxes on income)	(2,413)	(62)	1,120	
Loss	7,125	(10,165)	(21,250)	

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	<u>For the three months ended March 31,</u>		<u>For the year ended December 31,</u>	<u>Explanation</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>	
	<u>Unaudited</u>		<u>Audited</u>	
	<u>\$ thousands</u>			
Loss attributable to the Company's shareholders	7,928	(8,058)	(17,723)	
Loss attributable to non-controlling interests	(803)	(2,107)	(3,527)	The loss attributable to non-controlling interests in the first quarter of 2021 and 2020 resulted mainly from the share of the non-controlling interests in the results recorded by RDC.
Basic gain (loss) per share attributable to the Company's shareholders (in \$)	0.18	(0.19)	(0.41)	
Diluted gain (loss) per share attributable to the Company's shareholders (in \$)	0.17	(0.19)	(0.41)	

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Operating Expenses

Operating expenses in the first quarter of 2021 and 2020 amounted to \$1,432 and \$1,620 thousand, respectively, and comprised mainly of general and administrative expenses of Elron's and RDC's corporate operations (the comparative figures in the table do not include the operating expenses of Pocared which was consolidated in the first quarter of 2020 and its consolidation was discontinued in August 2020), as detailed below:

	For the three months ended March 31,		Explanation
	2021	2020	
	\$ thousands		
Corporate	927	1,032	The decrease in the first quarter of 2021 compared with the first quarter of 2020 mainly resulted from share-based compensation expenses recorded in the first quarter of 2020.
RDC	505	588	-
Total	1,432	1,620	

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1.3.3. Analysis of the results of operations of main associates

	Loss for the three months ended March 31,		Explanation
	2021	2020	
	Unaudited		
	\$ thousands		
BrainsGate	820	1,294	BrainsGate is in the development stage and has not yet commenced sales. BrainsGate's losses mainly result from research and development expenses. The decrease in loss in the first quarter of 2021 compared with the first quarter of 2020 resulted mainly from a decrease in financing expenses related to warrants of BrainsGate's shareholders, as well as from a decrease in research and development expenses compared with the first quarter of 2020 during which an increase in liability was recorded due to its liability to repay research and development grants.
CartiHeal	2,380	1,863	CartiHeal is in the development stage and has not yet commenced sales. CartiHeal's losses mainly result from research and development expenses. The increase in loss in the first quarter of 2021 compared with the first quarter of 2020 resulted mainly from the share-based compensation expenses.

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1.4. Financial Position, Liquidity and Capital Resources

Financial position

	March 31, 2021	December 31, 2020
	Unaudited	Audited
	\$ thousands	
Total assets in the consolidated statement of financial position	100,738	84,954
Current assets	52,546	36,606
Investments in associates and other companies (including assets classified as held for sale)	41,362	41,174
Other long-term assets	3,505	2,292
Deferred taxes assets	-	1,550
Intangible assets	3,051	3,051
Current liabilities	4,576	4,732
Long-term liabilities	1,319	1,404
Deferred taxes liabilities	918	-
Long term loan	8,000	-
Total liabilities	14,813	6,136
Equity (including non-controlling interests)	85,925	78,818

Total equity (including non-controlling interests) at March 31, 2021 was \$85,925 thousand, representing approximately 85% of the total assets in the statement of financial position, compared with \$78,818 thousand at December 31, 2020, representing approximately 93% of the total assets in the statement of financial position. The increase in equity resulted mainly from the gain recorded from the sale of Alcide in the first quarter of 2020.

Consolidated working capital at March 31, 2021 amounted to \$47,970 thousand, compared with \$31,874 thousand at December 31, 2020. The increase in working capital resulted from the increase in liquid resources due to the sale of Alcide and receipt of loan from Rafael to RDC. The increase was partially offset by investments in Group Companies (as detailed below) and due to Elron's and its subsidiaries' operating expenses during the first quarter of 2021.

The Company did not include a section on exposure to market risks and their management in the Board of Directors report for this quarter, as the Company is no longer required to according to the conditions set forth in sections 10 (b) (7) to the Israel Securities Regulations (Periodic and Immediate Reports).

Elron's and RDC's primary cash flows (1)

	For the three months ended March 31, 2021	For the three months ended March 31, 2020
	Unaudited	Unaudited
	\$ thousands	
Investments in Elron's and RDC's group companies	(1,000)	(6,897)
Taxes paid	-	(702)
Proceeds from disposal of Elron's and RDC's non-current investments	10,353	56

(1) The amounts presented include RDC's cash flows in full (100%) in addition to Elron's cash flows.

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Liquid resources balance

Elron's and RDC's non-consolidated liquid resources at March 31, 2021 amounted to \$19,687 and \$31,808 thousand, respectively (Elron's and RDC's liquid resources as of March 31, 2021 included other short term investments in securities of Elron and RDC in the amounts of \$3,739 and \$263 thousand, respectively and bank deposits of Elron and RDC in the total amount of \$11,090 and \$4,033 thousand, respectively). Elron's and RDC's non-consolidated liquid resources at December 31, 2020 amounted to \$18,996 and \$17,093 thousand, respectively (Elron's and RDC's liquid resources as of December 31, 2020 included other short term investments in securities in the total amounts of \$3,770 and \$668 thousand, in Elron and RDC, respectively and bank deposits of Elron and RDC in the total amount of \$11,046 and \$4,023 thousand, respectively).

In April 2021, subsequent to the reporting date, Elron issued 8,855,400 ordinary shares on the Tel Aviv Stock Exchange, in consideration for (net, after issuance expenses) approximately NIS 109.5 million (approximately \$33.6 million). See also section 1.2.4 above.

Uses of cash

The main uses of cash in the first quarter of 2021 were investments in Group Companies in the amount of \$1,000 thousand by RDC. Also, cash was used to pay corporate and RDC's operating expenses, as detailed above in section 1.3.2 above.

The main uses of cash in the first quarter of 2020 were investments in Group Companies in the amount of \$4,500 thousand by Elron and \$2,397 by RDC. Also, cash was used to pay corporate and RDC's operating expenses.

Investments in Group Companies during the first quarter of 2021 and 2020, and for the year ended December 31, 2020, are summarized in the following table (see also Note 3 to the Financial Statements for additional details regarding investments in Group Companies):

	Elron			RDC		
	For the three months ended March 31,		Year	For the three months ended March 31,		Year
	2021	2020	2020	2021	2020	2020
	Unaudited \$ thousands	Unaudited \$ thousands	Audited \$ thousands	Unaudited \$ thousands	Unaudited \$ thousands	Audited \$ thousands
BrainsGate	-	2,000	2,000	-	-	-
CartiHeal	-	1,500	1,500	-	-	-
Alcide	-	500	500	-	-	-
Coramaze	-	-	286	-	-	-
Kindite	-	-	-	400	-	400
OzCode	-	-	-	500	647	1,500
One-View	-	-	-	-	750	750
Sayata	-	-	-	-	-	1,000
Imvision	-	-	-	-	-	2,000
Sighted	-	-	-	100	-	3,100
Pocared	-	500	540	-	1,000	1,060
Other	-	-	100	-	-	30
Total investments	4,500	4,500	4,926	1,000	2,397	9,840

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Amounts invested subsequent to the reporting date are summarized in the following table:

	<u>Elron</u>	<u>RDC</u>
	<u>Unaudited</u>	
	<u>\$ thousands</u>	
OzCode	-	200
Kzen	1,667	-
SecuredTouch	-	430
Cynerio	-	2,250
Total	<u>1,667</u>	<u>2,880</u>

Proceeds from the disposal of Elron's and RDC's non-current investments

Proceeds received from the disposal of non-current investments in the first quarter of 2021 included consideration in the amount of approximately \$10,600 thousand as a result of the sale of Alcide and a deposit in the amount of approximately \$1,300 thousand which was deposited in escrow for a period of 18 months. For further details see section 1.2.1 above.

Main Group Companies' cash flows

	<u>Cash flows used in operating activities</u>		<u>Liquid resources balance</u>	
	<u>For the three months ended March 31, 2021</u>	<u>For the three months ended March 31, 2020</u>	<u>As of March 31, 2021</u>	<u>As of December 31, 2020</u>
	<u>Unaudited</u>		<u>Audited</u>	
	<u>\$ thousands</u>			
BrainsGate	(1,235)	(780)	12,651	13,865
CartiHeal	(3,276)	(3,117)	14,194	17,541

2. Corporate Governance

2.1 The Company's Board of Directors and it's Committees

Appointment of the Chairman of the Company's Board of Directors

In April 2021, subsequent to the reporting date, Mr. Zahi Nahmias was appointed Chairman of the Company's Board of Directors.

