ELRON VENTURES LTD.

English Translation of Periodic Report
for the Third Quarter of 2023
Filed with the Israel Securities Authority

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ELRON VENTURES LTD.

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Part I

Board of Directors Report for the Third Quarter of 2023

Elron Ventures Ltd.
Part I
English Translation of Board of Directors Report
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1. Board of Directors' Analysis of the Company's Business

1.1. Company Description

1.1.1. General

Elron Ventures Ltd. ("Elron", the "Company") is an operational holding company that focuses on building technology companies. Currently, Elron has significant holdings in cybersecurity, enterprise software and medical device 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 September 30, 2023 (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 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 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.
- **CartiHeal (2009) Ltd. (30%) ("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. As of March 31, 2023, the date of the return of CartiHeal’s shares, CartiHeal is classified as main company (for further details see section 1.2.3 below).
- **SixGill Ltd. (23%) ("SixGill")** - SixGill develops and provides an automated system that crawls the Deep, Dark and Surface Web and extracts information to provide its customers with relevant intelligence and alerts regarding possible or ongoing cyber-attacks against the enterprise.
- **IronScales Ltd. (8% 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.
- **Sayata Labs Ltd. (20% by RDC) ("Sayata")** – Sayata is developing software that combines the expertise of cybersecurity researchers, insurance professionals, IT developers and data scientists to help insurance companies address their clients' cyber risk and accordingly provide the right insurance quotes.
- **Open Legacy Technologies Ltd. (22% 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).
- **Cynerio Israel Ltd. (17% by RDC) ("Cynerio")** - Cynerio develops and provides a platform that enables healthcare providers to secure patient data and connected medical devices against cyber threats.
- **Scribe Security Ltd. (18% by RDC) (“Scribe”) -** Scribe is developing a software supply chain assurance solution, that secures the software supplier's digital assets throughout the different stages of software development.
- **RA Red Access Security Ltd. (24% by RDC) ("Red Access") –** Red Access is developing advanced protection for enterprises from the dangers of working on the Internet.
- **Wonder Robotics Ltd. (24% by RDC) ("Wonder Robotics") -** is developing an autonomous landing system for drones.
- **Cyvers.AI Ltd. (26%) (“Cyvers") –** Cyvers is developing a platform to detect and prevent fraud in digital assets in the web3 zone, using advanced artificial intelligence.
- **ZenGo Ltd. (9%) (“ZenGo”)** – ZenGo develops and provides a secure crypto wallet that doesn't compromise between security and user experience.
- **AudioBurst Ltd. (10%) (“AudioBurst”) -** AudioBurst is developing and supplying a search engine that enables users to find and to hear audio content on any subject from anywhere in the world.
- **Edge226 Ltd. (formerly - PlyMedia Israel (2006) Ltd.) (20%) ("Edge")** - Edge has developed and markets a digital advertising platform for ad networks.
- **Creednz Ltd. (16% by RDC) (“Creednz”)** - Creednz is developing a B2B solution that uses organizational data and financial transactions data to detect & prevent fraud.

- **Tamnoon Inc. (5% by RDC) ("Tamnoon**") Tamnoon is developing a technology-driven managed cloud protection service.
- **Breeze Security Ltd. (14% by RDC) ("Breeze")** is developing a solution in the space of enterprise cyber security performance management.
- **Sidetalk Ltd. (investment through SAFE) ("Sidetalk**") - Sidetalk is developing a unique attendee engagement platform that engages webinars participants, allows for real time sentiment collection and streamlines data to post event marketing and sales efforts.
- **Bark A.I. Ltd. (investment through SAFE) ("Bark**") - Bark is developing a revenue optimization platform for e-commerce merchants.
- **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.
- **Notal Vision Inc. (9%) ("Notal Vision")** - Notal Vision develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) from home and improving vision outcomes.
- **Nitinotes Ltd. (14%) ("Nitinotes")** - Nitinotes is developing a minimally invasive endoscopic procedure for treatment of obesity.
- **Coramaze Technologies Ltd. (23%) ("Coramaze")** - Coramaze is developing a minimally invasive device to repair the Tricuspid heart valve.

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.

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 products on a significant commercial scale; their ability to develop additional products; their ability to recruit and retain quality personnel 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.

1.1.7. The impact of the "Swords of Iron" War

In October 2023, subsequent to the reporting date, a war referred to as “Swords of Iron” (the “War”) broke out in the State of Israel. This War’s ongoing duration has had a significant impact on economic operations within the Israeli economy. One contributing factor was the recruitment of reserve personnel to the military, resulting in uncertainty regarding the duration of their service. Additionally, economic activities in Israel were disrupted because of the War. The War's repercussions has the potential to extend to vast sectors and geographic regions across the country. Potential fluctuations in foreign exchange rates, availability of personnel, local services and access to local resources are all liable to affect entities that have significant operations or exposures in or with the State of Israel.