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Additional changes in the company's board of directors

On March 2, 2021, the general meeting of shareholders approved the appointments of Yoram Turbowicz, Omer Serviansky, Osnat Hilel-Fine, Doron Cohen, Yacov Nimkovsky, Isaac Idan, Amiram Erel and Shalom Tourgeman (Independent Director) as directors of the Company, and the appointment of Mr. Barak Mashraki as an external director. On that date, Mr. Gerardo Ariel Tyszberowicz ended his term as a director of the Company.

In March 2021, Mr. Ehud Rassabi ended his term (an external director who served as chairman of the Audit Committee) of the company.

In April 2021, subsequent to the reporting date, Yoram Turbowicz (who served as chairman of the Board of Directors), Isaac Idan and Yacov Nimkovsky ceased to serve as directors of the Company.

Changes in the Company's Human Capital

Mr. Zohar Rosenberg, who serves as the Company's Vice-President of Cyber since 2016, has informed the Company that he intends to engage in other occupations that are not within the Company. Accordingly, Mr. Rosenberg is expected to cease to serve as Vice-President, but to continue to function in the Company as an active investment partner in the cyber field (Venture Partner), including serving as a director on its behalf in portfolio companies, assisting in supporting existing cyber companies, and continuing to be part of the Company's investment team in new companies.

In parallel, in May 2021, subsequent to the reporting date, the Company's Board of Directors approved the appointment of Mr. Elik Etzion as the Company's Vice-President, responsible for identification and managing of investments in companies developing cyber security solutions, commencing July 2021.

3. Disclosure requirements in regards to the Company's financial reporting

3.1 Main data detailed in significant valuations and very significant valuations

The following are highlights from the material or very material valuations that were conducted, pursuant to the requirements of the Israel Securities Regulations (Periodic and Immediate Reports), 1970 (the "Regulations"):

Valuation of the investment in Kzen

Kzen's fair value was determined with the assistance of an independent appraiser, and estimated at approximately \$6,260 thousand (including an investment of approximately \$1,670 thousand invested in April 2021, subsequent to the reporting date. Therefore, the fair value of the investment as of March 31, 2021 is approximately \$4,600 thousand).

1. Identity of the asset valued: Elron's investment in Kzen.
2. Timing of work: As of March 31, 2021. Engagement date: April 2021.
3. The value of the investment in Kzen established in the valuation: The value of Elron's interest was determined at approximately \$6,260 thousand (at March 31, 2021 approximately \$4,600 thousand).

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thousand) (in comparison to \$1,800 thousand as of December 31, 2020). As a result, in the first quarter of 2021 Elron recorded income of \$2,793 thousand in respect of the change in the value of the investment in Kzen, recorded under line item gain (loss) from sale, revaluation, realization of operation and changes in holdings, net in the statement of income.

4. Identity of appraiser: S-Cube, a member of the IBI Capital Trust Group Ltd. ("S-Cube") . The valuation was performed by S-Cube, managed by Mr. Gideon Shalom Bendor, the founder and CEO of S-Cube and Mr. Roi Vrubel, Head of Valuations and Derivatives at S-Cube. Mr. Shalom Bendor holds an MBA and has extensive experience in financial consulting, valuations, due diligence and expert opinions. His experience includes several aspects of valuation including valuations of common and preferred shares, valuation of employee stock options and incentives, rights in partnership and intangible assets. Mr. Roi Vrubel has an MA in Economics and has extensive experience in valuations. Roi also has a Certified Valuation Analyst ("CVA") certification from the National Association of Certified Valuators and Analysts ("NACVA").
5. The valuation was conducted using the Option Pricing Model (OPM), using the value derived from the investment agreement that was completed on April 2021. The evaluation used the following significant assumptions: standard deviation of 120.74%, five comparison companies and cryptocurrencies and risk-free interest of 0.56%.

Zahi Nahmias
Chairman of the Board of Directors

Yaron Elad
CEO

May 20, 2021, Tel Aviv

ELRON ELECTRONIC INDUSTRIES LTD.

English Translation of Periodic Report
for the First Quarter of 2021
Filed with the Israel Securities Authority

Part III

1. Interim Consolidated Financial Statements as of March 31, 2021
2. Financial Data from the Interim Consolidated Financial Statements Attributable to the Company as of March 31, 2021

Elron Electronic Industries Ltd.

Part III

**English Translation of Interim
Consolidated Financial Statements**

**As of
March 31, 2021
Unaudited**

Interim Consolidated Financial Statements as of March 31, 2021

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Auditors' review report to the shareholders of Elron Electronic Industries Ltd.

We have reviewed the accompanying financial information of Elron Electronic Industries Ltd and subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of March 31, 2021 and the condensed consolidated statements of income or loss, comprehensive income or loss, changes in equity and cash flows for the three months period then ended. The Company's board of directors and management are responsible for the preparation and presentation of this interim financial information for this interim period in accordance with IAS 34, "Interim Financial Reporting". In addition, they are responsible for the preparation of this interim financial information for this interim period in accordance with chapter 4 of the provisions of the Securities Regulations (periodic and immediate reports) 1970. Our responsibility is to express a conclusion on this interim financial information based on our review.

We did not reviewed the condensed interim financial information of associates, the investment in which, at the equity method, amounted to approximately \$5,315 thousand as of March 31, 2021, and the Company's share in their losses amounted to approximately \$1,068 thousand for the three months period then ended. The condensed financial information of those associates was reviewed by the other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those associates, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with (Israel) Review Standard No. 2410, issued by the Israeli Institute of Certified Public Accountants regards "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing principles generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed financial information do not present fairly, in all material respects, in accordance with IAS 34.

In addition to the previous paragraph, based on our review and the review reports of the other auditors, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information do not present, in all material respects, in accordance with chapter 4 of the provisions of the Securities Regulations (Periodic and immediate reports) 1970.

Tel-Aviv, Israel
May 20, 2021

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

Consolidated Statements of Financial Position

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
Current assets			
Cash and cash equivalents	32,370	22,532	16,582
Bank deposits	15,123	3,108	15,069
Other investments in securities	4,002	19,978	4,438
Other accounts receivable	1,051	1,028	517
Investment in associate classified as held for sale	-	-	373
Investment in a company measured at fair value classified as held for sale (see Note 3.I)	2,400	-	-
	54,946	46,646	36,979
Non-current assets			
Investments in associates	19,082	12,216	20,295
Other investments measured at fair value	19,880	20,373	20,506
Long-term receivables	2,093	1,333	774
Right-of-use assets	1,412	2,476	1,518
Property, plant and equipment, net	274	866	281
Intangible assets	3,051	17,438	3,051
Deferred taxes	-	-	1,550
	45,792	54,702	47,975
Total assets	100,738	101,348	84,954

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Financial Position

	March 31		December 31
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
Current liabilities			
Trade payables	90	403	172
Current maturities of lease liabilities	248	768	318
Other accounts payable	4,238	5,869	4,242
	4,576	7,040	4,732
Long-term liabilities			
Long-term loan (see Note 3.A)	8,000	-	-
Financial liabilities measured at fair value	-	176	-
Lease liabilities	1,319	1,742	1,404
Deferred taxes	918	-	-
	10,237	1,918	1,404
	14,813	8,958	6,136
Equity attributable to the Company's shareholders			
Issued capital	9,584	9,584	9,584
Share premium	211,618	211,618	211,618
Capital reserves	6,405	6,154	6,422
Accumulated deficit	(158,590)	(158,098)	(166,518)
	69,017	69,258	61,106
Non-controlling interests	16,908	23,132	17,712
Total equity	85,925	92,390	78,818
Total liabilities and equity	100,738	101,348	84,954

The accompanying notes are an integral part of the interim consolidated financial statements.

Zahi Nahmias
Chairman of the Board of Directors

Yaron Elad
Chief Executive Officer

Niv Levy
CFO

Approval date of the interim consolidated financial statements: May 20, 2021

Consolidated Statements of Income (Loss)

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
	(except for loss per share data)		
Income			
Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net	13,918	(667)	3,789
Financial income	142	701	611
	<u>14,060</u>	<u>34</u>	<u>4,400</u>
Expenses			
Research and development expenses	-	1,112	2,150
General and administrative expenses	1,432	2,121	8,569
Equity in losses of associates, net	3,044	5,809	14,520
Financial expenses	46	1,095	1,177
Other expenses, net	-	-	354
	<u>4,522</u>	<u>10,137</u>	<u>26,770</u>
Income (loss) before taxes on income	9,538	(10,103)	(22,370)
Tax benefit (taxes on income)	(2,413)	(62)	1,120
	<u>7,125</u>	<u>(10,165)</u>	<u>(21,250)</u>
Net income (loss)			
Attributable to:			
The Company's shareholders	7,928	(8,058)	(17,723)
Non-controlling interests	(803)	(2,107)	(3,527)
	<u>7,125</u>	<u>(10,165)</u>	<u>(21,250)</u>
Income (loss) per share attributable to the Company's shareholders (in \$)			
Basic income (loss) per share	0.18	(0.19)	(0.41)
Diluted income (loss) per share	<u>0.17</u>	<u>(0.19)</u>	<u>(0.41)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Comprehensive Income (Loss)

	For the three months ended		For the
	March 31		year ended
	2021	2020	December 31
	Unaudited		2020
	Unaudited		Audited
	\$ thousands		
Net income (loss)	7,125	(10,165)	(21,250)
Other comprehensive income (loss) (net of tax):			
<u>Amounts that are classified or may be reclassified to profit or loss under certain conditions:</u>			
Foreign currency translation differences for foreign operation	(18)	(22)	56
<u>Total income (loss) that would be reclassified to profit or loss under certain conditions</u>	(18)	(22)	56
Total other comprehensive income (loss)	(18)	(22)	56
Total comprehensive income (loss)	7,107	(10,187)	(21,194)
Attributable to:			
Company's shareholders	7,911	(8,080)	(17,667)
Non-controlling interests	(804)	(2,107)	(3,527)
	7,107	(10,187)	(21,194)

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders									Total equity
	Issued capital	Share premium	Capital reserve for transaction with controlling shareholders	Capital reserve for financial assets measured at fair value through other comprehensive income	Capital reserve from translation differences	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	
	Unaudited									
	\$ thousands									
Balance at January 1, 2021 (audited)	9,584	211,618	351	(1,192)	45	7,218	(166,518)	61,106	17,712	78,818
Total income (loss)	-	-	-	-	-	-	7,928	7,928	(804)	7,124
Total other comprehensive loss	-	-	-	-	(17)	-	-	(17)	-	(17)
Balance at March 31, 2021	<u>9,584</u>	<u>211,618</u>	<u>351</u>	<u>(1,192)</u>	<u>28</u>	<u>7,218</u>	<u>(158,590)</u>	<u>69,017</u>	<u>16,908</u>	<u>85,925</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders									
	Issued capital	Share premium	Capital reserve for transaction with controlling shareholders	Capital reserve for financial assets measured at fair value through other comprehensive income	Capital reserve from translation differences	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	Unaudited									
	\$ thousands									
Balance at January 1, 2020 (audited)	9,584	211,618	351	(1,192)	(11)	7,010	(150,110)	77,250	25,257	102,507
Total loss	-	-	-	-	-	-	(8,058)	(8,058)	(2,107)	(10,165)
Total other comprehensive loss	-	-	-	-	(22)	-	-	(22)	-	(22)
Share-based payments	-	-	-	-	-	-	70	70	-	70
Investment in Pocared	-	-	-	-	-	18	-	18	(18)	-
Balance at March 31, 2020	9,584	211,618	351	(1,192)	(33)	7,028	(158,098)	69,258	23,132	92,390

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders									
	Issued capital	Share premium	Capital reserve for transaction with controlling shareholders	Capital reserve for financial assets measured at fair value through other comprehensive income	Capital reserve from translation differences	Capital reserve from transactions with non-controlling interests	Accumulated deficit	Total	Non-controlling interests	Total equity
	Audited									
	\$ thousands									
Balance at January 1, 2020	9,584	211,618	351	(1,192)	(11)	7,010	(150,110)	77,250	25,257	102,507
Total loss	-	-	-	-	-	-	(17,723)	(17,723)	(3,527)	(21,250)
Total other comprehensive income	-	-	-	-	56	-	-	56	-	56
Share-based payments	-	-	-	-	-	-	1,315	1,315	2	1,317
Investment in Pocared	-	-	-	-	-	208	-	208	(208)	-
Change in non-controlling interests due to loss of control over Pocared	-	-	-	-	-	-	-	-	(3,812)	(3,812)
Balance at December 31, 2020	<u>9,584</u>	<u>211,618</u>	<u>351</u>	<u>(1,192)</u>	<u>45</u>	<u>7,218</u>	<u>(166,518)</u>	<u>61,106</u>	<u>17,712</u>	<u>78,818</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Cash Flows

	For the three months ended March 31		For the year ended December 31
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
Cash flows from operating activities			
Net income (loss)	7,125	(10,165)	(21,250)
<u>Adjustments to reconcile net income (loss) to net cash used in operating activities:</u>			
<u>Adjustment to the profit or loss items:</u>			
Depreciation and amortization	121	331	891
Finance, net	(80)	485	(86)
Stock based compensation	-	70	1,317
Change in fair value of financial liabilities measured at fair value	-	56	(50)
Gain (loss) from sell, revaluation, realization of activity and changes in holdings, net	(13,918)	667	(3,789)
Equity in losses of associates, net	3,044	5,809	14,520
Taxes on income, net	2,413	62	(1,120)
Other	50	(3)	(9)
	<u>(8,370)</u>	<u>7,477</u>	<u>11,674</u>
<u>Changes in Assets and Liabilities:</u>			
Increase in other accounts receivable	(534)	(255)	(236)
Increase (decrease) in trade payables	(82)	206	135
Decrease in other accounts payable	(63)	(1,676)	(1,296)
	<u>(679)</u>	<u>(1,725)</u>	<u>(1,397)</u>
<u>Cash paid and received during the period for:</u>			
Taxes paid	-	(706)	(706)
Interest paid	(27)	(31)	(144)
Interest received	82	351	694
	<u>55</u>	<u>(386)</u>	<u>(156)</u>
Net cash used in operating activities	<u>(1,869)</u>	<u>(4,799)</u>	<u>(11,129)</u>

The accompanying notes are an integral part of the interim consolidated financial statements.

Consolidated Statements of Cash Flows

	For the three months ended		For the
	March 31		year ended
	2021	2020	December 31
	Unaudited		Audited
	\$ thousands		
Cash flows from investment activities			
Purchase of property and equipment	(8)	(210)	(281)
Investment in associates and other companies	(1,000)	(5,397)	(13,266)
Cash disposed of due to Pocared's deconsolidation	-	-	(381)
Proceeds from sale of associates and other companies	10,353	56	6,096
Sale of other investments in securities, net	401	12,654	28,371
Taxes paid as a result of sale of investments in companies	-	-	(923)
Withdrawal of (investment in) deposits, net	-	3,000	(9,000)
Net cash provided by investment activities	9,746	10,103	10,616
Cash flows from financing activities			
Receipt of long-term loans from Rafael (see Note 3.A)	8,000	-	-
Repayment of lease liability	(96)	(187)	(521)
Net cash provided by (used in) financing activities	7,904	(187)	(521)
Exchange rate differences in respect of cash and cash equivalents	7	276	477
Increase (decrease) in cash and cash equivalents	15,788	5,393	(557)
Cash and cash equivalents as of beginning of the period	16,582	17,139	17,139
Cash and cash equivalents as of end of the period	32,370	22,532	16,582

The accompanying notes are an integral part of the interim consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 1 – General

Elron Electronic Industries Ltd. ("Elron" or "the Company") is an operational holding company that focuses on building technology companies. Currently, Elron has significant holdings in medical device, cybersecurity and enterprise software companies, and is examining investment opportunities mainly in cybersecurity and enterprise software companies. The Company is an Israeli-resident company incorporated in Israel, traded on the Tel-Aviv Stock Exchange, its main market. Its registered address is ToHa Tower, 114 Yigal Alon St., 27th floor, Tel Aviv, Israel.

The Company's parent company is Discount Investment Corporation Ltd. ("DIC"), an Israeli-resident company, traded on the Tel-Aviv Stock Exchange. DIC held a 61.06% interest in the Company as of March 31, 2021 (For details regarding issuance of capital subsequent to the reporting date, including change in the holdings of DIC, see Note 3.K).