Additionally, on October 24, 2023, the international credit rating agency S&P announced a reapproval of Israel's credit rating at AA- with a change in the rating forecast from "stable" to "negative" due to the significant negative changes in the geopolitical and security risks that Israel faces following the attack by Hamas on October 7, 2023[1].

As of the date of approval of this report, the Company cannot accurately evaluate the potential future influence of the War on its operations and its group companies due to, inter alia, market volatility, uncertainty about the War’s duration and intensity, the War’s effect on the Company's operations, and in respect with additional measures taken by the government.

The Company is monitoring the impact of the War on its activities as a whole, and the focal points of potential risk in particular. Significant risk centers may include: potential difficulties in raising capital for Group Companies; impact on the activities of the Group Companies' with customers, suppliers, and business partners, including potential partners; potential difficulties for Group Companies in closing commercial transactions or generating leads and managing lengthy and complex sale-cycles and difficulties in executing exit transactions.

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

1.2.1. Exit Transactions

Canonic Security Technologies Ltd. (“Canonic”) - In February 2023, an agreement was signed for the sale of the entire share capital of Canonic (in this section: the "Transaction"). Pursuant to the Transaction, RDC received in February 2023, an amount of approximately $7.3 million (of which approximately $0.8 million was deposited in escrow for a period of 15 months, mainly in order to secure certain indemnification obligations of the selling security holders to the acquirer). As a result, Elron recorded a net gain attributable to its shareholders in the amount of approximately $3.5 million (consolidated net gain in the amount of approximately $7 million). For further details, see Note 3.B to the Financial Statements.

[1] Bank of Israel, "The macroeconomic forecast of the Research Department, October 2023," on October 23, 2023

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1.2.2. Investments

- In the first nine months of 2023, Elron (directly and through RDC) invested approximately $5.5 million in the Group Companies. For further details see section 1.4 below and Note 3 to the Financial Statements.
- **Cynerio** - In February 2023, a SAFE agreement was completed with the participation of some of Cynerio's shareholders in the amount of $5 million. RDC's share in this investment amounted to approximately $1.2 million (for further details, see Note 3.C to the Financial Statements).
- In June 2023, RDC completed its first investment in **Tamnoon** in the amount of $0.6 million. For further details, see Note 3.I to the Financial Statements.
- **Breeze -** In August 2023, an investment agreement in an amount of up to $6.5 million was signed, with the participation of new and existing investors, in consideration for preferred shares. RDC's share in the total investment was approximately $2.0 million. In addition, a SAFE balance in the amount of $0.4 million was converted into preferred shares (RDC's share of the SAFE balance was $0.2 million). For further details, see Note 3.G to the Financial Statements.
- **Scribe** - In October 2023, subsequent to the reporting date, an investment agreement (SAFE) was signed, with the participation of its existing shareholders, in an amount of up to $3.0 million. RDC's share in the investment was $2.0 million (for further details, see Note 3.J to the Financial Statements).

1.2.3. Developments in Group Companies

- **CartiHeal** - Further to section 19.2 of Part I of the Elron's Annual Report for the year ended December 31, 2022 ("the Annual Report") and further to section 1.2.1 of Part II of the Annual Report- the Board of Directors Report, with regard to the CartiHeal Transaction, in March 2023, the Interim Period (as defined in the Annual Report) has ended and an updated offer from Bioventus for the payment of the debt was rejected by the sellers and Bioventus did not pay the full balance due under the Transaction by the end of the Interim Period with an additional extension of one day and did not meet the conditions for extending the Interim Period. As a result, the return of the CartiHeal shares to the sellers and the cancellation of implementation of the Transaction is final. In accordance with the updated agreement, and in light of the above cancellation, all sums paid by Bioventus to the sellers in the past in connection with the Transaction, as well as the funds that Bioventus invested in CartiHeal (and shares of CartiHeal issued to them as a result) and/or transferred in order to finance CartiHeal's activities, will not be refunded to Bioventus. CartiHeal's shareholders are examining their possibilities in respect of their holdings in CartiHeal, including in respect of its sale.

  As a result of the return of the CartiHeal shares, Elron recorded a gain in the total amount of approximately $2.3 million, for further details, see Note 3.A to the Financial Statement. In light of the above and following the return of the CartiHeal shares, Elron holds approximately 30% of CartiHeal's outstanding share capital. Starting from the first quarter of 2023, the investment in CartiHeal is included in Elron's financial reports as an investment in an associate company, and qualifies for the criteria for classification as a main company in Elron's reports (as detailed in section 2.1.5 of Part A of the Annual Report).

  During the second quarter of 2023, CartiHeal began marketing the Agili-C implant in the U.S and in other countries, for the first time since the return of CartiHeal shares to the selling shareholders and the cancellation of implementation of the transaction for the sale of CartiHeal to Bioventus. Prior to the cancellation of the transaction and the return of shares, Bioventus has commenced marketing the implant.