The accompanying consolidated financial statements have been prepared as of March 31, 2021, and for the three months then ended ("interim consolidated financial statements") in accordance with International Financial Reporting Standards ("IFRS") in condensed format. The interim consolidated financial statements are presented in U.S. dollars, the Company's functional currency, and are rounded to the nearest thousand. These interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements as of December 31, 2020 and the year then ended and accompanying notes ("the annual consolidated financial statements").

Note 2 – Significant Accounting Policies and Basis of presentation

The interim consolidated financial statements were prepared in accordance with generally accepted accounting policies for the preparation of financial statements for interim periods as prescribed in IAS 34 – Interim Financial Reporting, and in accordance with Section D of the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 ("the Regulations").

The significant accounting policies followed in the preparation of the interim consolidated financial statements are identical to those applied in preparation of the annual consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 3 – Material Changes During the Reporting Period**A. RDC**

RDC Rafael Development Corporation Ltd. ("RDC") is a holding company which establishes ventures and invests in early stage technology companies and consolidated by Elron. Elron holds 50.1% of RDC's outstanding shares and Rafael – Advanced Defense Systems Ltd. ("Rafael") holds the rest.

In March 2021, Elron and Rafael granted a loan to RDC in an amount of \$16,000 (in equal parts). Line item long-term loan in the statement of financial position includes the portion of the loan attributed to Rafael.

B. Alcide

Alcide.IO Ltd. ("Alcide") provides a security platform for Kubernetes deployments from code to production.

As mentioned in Note 3.B.4.d) to the annual consolidated financial statements, in January 2021, Alcide and its shareholders (including Elron) have signed a definitive agreement with Rapid7 Inc. (the "Acquirer") for the sale of the entire outstanding share capital of Alcide (the "Transaction") and that the Transaction was simultaneously completed.

Pursuant to the Transaction, in February 2021, Elron received an amount of approximately \$11,800 (of which an amount of approximately \$1,300 was deposited in escrow for a period of 18 months, mainly in order to secure certain indemnification obligations of the selling security holders to the Acquirer).

As a result of the aforementioned, in the first quarter of 2021, Elron recognized with respect to the Transaction income before tax in the amount of approximately \$11,300.

In light of the aforementioned, the Company examined the expected utilization of carryforward losses and other temporary differences and recognized in 2020 a deferred tax asset of approximately \$1,550. In the first quarter of 2021, Elron recognized tax expenses in the amount of approximately \$2,400, resulted mainly from the reversal of the tax asset recorded in 2020.

Notes to the Interim Consolidated Financial Statements**(USD in thousands, except for price per share and number of shares)**

Note 3 – Material Changes During the Reporting Period (Cont.)**C. Pocared**

Pocared Diagnostics Ltd. ("Pocared"), is developing a real-time and automated system for infectious diseases diagnosis using optical technology. As of the reporting date, Elron and RDC hold approximately 4% and 6%, respectively, of Pocared's outstanding share capital, and Pocared is accounted for under the equity method of accounting (In addition, Elron and RDC hold on a consolidated basis approximately 38% of the economic rights in Pocared).

As mentioned in Note 3.B.4.b) to the annual consolidated financial statements, in February 2021, an investment agreement was signed between Pocared and a new investor, for an investment in the amount of up to \$5,000, by way of a convertible loan. An amount of \$3,000 was invested in March 2021. As part of the financing round, all the preferred shares, the exercisable warrants and the existing loans of Pocared were converted into ordinary shares.

Elron and RDC's holdings and economic rights in Pocared's shares did not significantly change following the investment.

As a result, Elron recorded a consolidated loss in the amount of approximately \$3,300 (loss attributed to the Company's shareholders of approximately \$1,900) as a result of the realization of excess cost resulting from a decrease in Elron's participation share in profit or loss of Pocared.

D. OzCode

Oz Code Ltd. ("OzCode") has developed and markets a debugging platform for development and production environments that reduces time spent on debugging and shortens release cycles. As of the reporting date, RDC holds approximately 46% of OzCode's outstanding shares and the investment in OzCode is accounted for under the equity method of accounting.

As mentioned in Note 3.B.4.n) to the annual consolidated financial statements, in November 2020, an investment agreement was signed in Oz Code in the amount of \$1,500 with the participation of its existing shareholders (including RDC), in consideration for Preferred B shares, in two equal installments. RDC's share in this investment was \$1,000. The first installment was invested immediately and in February 2021, the second installment was invested.

In May 2021, subsequent to the reporting date, an investment agreement (SAFE) was completed in OzCode, with the participation of some of its shareholders, in the amount of \$300, according to which, the investment will be converted into OzCode shares under certain conditions stipulated in the agreement. RDC's share in the investment was \$200.

Notes to the Interim Consolidated Financial Statements**(USD in thousands, except for price per share and number of shares)**

Note 3 – Material Changes During the Reporting Period (Cont.)**E. Sighted**

Sighted Technologies Ltd. ("Sighted"), is developing a security platform to detect and defeat SaaS-native threats. As of the reporting date, RDC holds approximately 21% of Sighted's outstanding shares and the investment in Sighted is accounted for under the equity method of accounting.

As mentioned in Note 3.B.4.q) to the annual consolidated financial statements, in December 2020, RDC completed its first investment in Sighted in an amount of \$3,100. According to the investment agreement, a total amount of approximately \$2,200 was invested in consideration for preferred shares and an amount of \$900 was invested in the form of investment agreement (SAFE) which will be converted into Sighted shares, under certain conditions, stipulated in the agreement. In March 2021, the investment agreement was extended and an additional amount of approximately \$2,700 was invested in consideration for preferred shares (RDC's share was approximately \$100).

F. Kzen

Kzen Networks Ltd. ("Kzen") is a company that develops and provides a secure crypto wallet which does compromise security with the user experience. As of the reporting date, Elron holds approximately 8% of Kzen's outstanding shares and the investment in Kzen is accounted for as a financial asset measured at fair value through profit or loss.

In April 2021, subsequent to the reporting date, an investment in the amount of approximately \$20,000 was completed, led by a new investor in consideration for preferred A shares (Elron's share was approximately \$1,300). As part of the investment agreement, the SAFE (Simple Agreement for Future Equity) balance in amount of \$3,750 was converted into Preferred A-1 shares (Elron's share was approximately \$350).

In addition, some of Kzen's shareholders, including Elron, completed purchase of ordinary shares from other Kzen's shareholders in consideration for approximately \$1,500 (Elron's share was approximately \$350). Elron's holdings in Kzen did not significantly change following this investment agreement.

The fair value of the investment in Kzen was determined with the assistance of an independent appraiser and was estimated at approximately \$6,260 (this value includes the total investment which was invested in April 2021, subsequent to the reporting date, as aforementioned). As a result, Elron recorded a gain of \$2,793 from the change in the value of the investment in Kzen. The valuation was conducted in accordance with the Option Pricing Model (OPM), using the value derived from the aforementioned April 2021 investment agreement. The valuation used standard deviation of 120.74%, five comparison companies and cryptocurrencies and risk-free interest of 0.56%.

Notes to the Interim Consolidated Financial Statements**(USD in thousands, except for price per share and number of shares)**

Note 3 – Material Changes During the Reporting Period (Cont.)**G. Kindite**

Kindite Ltd. ("Kindite") developed an encryption platform for cloud and other applications that enables search and retrieval of data while maintaining complete end to end encryption. As of the reporting date, RDC holds approximately 28% of Kindite's outstanding shares and the investment in Kindite is accounted for under the equity method of accounting.

As mentioned in Note 3.B.4.m) to the annual consolidated financial statements, in January 2021, a loan agreement was signed in an amount of approximately \$500 (RDC's share was approximately \$400 and was invested in February and March 2021). In March 2021, Kindite sold all its assets in consideration for approximately \$8,200. RDC's expected share in the sale consideration is approximately \$3,700 and as a result, in the first quarter of 2021, RDC recognized a gain from realization of associate's operation in the amount of \$3,700. Subsequent to the reporting date, RDC received an initial amount of approximately \$2,500 from the said consideration.

H. Cynerio

Cynerio Israel Ltd. ("Cynerio") is developing a platform that enables healthcare providers to secure patient data and connected medical devices against cyber threats. As of the reporting date, RDC holds approximately 24% of Cynerio's outstanding shares and the investment in Cynerio is accounted for under the equity method of accounting.

In April 2021, subsequent to the reporting date, an investment agreement in Cynerio was signed in the amount of up to \$25,000 led by a new investor and with the participation of its existing investors in consideration for preferred B-1 shares. An amount of \$13,250 was invested immediately (RDC's share in this amount was \$2,250).

In addition, the SAFE balance from November 2019 in the amount of \$3,000 (as detailed in Note 3.B.4.1) to the annual consolidated financial statements) in consideration for preferred B-2 shares (RDC's share was \$750). Following the said investment, RDC's holding in Cynerio's outstanding shares decreased to 22%.

Notes to the Interim Consolidated Financial Statements**(USD in thousands, except for price per share and number of shares)**

Note 3 – Material Changes During the Reporting Period (Cont.)**I. Aqwise**

Aqwise – Wise Water Technologies Ltd. ("Aqwise") provides biological water and wastewater treatment solutions for the industrial and municipal markets. Elron holds approximately 19.8% of Aqwise's outstanding shares and 18% on a fully diluted basis and the investment in Aqwise is accounted for as a financial asset measured at fair value through profit or loss.

In April 2021, subsequent to the reporting date, an agreement for sale the entire shares of Aqwise was signed for a consideration consisting of immediate consideration, an escrow deposit and additional consideration contingent in Aqwise's results in the years 2021 and 2022. There is no assurance as to the completion of the Transaction and the timing thereof. The investment in Aqwise as of March 31 2021, is in the amount of \$2,400 and reflects the estimate of the consideration that is expected to be received as a result of the sale of Aqwise as mentioned above. As a result, in the first quarter of 2021, Elron recognized a loss of approximately \$550 under line item gain (loss) from sale, revaluation, realization of operation and changes in holdings, net, due to the decrease in the value of Elron's holding in Aqwise.

As of March 31, 2021, the investment in Aqwise complied with the terms set in the International Financial Reporting Standard 5 for classification as a non-current asset held for sale, and accordingly, the investment was classified as an asset held for sale in the statement of financial position as of March 31, 2021.

J. SecuredTouch

SecuredTouch Inc. ("SecuredTouch") develops and provides a solution that profiles users based on their physical behavior with mobile devices, allowing for seamless and persistent identity verification. As of the reporting date, RDC holds approximately 28% of SecuredTouch's outstanding shares and the investment in SecuredTouch is accounted for under the equity method of accounting.

In April 2021, subsequent to the reporting date, an investment agreement (SAFE) was completed in SecuredTouch, with the participation of its existing shareholders, in an amount of \$1,030, according to which, the investment will be converted into SecuredTouch shares under certain conditions stipulated in the agreement. RDC's share in the investment was \$430.

K. Equity

On April 20, 2021, subsequent to the reporting date, the Company issued 8,855,400 ordinary shares of NIS 0.003 par value on the Tel Aviv Stock Exchange, in consideration for (net, after issuance expenses) approximately NIS 109,500 thousand (approximately \$33,600). DIC invested in this issuance a total of NIS 61,740 thousand (approximately \$19,000) and following this investment, holds 60.08% of the issued share capital of Elron.

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 4 – Summarized data of the financial statements of associates, unadjusted to the Group's percentage of holdings

	<u>Current assets</u>	<u>Non-current assets</u>	<u>Total assets</u>	<u>Current liabilities</u>	<u>Non-current liabilities</u>	<u>Total liabilities</u>	<u>Equity attributable to shareholders of the company</u>	<u>Equity attributable to non-controlling interests</u>
As of March 31, 2021 (unaudited)								
BrainsGate Ltd.	12,731	323	13,054	1,636	1,769	3,405	9,649	-
CartiHeal (2009) Ltd.	14,501	1,259	15,760	951	2,287	3,238	12,522	-
Pocared Diagnostics Ltd. (*)	2,023	757	2,780	1,852	3,442	5,294	(2,514)	-
As of March 31, 2020 (unaudited)								
BrainsGate Ltd.	7,322	454	7,776	1,631	6,600	8,231	(455)	-
CartiHeal (2009) Ltd.	8,718	1,612	10,330	1,215	2,193	3,408	6,922	-
As of December 31, 2020 (audited)								
BrainsGate Ltd.	13,975	359	14,334	2,078	1,807	3,885	10,449	-
CartiHeal (2009) Ltd.	17,803	1,343	19,146	2,248	2,265	4,513	14,633	-
Pocared Diagnostics Ltd.	541	834	1,375	1,615	9,517	11,132	(9,757)	-

(*) In addition, the investment in Pocared includes excess cost in the amount of approximately \$9,875.

	<u>Revenues</u>	<u>Gross profit</u>	<u>Operating loss</u>	<u>Loss from continuing operations</u>	<u>Loss for the year</u>	<u>Loss attributable to shareholders of the company</u>	<u>Loss attributable to non-controlling interests</u>	<u>Other comprehensive income (loss)</u>	<u>Total comprehensive loss</u>
For the three months period ended March 31, 2021 (unaudited)									
BrainsGate Ltd.	-	-	(826)	(820)	(820)	(820)	-	-	(820)
CartiHeal (2009) Ltd.	-	-	(2,333)	(2,380)	(2,380)	(2,380)	-	-	(2,380)
Pocared Diagnostics Ltd.	-	-	(1,303)	(2,025)	(2,025)	(2,025)	-	-	(2,025)
For the three months period ended March 31, 2020 (unaudited)									
BrainsGate Ltd.	-	-	(1,133)	(1,294)	(1,294)	(1,294)	-	-	(1,294)
CartiHeal (2009) Ltd.	-	-	(1,849)	(1,863)	(1,863)	(1,863)	-	-	(1,863)
For the year ended December 31, 2020 (audited)									
BrainsGate Ltd.	-	-	(4,085)	595	595	595	-	-	595
CartiHeal (2009) Ltd.	-	-	(8,452)	(8,694)	(8,694)	(8,694)	-	-	(8,694)
Pocared Diagnostics Ltd.	-	-	(4,766)	(5,452)	(5,452)	(5,452)	-	-	(5,452)

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 5 – Financial instruments

A. Fair value

The carrying amount of all of the Company's financial assets and liabilities, including cash and cash equivalents, bank deposits, other investments in securities, other accounts receivable, other investments measured at fair value, long term receivables, other accounts payable, trade payables, financial liabilities measured at fair value through profit or loss and long-term loans, conform to or approximate their fair values.

B. Classification of financial instruments by fair value hierarchy

The financial instruments presented in the statement of financial position at fair value are grouped into classes with similar characteristics using the following fair value hierarchy which is determined based on the source of input used in measuring fair value:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable either directly or indirectly.
- Level 3 - inputs that are not based on observable market data (valuation techniques which use inputs that are not based on observable market data).

Financial assets measured at fair value:

	As of March 31, 2021		
	Unaudited		
	Level 1	Level 2	Level 3
Other investments measured at fair value	-	-	19,880
Other investments in securities	-	4,002	-
Other accounts receivable	-	-	646
Investment classified as held for sale	-	-	2,400
	-	4,002	22,926
	As of March 31, 2020		
	Unaudited		
	Level 1	Level 2	Level 3
Other investments measured at fair value	-	-	20,373
Other investments in securities	-	19,978	-
Other accounts receivable	-	-	1,207
	-	19,978	21,580
Financial liabilities measured at fair value through profit or loss	-	-	176

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 5 – Financial instruments (Cont.)

	As of December 31, 2020		
	Audited		
	Level 1	Level 2	Level 3
Other investments measured at fair value	-	-	20,506
Other investments in securities	-	4,438	-
Other accounts receivable	-	-	646
	<u>-</u>	<u>4,438</u>	<u>21,152</u>

Changes in financial assets classified in Level 3:

For the first quarter of 2021:

	Financial assets measured at fair value
Balance as of January 1, 2021 (audited)	21,152
Total recognized loss in profit or loss, net (*)	2,245
Conversion of warrants for shares of Pocared (see Note 3.C)	(471)
Balance as of March 31, 2021 (unaudited)	<u>22,926</u>

(*) The entire loss included in profit or loss relating to assets and liabilities held at the end of the reporting period.

For the first quarter of 2020:

	Financial assets measured at fair value	Financial liabilities measured at fair value
Balance as of January 1, 2020 (audited)	22,303	(120)
Total recognized loss in profit or loss, net (*)	(723)	(56)
Balance as of March 31, 2020 (unaudited)	<u>21,580</u>	<u>(176)</u>

Notes to the Interim Consolidated Financial Statements

(USD in thousands, except for price per share and number of shares)

Note 5 – Financial instruments (Cont.)