1.2.4. Financing

- As of the date of filing this report, Elron's and RDC's liquid resources amounted to approximately \$26.9 and \$24.2 million, respectively. These amounts include Elron and RDC's bank deposits in the amount of approximately \$3.1 and \$7.0 million, respectively and other short term investments in securities of Elron in the amount of approximately \$5.9 million. As of the date of filing this report, Elron has no debt and RDC has a loan received from Elron and Rafael.

1.2.5. Human Capital

- **Options for Employees and regular service providers**

  In accordance with the Company's Option Plan, (A) In May 2023, 1,213,706 options were granted to its officers, other employees of the Company and its subsidiary RDC (B) In May 2023, 561,667 options were canceled and re-granted to employees of the Company and its subsidiary, RDC and regular service providers of the Company, which were previously granted in January 2022. (C) In June 2023, the Company’s General Meeting approved the grant of 593,631 options to the Company's CEO.

  The vesting period of the Options that were granted as described in this section is as follows: 1/3 at the end of one year from the date of grant, an additional 1/3 at the end of the second year from the date of the grant and an additional 1/3 at the end of the third year from the date of the grant.

  For further details regarding the terms of these options, see Note 3.M to the Financial Statements.

- **Approval of a discretionary grant to the Chairman of the Board of Directors and linking his salary to the consumer price index**

  In June 2023, the General Meeting of the Company approved, following receipt of the approval and recommendation of the Compensation Committee and Board of Directors, the discretionary bonus in the amount of approximately NIS 80 thousand and linking the management fees of the Chairman of the Board of Directors to the consumer price index. For further details, see the report convening a meeting published by the Company on May 23, 2023 and June 22, 2023, and an immediate report on the results of a meeting published by the Company on June 27, 2023, the contents of which are included in this report by way of reference.

- **Changes in the Company's management**

  On March 9, 2023, Mr. Niv Levy, the former Company’s Chief Financial Officer and the officer responsible for management of the Company's risks, has notified the Company of his resignation with effect from June 9, 2023.
  On May 17, 2023, the Company's Board of Directors approved the appointment of Mrs. Rony Gur Arie as the Company’s VP finance and as the officer responsible for management of the Company's risks and the appointment of Mrs. Meital Eliyahu Levitan as the Company’s Director of Finance, commencing June 9, 2023.
  In October 2023, subsequent to the reporting date, the General Meeting of the Shareholders of the Company decided to appoint Mrs. Ronit Ritz - Bueno as an external director of the Company for a term of three (3) years, which commenced on October 10, 2023.
  In October 2023, subsequent to the reporting date, Mrs. Lee-Bath Nelson ceased to serve as an external director of the Company.

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1.3. Results of Operations

1.3.1. Elron's main operating results

	For the nine months ended September 30,		For the three months ended September 30,		For the year ended December 31, 2022
	2023	2022	2023	2022	
	Unaudited				Audited
	$ thousands				
Gain (loss) attributable to Elron's shareholders	(3,142)	75,598	(2,906)	83,861	69,524
Basic gain (loss) per share attributable to Elron's shareholders (in $)	(0.06)	1.46	(0.06)	1.62	1.34
Diluted gain (loss) per share attributable to Elron's shareholders (in $)	(0.06)	1.39	(0.06)	1.54	1.28

As previously mentioned, the loss attributable to Elron's shareholders mainly comprises 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, as detailed below:

	For the nine months ended September 30		For the three months ended September 30,		For the year ended December 31, 2022
	2023	2022	2023	2022	
	$ thousands				
Losses in respect of Group Companies:					
Elron's share in net losses of Group Companies, net	(8,053)	(10,320)	(2,936)	(3,729)	(12,990)
Excess cost amortization	(2,469)	(506)	(1,158)	(199)	(705)
Total	(10,522)	(10,826)	(4,094)	(3,928)	(13,695)
Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net**	9,803	92,120	1,900	90,575	89,307
Corporate operating expenses	(1,852)	(2,824)	(579)	(984)	(4,235)
Tax benefit (taxes on income)	(36)	(832)	-	(832)	(892)
Other**	(535)	(2,040)	(133)	(970)	(961)
Gain (loss) attributable to shareholders	(3,142)	75,598	(2,906)	83,861	69,524

*The results summarized in the table are presented net of non-controlling interests.
** During the first quarter of 2023 and the year 2022, includes interest income in the amount of approximately $2,800 and $4,000 thousand, respectively, in respect of the balance of the deferred consideration from the CartiHeal Transaction.
*** includes a non-cash accounting expense related to a share based payment.

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I) <u>Losses in respect of Group Companies</u>

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

As previously mentioned, most of the 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. Therefore, as the Group Companies increase their investments in order to develop their products and advance their business, they cause Elron to record greater losses in respect of its share in their losses.

The loss Elron recorded in the third quarter and first nine months of 2023 in respect of its share in the losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of CartiHeal, SixGill, Sayata and Cyvers.