For the year ended December 31, 2020:

	Financial assets measured at fair value	Financial liabilities measured at fair value
	Audited	
Balance as of January 1, 2020	22,303	(120)
Total recognized income (loss) in profit or loss, net	(3,752)	50
Investment	2,130	-
Pocared's deconsolidation	471	70
Balance as of December 31, 2020	<u>21,152</u>	<u>-</u>

C. Valuation techniques

For details on the fair value of investments in unquoted shares, see Note 7 to the annual consolidated financial statements.

ANNEX TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

A. Details relating to investments in the interim consolidated financial statements as of March 31, 2021

	Rate of holdings in equity		Consolidated rate of holdings in equity	Elron's effective rate of holdings in equity (3)	Fully diluted consolidated rate of holdings	Elron's fully diluted effective rate of holdings (3)	Consolidated carrying value of investment March 31, 2021
	Elron (1)	RDC (2)					
				%			
<u>Investments in investee companies</u>							
<u>Associates:</u>							
BrainsGate Ltd.	27.88	-	27.88	27.88	24.95	24.95	532
Cartiheal (2009) Ltd.	27.07	-	27.07	27.07	24.98	24.98	1,118
Pocared Diagnostics Ltd (4)	4.00	5.99	9.99	7.00	9.83	6.89	8,100
Coramaze technologies Ltd (5)	30.12	-	30.12	30.12	27.12	27.12	409
SixGill Ltd.	23.40	-	23.40	23.40	19.76	19.76	859
SecuredTouch Inc.	-	27.99	27.99	14.02	25.20	12.62	-
Open Legacy Technologies Ltd.	-	22.66	22.66	11.35	18.28	9.16	-
IronScales Ltd.	-	12.68	12.68	6.35	11.69	5.86	-
Nitiniotes Ltd.	24.96	-	24.96	24.96	22.16	22.16	-
Kindite Ltd.	-	27.86	27.86	13.96	24.99	12.52	3,700
Oz Code Ltd.	-	46.01	46.01	23.05	33.69	16.88	-
Cynerio Israel Ltd.	-	23.75	23.75	11.90	21.61	10.83	-
Sayata Labs Ltd.	-	18.73	18.73	9.39	17.12	8.58	1,084
SinuSafe Medical Ltd.	21.90	-	21.90	21.90	19.74	19.74	-
One View Space Ltd.	-	9.79	9.79	4.91	8.82	4.42	228
Plymedia Israel (2006) Ltd.	21.79	-	21.79	21.79	14.37	14.37	-
Sighted Technologies Ltd.	-	21.33	21.33	10.68	19.45	9.74	3,009
<u>Other investments: (6)</u>							
Notal Vision Inc.	11.58	-	11.58	11.58	9.53	9.53	7,700
Aqwise – Wise Water Technologies Ltd. (7)	19.73	-	19.73	19.73	17.94	17.94	2,400
AudioBurst Ltd.	7.20	-	7.20	7.20	6.23	6.23	2,600
N-Drip Ltd.	-	4.82	4.82	2.42	4.16	2.08	1,530
Kzen Networks Ltd.	7.76	-	7.76	7.76	7.25	7.25	4,593
Azura Ophthalmics Ltd.	3.13	-	3.13	3.13	2.72	2.72	570
Atlantium Technologies Ltd.	6.16	-	6.16	6.16	5.49	5.49	130
Forsight Vision6 Inc.	3.63	-	3.63	3.63	2.87	2.87	200

(1) Including holdings through Elron's fully-owned subsidiary.

(2) Including holdings through a fully-owned subsidiary of RDC.

(3) Elron's effective holdings include holdings by RDC multiplied by 50.10% (Elron's holding rate in RDC).

(4) For details regarding the holding of additional rights, see Note 3.B.4.b) to the annual consolidated financial statements.

(5) Includes indirect holdings through Coramaze Technologies GmbH.

(6) Invision Software Technologies Ltd. is held by RDC through SAFE investment, its book value is \$2,000, for further details see Note 7.F to the annual consolidated financial statements.

(7) in April 2021, subsequent to the reporting date, an agreement for its sale was signed. (see Note 3.I).

Elron Electronic Industries Ltd.

English Translation of Financial Data from the
Interim Consolidated Financial Statements
Attributable to the Company

As of
March 31, 2021
Unaudited

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**The Shareholders of Elron Electronic Industries Ltd
ToHa Tower, Yigal Alon 114
Tel Aviv, 6744320
Israel**

Re: **Special report to the review of the separate interim financial information in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970**

Introduction

We have reviewed the separate condensed interim financial information disclosed in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970 of Elron Electronic Industries Ltd. (the "Company") as of March 31, 2021 and for the three months period then ended. The Company's board of directors and management are responsible for the separate condensed interim financial information. Our responsibility is to express a conclusion on the separate condensed interim financial information based on our review.

We did not review the condensed interim financial information of associates, the investment in which, at the equity method, amounted to approximately \$2,928 thousand as of March 31, 2021, and the Company's share in their losses amounted to approximately \$590 thousand for the three months period then ended. The condensed interim financial information of those associates was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial information in respect of those associates, is based on the review reports of the other auditors.

Scope of review

We conducted our review in accordance with Review Standard 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review and the report of the other auditor, nothing has come to our attention that causes us to believe that the accompanying separate condensed interim financial information is not prepared, in all material respects, in accordance with Regulation 38d to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel-Aviv, Israel
May 20, 2021

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

*Kesselman & Kesselman, Azrieli Town, Derech Menachem Begin 146, Tel-Aviv 6492103, Israel,
P.O Box 7187 Tel-Aviv 6107120 Telephone: +972 -3- 7954555, Fax:+972 -3- 7954556, www.pwc.com/il*

Special Report according to Regulation 38d

Financial Data and Information from the Interim Consolidated Financial Statements

Attributable to Elron Electronic Industries Ltd. ("the Company")

The following separate financial data and information attributable to the Company ("Separate Data") are derived from the Company's Interim Consolidated Financial Statements as of March 31, 2021, and for the three months then ended ("the Interim Consolidated Financial Statements"), which form part of the Company's periodic reports. The Separate Data is presented in accordance with Regulation 38d of the Israel Securities Regulations (Periodic and Immediate Reports) – 1970.

The significant accounting policies followed in the preparation of the following Separate Data are identical to those applied in the preparation of the Company's consolidated annual financial statements for the year ended December 31, 2020 ("Consolidated Financial Statements for 2020") and the Company's Interim Consolidated Financial Statements, apart from differences arising from compliance with the aforementioned regulations.

Presentation of transactions which were eliminated in the interim consolidated financial statements

Intercompany balances, transactions and cash flows between the Company and its subsidiaries were eliminated in the preparation of the Company's Interim Consolidated Financial Statements.

In the Separate Data, such transactions are presented as follows:

- Financial position data attributable to the Company include balances in respect of the Company's subsidiaries which were eliminated in the Interim Consolidated Financial Statements.
- Income and loss data attributable to the Company include income and expenses of the Company resulting from transactions with its subsidiaries, which were eliminated in the Interim Consolidated Financial Statements.
- Cash flow data attributable to the Company include cash flows between the Company and its subsidiaries which were eliminated in the Interim Consolidated Financial Statements.

Data from the Interim Consolidated Financial Statements on the Financial Position Attributable to the Company as of

	March 31,		December 31,
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
<u>Current assets</u>			
Cash and cash equivalents	4,810	7,257	4,132
Bank deposits	11,090	-	11,046
Other investments in securities	3,739	15,018	3,770
Other accounts receivable	861	512	273
Investment in associate classified as held for sale	-	-	373
Investment in a company measured at fair value classified as held for sale	2,400	-	-
	<u>22,900</u>	<u>22,787</u>	<u>19,594</u>
<u>Non-current assets</u>			
Investments in subsidiaries and associates, net	74,681	78,122	78,729
Investments in other companies measured at fair value	16,062	18,585	16,425
Loan to subsidiary (see Note 2)	8,000	-	-
Long-term receivables	1,320	-	-
Right-of-use assets	1,412	1,835	1,518
Property, plant and equipment, net	262	223	270
Deferred taxes	-	-	1,550
	<u>101,737</u>	<u>98,765</u>	<u>98,492</u>
<u>Total assets</u>	<u><u>124,637</u></u>	<u><u>121,552</u></u>	<u><u>118,086</u></u>

The accompanying additional information is an integral part of the separate financial data and information.

Data from the Interim Consolidated Financial Statements on the Financial Position Attributable to the Company as of

	<u>March 31,</u>		<u>December 31,</u>
	<u>2021</u>	<u>2020</u>	<u>2020</u>
	<u>Unaudited</u>		<u>Audited</u>
	<u>\$ thousands</u>		
<u>Current liabilities</u>			
Trade payables	75	269	136
Current maturities of lease liabilities	248	475	318
Other accounts payable	1,857	2,303	2,024
	<u>2,180</u>	<u>3,047</u>	<u>2,478</u>
<u>Long-term liabilities</u>			
Lease liabilities	1,319	1,362	1,404
Deferred taxes	918	-	-
Other long term liabilities (Note 3)	51,203	47,885	53,098
	<u>53,440</u>	<u>49,247</u>	<u>54,502</u>
<u>Equity attributable to the Company's shareholders</u>			
Issued capital	9,584	9,584	9,584
Share premium	211,618	211,618	211,618
Capital reserves	6,405	6,154	6,422
Accumulated deficit	(158,590)	(158,098)	(166,518)
Total equity	<u>69,017</u>	<u>69,258</u>	<u>61,106</u>
	<u>124,637</u>	<u>121,552</u>	<u>118,086</u>

The accompanying additional information is an integral part of the separate financial data and information.

Zahi Nahmias
Chairman of the Board of Directors

Yaron Elad
Chief Executive Officer

Niv Levy
Chief Financial Officer

Approval date of the interim consolidated financial statements: May 20, 2021

Data from the Interim Consolidated Financial Statements of Income (Loss) Attributable to the Company

	For the three months ended		For the
	March 31,	2020	year ended
	2021	2020	December 31,
	Unaudited		Audited
	\$ thousands		
<u>Income</u>			
Financial income (Note 2)	1,731	1,617	436
<u>Expenses</u>			
General and administrative expenses	928	1,032	5,566
Financial expenses (Note 2)	36	543	3,813
Other expenses	-	-	354
	964	1,575	9,733
	767	42	(9,297)
Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net	13,154	(723)	(2,271)
Company's share of loss of subsidiaries and associates, net	(3,580)	(7,377)	(7,705)
Income (loss) before taxes on income	10,341	(8,058)	(19,273)
Tax benefit (taxes on income), net	(2,413)	-	1,550
Income (loss) attributable to the Company's shareholders	7,928	(8,058)	(17,723)

The accompanying additional information is an integral part of the separate financial data and information.

Data from the Interim Consolidated Financial Statements on the Comprehensive Income (Loss) Attributable to the Company

	For the three months ended		For the
	March 31,		year ended
	2021	2020	December 31,
	Unaudited		2020
	\$ thousands		Audited
Income (loss) attributable to the Company's shareholders	7,928	(8,058)	(17,723)
Other comprehensive income (loss) net of tax:			
<u>Amounts that are classified or may be reclassified to profit or loss under certain conditions:</u>			
Foreign currency translation differences for foreign operation	(17)	(22)	56
<u>Total loss that would be reclassified to profit or loss under certain conditions</u>	(17)	(22)	56
Total other comprehensive income (loss) attributable to the Company	(17)	(22)	56
Total comprehensive income (loss) attributable to the Company's shareholders	7,911	(8,080)	(17,667)

The accompanying additional information is an integral part of the separate financial data and information.

Data from the Interim Consolidated Financial Statements on the Cash Flows Attributable to the Company

	For the three months ended March 31,		For the year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
<u>Cash flows from operating activities</u>			
Income (loss) attributable to the Company	7,928	(8,058)	(17,723)
<u>Adjustments to reconcile net income (loss) to net cash used in operating activities:</u>			
<u>Adjustment to the profit or loss items:</u>			
Company's share of loss of subsidiaries and associates	3,580	7,377	7,705
Depreciation and amortization	114	117	455
Finance, net	(49)	391	100
Share based compensation	-	70	1,315
Taxes on income	2,413	-	(1,550)
Loss (gain) from disposal and revaluation of investee companies and changes in holdings, net	(13,154)	723	2,271
Other	323	194	(590)
	<u>(6,773)</u>	<u>8,872</u>	<u>9,706</u>
<u>Changes in assets and liabilities of the Company:</u>			
Increase in other accounts receivable	(588)	(418)	(179)
Increase (decrease) in trade payables	(61)	214	70
Decrease in other accounts payable	(226)	(1,885)	(2,059)
Increase (decrease) in other long term liabilities	(1,895)	(1,511)	3,702
	<u>(2,770)</u>	<u>(3,600)</u>	<u>1,534</u>
<u>Cash received during the period for:</u>			
Interest paid	(27)	(27)	(109)
Interest received	63	191	383
	<u>36</u>	<u>164</u>	<u>274</u>
Net cash used in operating activities	<u>(1,579)</u>	<u>(2,622)</u>	<u>(6,209)</u>

The accompanying additional information is an integral part of the separate financial data and information.

Data from the Interim Consolidated Financial Statements on the Cash Flows Attributable to the Company
(Cont.)

	For the three months ended March 31,		For the year ended December 31,
	2021	2020	2020
	Unaudited		Audited
	\$ thousands		
<u>Cash flows from investment activities</u>			
Purchase of property and equipment	-	(207)	(275)
Investment in associates and subsidiaries	-	(4,500)	(4,926)
Proceeds from sale of associates and other companies	10,353	-	856
Sale of other investments in securities, net	-	6,241	17,624
Withdrawal of banks deposits, net	-	-	(11,000)
Grating a loan to associate (see Note 2)	(8,000)	-	-
Net cash provided by investment activities	<u>2,353</u>	<u>1,534</u>	<u>2,279</u>
<u>Cash flows from financing activities</u>			
Repayment of lease liability	<u>(96)</u>	<u>(92)</u>	<u>(375)</u>
Net cash used in financing activities	<u>(96)</u>	<u>(92)</u>	<u>(375)</u>
Increase (decrease) in cash and cash equivalents	<u>678</u>	<u>(1,180)</u>	<u>(4,305)</u>
Cash and cash equivalents as of beginning of the period	<u>4,132</u>	<u>8,437</u>	<u>8,437</u>
Cash and cash equivalents as of end of the period	<u>4,810</u>	<u>7,257</u>	<u>4,132</u>

The accompanying additional information is an integral part of the separate financial data and information.

ADDITIONAL INFORMATION

1. General

The accompanying condensed separate financial data as of March 31, 2021 and for the three months then ended, have been prepared in accordance with Regulation 38d of the Israel Securities Regulations (Periodic and Immediate Reports) – 1970. The accompanying separate financial data should be read in conjunction with the Company's Consolidated Financial Statements for 2020, the Company's Interim Consolidated Financial Statements and accompanying notes.

2. Loan to associate

In March 2021, the Company granted a loan to its subsidiary RDC Rafael Development Corporation Ltd. (hereinafter "RDC") in the amount of \$8,000 thousand. For further details regarding the loan granted by the Company to RDC, see Note 3.A to the Interim Consolidated Financial Statements.

3. Other long term liabilities

Other long term liabilities include liabilities towards Elbit Ltd. ("Elbit") which is a fully owned corporate company of Elron. The balance is comprised of non-interest bearing and unlinked NIS capital note. Exchange rate differences related to this capital note are included under line item financial income or financial expenses in the statement of income (loss).

Elron Electronic Industries Ltd.

Part IV

**English Translation of Quarterly Report
regarding the Effectiveness of the Internal
Control over Financial Reporting and
Disclosure pursuant to Regulation 38C:**

As of March 31, 2021

Attached herein is a quarterly report regarding the effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 38C of the Israel Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Quarterly report regarding the effectiveness of the internal control over financial reporting and disclosure, pursuant to Regulation 38C(a):

Management, under the supervision of the board of directors of Elron Electronic Industries Ltd. (the "**Corporation**"), is responsible for establishing and maintaining adequate internal controls over the financial reporting and disclosure in the Corporation.

In this regard, the members of management are:

1. Mr. Yaron Elad, CEO;
2. Mr. Niv Levy, CFO.

The Corporation's internal control over financial reporting and disclosure is a process designed by, or under the supervision of, the Corporation's principal executive and principal financial officer, or persons performing similar functions, and under the board of directors' supervision, that is meant to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with the provisions of the law, and to ensure that the information that the Corporation is required to disclose in its reports according to the provisions of the law is recorded, processed, summarized and reported in a timely manner, in the format prescribed by law.