The loss Elron recorded in the third quarter and first nine months of 2022 in respect of its share in the losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of Pocared Diagnostics Ltd. (“Pocared”), SixGill, Sayata and Canonic.

Excess cost amortization:

The loss Elron recorded in the third quarter and first nine months of 2023 in respect of the excess cost amortization of its Group Companies (net of non-controlling interests) resulted mainly from the excess cost amortization of CartiHeal and SixGill.

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

Gain (loss) from sale, revaluation, realization of operation and changes in holdings, in the third quarter and the first nine months of 2023 resulted mainly from:

- An approximately $5.1 million gain recorded in the first quarter as a result of the return of CartiHeal shares and interest income attributed to the deferred consideration from CartiHeal Transaction (see section 1.2.3 above and Note 3.A to the Financial Statements);
- An approximately $3.5 million gain (net of non-controlling interests) recorded in the first quarter as a result of the sale of Canonic (see section 1.2.1 above);
- An approximately $1.9 million gain recorded in the third quarter as a result of the initial fair value measurement of the investment in Nitinotes in lieu of the equity method of accounting as a result of the decrease in Elron’s holding in Nitinotes’ share capital.
- An approximately $0.3 million gain (net of non-controlling interests) recorded in the first quarter as a result of increase in the fair value of the investment in N-drip Ltd. ("N-drip") (see Note 3.H to the Financial Statements);
- An approximately $1.0 million loss recorded in the second quarter of 2023 as a result of decrease in the fair value of the investment in AudioBurst.

Gain (loss) from sale, revaluation, realization of operation and changes in holdings, in the third quarter and the first nine months of 2022 resulted mainly from:

- An approximately $94.3 million gain recorded in the third quarter of 2022 as a result of CartiHeal Transaction.
- An approximately $0.5 million gain recorded in the first quarter of 2022 as a result of increase in the fair value of the investment in ZenGo.

- An approximately loss of $3.4 million (net of non-controlling interests) recorded in the third quarter of 2022 from impairment of the investment in Pocared. In the first nine months of 2022, this loss was partially offset by an approximately $1.0 million gain (net of non-controlling interests) recorded in the first half of 2022 due to funds invested in Pocared by other investors and decrease in Elron's economic rights in Pocared following the receipt of funding from the European Investment Bank.

III) Corporate operating expenses

Corporate operating expenses in Elron include mainly general and administrative expenses. The decrease in corporate expenses in the first nine months of 2023 compared with the first nine months of 2022 resulted mainly to cost saving and efficiency measures and decrease in headquarters expense that the Company has commenced implementing during 2022.

IV) Tax on Income

Tax expenses in 2022 mainly resulted from the current income mainly attributed to CartiHeal Transaction.

1.3.2. Analysis of the consolidated statements of profit and loss

	For the nine months ended September 30		For the three months ended September 30,		
	2023	2022	2023	2022	
	Unaudited				
	$ thousands				Explanation
Gain from sale, revaluation, realization of operation and changes in holdings, net	10,797	89,428	1,900	87,543	In the first nine months and third quarter of 2023, this item mainly included gain in the amount of approximately $6,900 thousand recorded in the first quarter from the sale of Canonic, $2,300 thousand gain recorded in the first quarter as a result of the return of CartiHeal shares, an approximately $1.9 million gain recorded in the third quarter as a result of the initial fair value measurement of the investment in Nitinotes in lieu of the equity method of accounting, an approximately $600 thousand gain recorded in the first quarter due to an increase in the fair value of the investment in N-drip, which were partially offset from $1,000 thousand loss recorded in the second quarter due to a decrease in the fair value of the investment in AudioBurst. In the first nine months of and third quarter of 2022, this item mainly included an approximately $92,500 thousand gain recorded in the third quarter resulted from the CartiHeal Transaction which was partially offset by a $4,600 thousand loss recorded in the third quarter from the impairment of the investment in Pocared.
Financial income	4,214	2,515	563	2,272	Financial income in the first nine months and third quarter of 2023 resulted from the deferred consideration from the CartiHeal Transaction in the first quarter and from interest income on deposits and debentures. Financial income in the third quarter of 2023 resulted mainly from interest income on deposits and debentures. Financial income in the first nine months and third quarter of 2022 resulted mainly from interest income from the consideration to receive from CartiHeal Transaction and from interest income on deposits and debentures.
Total income	15,011	91,943	2,463	89,815	