The internal control includes, inter alia, controls and procedures which were designed to ensure that information which the Corporation is required to disclose as aforesaid, is recorded and made available to the Corporation's management, including the principal executive officer and principal financial officer, or persons performing similar functions, as necessary to permit the timely adoption of resolutions pertaining to disclosure requirements.

Because of its inherent limitations, internal control over financial reporting and disclosure is not intended to provide absolute assurance regarding prevention or detection of misstatements or omissions.

In the annual report on the effectiveness of the internal control over financial reporting and disclosure which was attached to the periodic report for the period ended December 31, 2020 (the "**Last Annual Report Regarding the Internal Control**"), the board of directors and management assessed the Corporation's internal control. Based on this assessment, the Corporation's board of directors and management deemed the internal control as of December 31, 2020 effective.

Up until the date of this report, no event or matter was brought to the attention of management or the board of directors which would change the assessment of the effectiveness of the internal control, as set forth in the Last Annual Report Regarding the Internal Control.

As of the date of this report, based on the assessment of the effectiveness of the internal control in the Last Annual Report Regarding the Internal Control, and based on information which was brought to the attention of management and the board of directors as aforesaid, the internal control is effective.

Declaration of the Principal Executive Officer pursuant to Regulation 38C(d)(1):

Managers' Declaration

Declaration of the Chief Executive Officer

I, Yaron Elad, declare that:

- (1) I have examined the quarterly report of Elron Electronic Industries Ltd. (the "**Corporation**") for the first quarter of 2021 (the "**Reports**");
- (2) Based on my knowledge, the Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Reports;
- (3) Based on my knowledge, the financial statements and other financial information included in the Reports, fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation, as of, and for the periods presented in the Reports;
- (4) I have disclosed to the Corporation's independent auditors, board of directors and audit committee of the Corporation's board of directors, based on my most recent assessment of internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize or report financial information in a manner which may cast doubt on the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and –
 - (b) Any fraud, whether or not material, which involves the principal executive officer, a direct subordinate of the principal executive officer, or other employees who have a significant role in the internal control over financial reporting and disclosure.
- (5) I, alone or together with others in the Corporation, have:
 - (a) Designed such controls and procedures, or caused such controls and procedures to be designed and maintained under my supervision, to ensure that material information relating to the Corporation, including its consolidated subsidiaries as defined in the Israel Securities Law (Annual Financial Statements), 5770-2010, is made known to me by others within the Corporation and the consolidated subsidiaries, particularly during the period in which the Reports are being prepared; and –
 - (b) Designed such controls and procedures, or caused such controls and procedures to be designed and maintained under my supervision, to reasonably ensure the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with GAAP;
 - (c) No event or matter was brought to my attention during the period between the date of the last report (quarterly or periodic, as relevant) and the date of this report, which would change the conclusion of the board of directors and management regarding the effectiveness of the internal control over financial reporting and disclosure of the Corporation.

Nothing in the aforesaid derogates from my responsibility or the responsibility of any other person, pursuant to any law.

May 20, 2021

Yaron Elad, CEO

Declaration of the Principal Financial Officer pursuant to Regulation 38C(d)(2):

Managers' Declaration

Declaration of Principal Financial Officer

I, Niv Levy, declare that:

- (1) I have examined the interim financial statements and other financial information which is included in the interim reports of Elron Electronic Industries Ltd. (the "**Corporation**") for the first quarter of 2021 (the "**Reports**" or the "**Interim Reports**");
- (2) Based on my knowledge, the interim financial statements and other financial information which is included in the Interim Reports do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by the Reports;
- (3) Based on my knowledge, the interim financial statements and other financial information included in the Interim Reports fairly present, in all material respects, the financial condition, results of operations and cash flows of the Corporation, as of, and for the periods presented in the Reports;
- (4) I have disclosed to the Corporation's independent auditor, board of directors and the audit committee of the Corporation's board of directors, based on my most recent assessment of internal control over financial reporting and disclosure:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure, insofar as the same refers to the interim financial statements and other financial information which is included in the Interim Reports, which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize or report financial information in a manner which may cast doubt on the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law; and –
 - (b) Any fraud, whether or not material, which involves the principal executive officer, a direct subordinate of the principal executive officer, or other employees who have a significant role in the internal control over the financial reporting and disclosure.
- (5) I, alone or together with others in the Corporation, have:
 - (a) Designed controls and procedures, or caused such controls and procedures to be designed and maintained under our supervision, to ensure that material information relating to the Corporation, including its consolidated subsidiaries as defined in the Israel Securities Law (Annual Financial Statements), 5770-2010, is made known to me by others in the Corporation and the consolidated subsidiaries, particularly during the period in which the Reports are being prepared; and –
 - (b) Designed such controls and procedures, or caused such controls and procedures to be designed and maintained under my supervision, to reasonably ensure the reliability of the financial reporting and preparation of the financial statements in accordance with the provisions of the law, including in accordance with GAAP;
 - (c) No event or matter was brought to my attention during the period between the date of the last report (quarterly or periodic, as relevant) and the date of this report, relating to the interim financial statements and other financial information included in the Interim Reports, which would change, in my assessment, the conclusion of the board of directors and management regarding the effectiveness of the internal control over financial reporting and disclosure of the Corporation.

Nothing in the aforesaid derogates from my responsibility or the responsibility of any other person, pursuant to any law.

May 20, 2021

Niv Levy, CFO



May 20, 2021

To:

The Board Of Directors of
Elron Electronic Industries Ltd. ("the Company")

Dear Sirs,

Re: Auditors' Consent in connection with the self prospectus of the Company published
February 2019

We hereby consent to the incorporation (including by reference) of our reports described below in connection with the shelf prospectus from February 2019:

- (1) Auditors' review report from May 20, 2021 regarding the interim consolidated financial information of the Company as of March 31, 2021 and for the three months period then ended.
- (2) Auditors' report from May 20, 2021 regarding the separate interim financial information of the Company as of March 31, 2021 and for the three months period then ended in accordance with Regulation 38d to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Kind Regards,

Kesselman & Kesselman
Certified Public Accountants (Isr.)
A member firm of PricewaterhouseCoopers International Limited

English Translation of Liabilities report of the Company by repayment date

Section 36a to the Israel Securities Law (1968)

Report as of March 31, 2021

Following are the liabilities of the Company by repayment date:

The following data are presented in NIS and were translated from USD to NIS using the exchange rate as of March 31, 2021 (1 USD = 3.334 NIS)

A. Debentures issued to the public by the reporting Entity and held by the public, excluding debentures held by the Company's parent, controlling shareholder, companies controlled by one of the parties mentioned above or by companies controlled by the company - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

B. Private debentures and non-bank credit, excluding debentures or credit granted by the Company's parent, controlling shareholder, companies controlled by one of the parties mentioned above or by companies controlled by the company - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

C. Bank credit from Israeli banks - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

D. Bank credit from non-Israeli banks - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

E. Summary of tables A-D, totals of: bank credit, non-bank credit and debentures - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

F. Off-balance credit exposure - based on separate financial data of the Entity ("Solo" reports) (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

G. Off-balance credit exposure of all consolidated companies, excluding companies that are considered as reporting companies, and excluding the reporting Company's data described above in Table F (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

H. Totals of: bank credit, non-bank credit, and debentures of all consolidated companies, excluding companies that are considered as reporting companies and excluding the data of the reporting Entity described above in Tables A-D (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	26,672	0	6,672	33,344
Total	0	0	0	26,672	0	6,672	33,344

I. Total credit granted to the reporting Entity by the parent company or controlling shareholder, and total amounts of debentures issued by the reporting Entity that are held by the parent company or controlling shareholder (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

J. Credit granted to the reporting Entity by companies controlled by the parent company or by the controlling shareholder, and are not controlled by the reporting Entity, and debentures issued by the reporting Entity held by companies controlled by the parent company or by controlling shareholder and are not controlled by the reporting Entity (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

K. Credit granted to the reporting Entity by consolidated companies and debentures issued by the reporting Entity held by consolidated companies (NIS in thousands)

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	0	0	0	0
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0

L. (1) Cash and cash equivalents, marketable securities and short-term deposits based on the Company's separate financial data (NIS in thousands)

(2) Cash and cash equivalents, marketable securities and short-term deposits based on the Company's consolidated Statements (NIS in thousands)

65,477
171,685