	For the nine months ended September 30		For the three months ended September 30,		
	2023	2022	2023	2022	
	Unaudited				
	$ thousands				Explanation
General and administrative expenses	3,944	5,388	1,264	1,841	See analysis of Elron's and RDC's operating expenses below.
Equity in losses of associates, net	14,628	17,248	5,352	6,116	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. The decrease in Elron's share in the losses of its associates in the first nine months and third quarter of 2023 compared with the first nine months and third quarter of 2022 resulted mainly from impairment of the investment in Pocared during 2022 and from the sale of Canonic in the first quarter of 2023, which was partially offset due to the recognition of Elron's share in the losses of CartiHeal from the second quarter of 2023 after almost no losses were recognized in respect with the investment in CartiHeal in 2022.
Financial expenses	747	1,268	283	978	Financial expenses in the first nine months and third quarter of 2023 resulted mainly from interest expenses in respect of the loan granted to RDC by Rafael and from USD-NIS exchange rate fluctuations. Financial expenses in the first nine months and third quarter of 2022 resulted mainly from interest expenses in respect of the loan granted to RDC by Rafael, a decrease in the fair value of debentures measured at fair value and from USD-NIS exchange rate fluctuations.
Total expenses	19,319	23,904	6,899	8,935	
Gain (loss) before taxes on income	(4,308)	68,039	(4,436)	80,880	

	For the nine months ended September 30		For the three months ended September 30,		
	2023	2022	2023	2022	
	Unaudited				
	$ thousands				**Explanation**
Taxes on income	(72)	(832)	-	(832)	Expenses in the first nine months and third quarter of 2022 resulted mainly from the current income which resulted mainly from gain from CartiHeal Transaction.
Gain (loss)	(4,380)	67,207	(4,436)	80,048	
Gain (loss) attributable to the Company's shareholders	(3,142)	75,598	(2,906)	83,861	
Loss attributable to non-controlling interests	(1,238)	(8,391)	(1,530)	(3,813)	The gain or loss attributable to non-controlling interests results mainly from the share of the non-controlling interests in the gain or loss recorded by RDC. The loss attributable to non-controlling interests in the first nine months and third quarter of 2023 resulted mainly from the share of the non-controlling interests in the loss recorded by RDC in respect of the losses of its associates which was partially offset from the gain recorded by RDC from the sale of Canonic in the first quarter of 2023. The loss attributable to non-controlling interests in the first nine months and third quarter of 2022 resulted mainly from the share of the non-controlling interests in the loss recorded by RDC in respect of the losses of its associates and due to the impairment of the investment in Pocared.
Basic gain (loss) per share attributable to the Company's shareholders (in $)	(0.06)	1.46	(0.06)	1.62	

	For the nine months ended September 30		For the three months ended September 30,		
	2023	2022	2023	2022	
	Unaudited				
	$ thousands				Explanation
Diluted gain (loss) per share attributable to the Company's shareholders (in $)	(0.06)	1.39	(0.06)	1.54	

Operating Expenses

Operating expenses in the first nine months and third quarter of 2023 amounted to $3,944 and $1,264 thousand, respectively, compared with to $5,388 and $1,841 thousand, respectively, in the first nine months and third quarter of 2022, and comprised mainly of general and administrative expenses of Elron's and RDC's corporate operations, as detailed below:

	For the nine months ended September 30,		For the three months ended September 30,		
	2023	2022	2023	2022	
	$ thousands				Explanation
Corporate	2,384	3,431	787	1,230	The decrease in the third quarter and first nine months of 2023 compared with the third quarter and first nine months of 2022 resulted mainly from decrease in headquarters expense following cost saving and efficiency measures that the Company implemented.
RDC	1,560	1,957	477	611	The decrease in the third quarter and first nine months of 2023 compared with the third quarter and first nine months of 2022 resulted mainly from decrease in headquarters expense of RDC following cost saving and efficiency measures that RDC implemented.
Total	3,944	5,388	1,264	1,841	

1.3.3. Analysis of the results of operations of main associate

	Loss for the nine months ended September 30,	Loss for the three months ended September 30,	
	2023	2023	
	Unaudited		
	$ thousands		Explanation
CartiHeal	5,617	2,674	Most of CartiHeal's loss is due to R&D expenses. During 2023, CartiHeal began marketing the Agili-C implant in USA and other countries, some of CartiHeal's loss resulted from marketing activity that began during the second quarter of 2023.

1.4. Financial Position, Liquidity and Capital Resources

Financial position

	September 30, 2023	December 31, 2022
	Unaudited	Audited
	$ thousands	
Total assets in the consolidated statement of financial position	163,002	169,565
Current assets	53,513	53,802
Investments in associates and other companies (not including investment in CartiHeal and including assets classified as held for sale)	40,443	46,623
Investment in CartiHeal (in 2022 financial assets related to CartiHeal's Transaction, see section 1.2.3 above)	65,964	63,905
Other long-term assets	31	2,174
Intangible assets	3,051	3,051
Current liabilities	4,965	6,534
Long-term liabilities	1,017	2,647
Long term loan	9,119	8,719
Total liabilities	15,101	17,900
Equity (including non-controlling interests)	147,901	151,665

Total equity (including non-controlling interests) at September 30, 2023 was $147,901 thousand, representing approximately 91% of the total assets in the statement of financial position, compared with $151,665 thousand at December 31, 2022, representing approximately 89% of the total assets in the statement of financial position. The decrease in equity resulted mainly from the current loss recorded in the first nine months of 2023, which was partially offset from the sale of Canonic and from the return of CartiHeal's shares (see sections 1.2.1 and 1.2.3 above).

Consolidated working capital at September 30, 2023 amounted to $48,548 thousand, compared with $77,020 thousand at December 31, 2022. The decrease in working capital resulted mainly due to the deduction of the current maturities of the deferred consideration from CartiHeal Transaction.

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), 1970 (the "**Report Regulations**").

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

	For the nine months ended September 30,		For the three months ended September 30,	
	2023	2022	2023	2022
	Unaudited			
	$ thousands			
primary cash flows from investment activities				
Investments in Elron's and RDC's group companies (see uses of cash below)	(5,554)	(23,788)	(2,247)	(5,663)
Taxes paid	-	(1,334)	-	-
Proceeds from disposal of Elron's and RDC's non-current investments (2)	7,958	35,249	1,416	34,952

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

(2) In 2022, this item mainly includes immediate consideration from the CartiHeal Transaction. In 2023, this item mainly includes consideration from the sale of Canonic, which was sold in February 2023, see also section 1.2.1 above.

Liquid resources balance

Elron's and RDC's non-consolidated liquid resources at September 30, 2023 amounted to $27,445 and $ 24,667 thousand, respectively (Elron's and RDC's liquid resources as of September 30, 2023 included other short term investments in securities in the total amount of $5,893 thousand in Elron and short term bank deposits of Elron in the amount of $7,181 and of RDC in the amount of $7,187 thousand).

Elron's and RDC's non-consolidated liquid resources at December 31, 2022 amounted to $29,533 and $23,810 thousand, respectively (Elron's and RDC's liquid resources as of December 31, 2022 included other short term investments in securities in the total amount of $6,385 thousand in Elron and bank deposits of Elron in the amount of $13,685 and of RDC in the amount of $2,877 thousand).

Uses of cash

The main uses of cash in the third quarter and first nine months of 2023 were investments in Group Companies in the amount of $230 and $1,048 thousand, respectively, by Elron and an amount of $2,000 and $ 4,482 thousand, invested by RDC in the third quarter and first nine months of 2023, respectively. 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 third quarter and first nine months of 2022 were investments in Group Companies in the amount of $2,670 and $14,701 thousand, respectively, by Elron and an amount of $2,990 and $9,083 thousand, invested by RDC in the third quarter and first nine months of 2022, respectively.

Investments in Group Companies during the first nine months of 2023 and 2022, and for the year ended December 31, 2022, 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 nine months ended September 30,		For the year ended December 31,	For the nine months ended September 30,		For the year ended December 31,
	2023	2022	2022	2023	2022	2022
	Unaudited $ thousands		Audited $ thousands	Unaudited $ thousands		Audited $ thousands
SixGill	-	6,007	6,007	-	-	-
ZenGo	50	190	190	-	-	-
Cynerio	-	-	-	1,182	-	-
Cyvers	-	3,870	4,152	-	-	-
Sidetalk	30	500	500	-	-	-
Bark	250	700	700	-	-	-
Creednz	-	-	-	-	2,500	2,500
Allero	-	1,500	1,500	-	2,500	2,500
Wonder Robotics	-	-	-	-	2,000	2,000
Canonic	-	-	-	-	2,000	2,000
Notal Vision	-	584	584	-	-	-
Keepy	-	-	-	500	-	-
AudioBurst	-	500	500	-	-	-
Nitinotes	-	850	850	-	-	-
Coramaze	398	-	-	-	-	-
Breeze	-	-	-	2,200	-	
Tamnoon	-	-	-	600	-	
Other	320	-	105	-	83	83
Total investments	1,048	14,701	15,088	4,482	9,083	9,083

(1) In October 2023, subsequent to the reporting date, RDC invested a total amount of approximately $2,000 thousand in Scribe, for further details, see Note 3.J to the Financial Statements.

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 nine months of 2023 mainly included:

- Consideration in the amount of approximately $6,500 thousand as a result of the sale of Canonic and a deposit in the amount of approximately $800 thousand which was deposited in escrow for a period of 15 months. For further details see section 1.2.1 above.
- Consideration in the amount of approximately $1,150 thousand as a result of the dissolution of Allero Development Ltd. ("Allero"). In addition, in October 2023, subsequent to the reporting date, an additional amount of approximately $1,900 was received as a result of Allero's dissolution.
- Consideration in the amount of approximately $260 thousand as a result of the sale of assets of Oz Code Ltd.

Proceeds received from the disposal of non-current investments in the first nine months of 2022 mainly included:

- Immediate consideration in a total amount of approximately $33,100 thousand (net of transaction costs) as a result of the CartiHeal Transaction.
- Receipt of the deposit which was deposited in escrow in the amount of approximately $1,350 thousand from the sale of Alcide.IO Ltd. in 2021.
- Receipt of the deposit which was deposited in escrow in the amount of approximately $500 thousand from the sale of SecuredTouch Inc. in 2021.

Main Group Companies' cash flows during the reporting period

	Cash flows used in operating activities		Liquid resources balance	
	For the nine months ended September 30,	For the three months ended September 30,	As of September 30,	As of December 31,
	2023		2023	2022
	Unaudited			Audited
	$ thousands			
CartiHeal	(4,158)	(1,943)	8,246	1,628

Dan Hoz
Chairman of the Board of Directors

Yaron Elad
CEO

November 12, 2023, Tel Aviv

ELRON VENTURES LTD.

English Translation of Periodic Report
for the Third Quarter of 2023
Filed with the Israel Securities Authority

Part II

Interim Consolidated Financial Statements as of
September 30, 2023

Elron Ventures Ltd.

Part II

English Translation of Interim Consolidated Financial Statements

As of
September 30, 2023
Unaudited

Interim Consolidated Financial Statements as of September 30, 2023

Contents

Auditor's review report to the shareholders of Elron Ventures Ltd.

Introduction

We have reviewed the accompanying financial information of Elron Ventures Ltd and Subsidiaries (hereinafter - the "Company"), which comprises the condensed consolidated statement of financial position as of September 30, 2023 and the condensed consolidated statements of income or loss, comprehensive income or loss, changes in equity and cash flows for the nine and 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 $2,920 thousand as of September 30, 2023 and the company's share in their losses amounted to approximately $2,641 thousand and approximately $918 thousand for the nine and three months period then ended. The condensed interim financial information for this interim period of those companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to amounts included for those companies, 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 interim financial statements do not present fairly, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

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 statements 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	Kesselman & Kesselman
November 12, 2023	Certified Public Accountants (Isr.)
	A member firm of PricewaterhouseCoopers International Limited

Consolidated Statements of Financial Position

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	$ thousands		
Current assets			
Cash and cash equivalents	31,851	61,442	30,396
Bank deposits	14,368	18,994	16,562
Other investments in securities	5,893	6,332	6,385
Other accounts receivable	1,401	1,204	459
Current maturities of accounts receivable from CartiHeal's Transaction (see Note 3.A)	-	28,161	29,390
Investment in associate classified as held for sale	-	-	362
	53,513	116,133	83,554
Non-current assets			
Investments in associates	84,061	31,161	26,482
Other investments measured at fair value	22,346	24,623	19,779
Accounts receivable from CartiHeal's Transaction (see Note 3.A)	-	22,036	23,000
Long-term receivables (see Note 3.A)	19	12,239	11,535
Right-of-use assets (see Note 3.N)	-	2,236	2,154
Property, plant and equipment, net	12	99	10
Intangible assets	3,051	3,051	3,051
	109,489	95,445	86,011
Total assets	163,002	211,578	169,565

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

Consolidated Statements of Financial Position

	September 30		December 31
	2023	2022	2022
	Unaudited		Audited
	$ thousands		
Current liabilities			
Trade payables	269	276	215
Current maturities of lease liabilities (see Note 3.N)	-	363	366
Other accounts payable	4,696	5,327	5,953
	4,965	5,966	6,534
Long-term liabilities			
Long-term loan	9,119	8,618	8,719
Lease liabilities (see Note 3.N)	-	1,682	1,630
Deferred taxes	1,017	1,017	1,017
	10,136	11,317	11,366
	15,101	17,283	17,900
Equity attributable to the Company's shareholders			
Issued capital	9,592	9,592	9,592
Share premium	245,278	245,278	245,278
Capital reserves	6,379	6,356	6,382
Accumulated deficit	(127,484)	(84,711)	(124,961)
	133,765	176,515	136,291
Non-controlling interests	14,136	17,780	15,374
Total equity	147,901	194,295	151,665
Total liabilities and equity	163,002	211,578	169,565

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

Dan Hoz	Yaron Elad	Rony Gur Arie
Chairman of the Board of Directors	Chief Executive Officer	VP Finance

Approval date of the interim consolidated financial statements: November 12, 2023

Consolidated Statements of Income (Loss)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	$ thousands (except for gain (loss) per share data)				
Income					
Gain from sale, revaluation, realization of operation and changes in holdings, net	10,797	89,428	1,900	87,543	84,212
Financial income	4,214	2,515	563	2,272	6,380
	15,011	91,943	2,463	89,815	90,592
Expenses					
General and administrative expenses	3,944	5,388	1,264	1,841	7,806
Equity in losses of associates, net	14,628	17,248	5,352	6,116	21,876
Financial expenses	747	1,268	283	978	1,291
	19,319	23,904	6,899	8,935	30,973
Gain (loss) before taxes on income	(4,308)	68,039	(4,436)	80,880	59,619
Taxes on income	(72)	(832)	-	(832)	(892)
Net income (loss)	(4,380)	67,207	(4,436)	80,048	58,727
Attributable to:					
The Company's shareholders	(3,142)	75,598	(2,906)	83,861	69,524
Non-controlling interests	(1,238)	(8,391)	(1,530)	(3,813)	(10,797)
	(4,380)	67,207	(4,436)	80,048	58,727
Income (loss) per share attributable to the Company's shareholders (in $)					
Basic income (loss) per share	(0.06)	1.46	(0.06)	1.62	1.34
Diluted income (loss) per share	(0.06)	1.39	(0.06)	1.54	1.28

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

Consolidated Statements of Comprehensive Income (Loss)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	**2022**	**2023**	**2022**	**2022**
	Unaudited				**Audited**
	$ thousands				
Net income (loss)	(4,380)	67,207	(4,436)	80,048	58,727
Other comprehensive income (loss) (net of tax):					
Amounts that are classified or may be reclassified to profit or loss under certain conditions:					
Foreign currency translation differences for foreign operation	(3)	(47)	(13)	(18)	(21)
Total loss that would be reclassified to profit or loss under certain conditions	(3)	(47)	(13)	(18)	(21)
Total other comprehensive loss	(3)	(47)	(13)	(18)	(21)
Total comprehensive income (loss)	(4,383)	67,160	(4,449)	80,030	58,706
Attributable to:					
Company's shareholders	(3,145)	75,551	(2,919)	83,843	69,503
Non-controlling interests	(1,238)	(8,391)	(1,530)	(3,813)	(10,797)
	(4,383)	67,160	(4,449)	80,030	58,706

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, 2023 (audited)	9,592	245,278	351	(1,192)	5	7,218	(124,961)	136,291	15,374	151,665
Total loss	-	-	-	-	-	-	(3,142)	(3,142)	(1,238)	(4,380)
Total other comprehensive loss	-	-	-	-	(3)	-	-	(3)	-	(3)
Share-based payments	-	-	-	-	-	-	619	619	-	619
Balance at September 30, 2023	9,592	245,278	351	(1,192)	2	7,218	(127,484)	133,765	14,136	147,901

	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, 2022 (audited)	9,592	245,278	351	(1,192)	26	7,218	(161,008)	100,265	26,171	126,436
Total income (loss)	-	-	-	-	-	-	75,598	75,598	(8,391)	67,207
Total other comprehensive loss	-	-	-	-	(47)	-	-	(47)	-	(47)
Share-based payments	-	-	-	-	-	-	699	699	-	699
Balance at September 30, 2022	9,592	245,278	351	(1,192)	(21)	7,218	(84,711)	176,515	17,780	194,295

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 July 1, 2023	9,592	245,278	351	(1,192)	15	7,218	(124,825)	136,437	15,666	152,103
Total loss	-	-	-	-	-	-	(2,906)	(2,906)	(1,530)	(4,436)
Total other comprehensive loss	-	-	-	-	(13)	-	-	(13)	-	(13)
Share-based payments	-	-	-	-	-	-	247	247	-	247
Balance at September 30, 2023	9,592	245,278	351	(1,192)	2	7,218	(127,484)	133,765	14,136	147,901

	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 July 1, 2022	9,592	245,278	351	(1,192)	(3)	7,218	(168,837)	92,407	21,592	113,999
Total income (loss)	-	-	-	-	-	-	83,861	83,861	(3,813)	80,048
Total other comprehensive loss	-	-	-	-	(18)	-	-	(18)	-	(18)
Share-based payments	-	-	-	-	-	-	265	265	1	266
Balance at September 30, 2022	9,592	245,278	351	(1,192)	(21)	7,218	(84,711)	176,515	17,780	194,295

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, 2022	9,592	245,278	351	(1,192)	26	7,218	(161,008)	100,265	26,171	126,436
Total net income (loss)	-	-	-	-	-	-	69,524	69,524	(10,797)	58,727
Total other comprehensive loss	-	-	-	-	(21)	-	-	(21)	-	(21)
Dividend to equity holders of the Company	-	-	-	-	-	-	(34,450)	(34,450)	-	(34,450)
Share-based payments	-	-	-	-	-	-	973	973	-	973
Balance at December 31, 2022	9,592	245,278	351	(1,192)	5	7,218	(124,961)	136,291	15,374	151,665

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

Consolidated Statements of Cash Flows

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	$ thousands				
Cash flows from operating activities					
Net income (loss)	(4,380)	67,207	(4,436)	80,048	58,727
Adjustments to reconcile net income (loss) to net cash used in operating activities:					
Adjustment to the profit or loss items:					
Depreciation and amortization	4	411	2	86	582
Finance, net	(719)	1,328	(113)	845	(411)
Stock based compensation	619	699	247	266	973
Gain from sale, revaluation, realization of activity and changes in holdings, net	(10,797)	(89,428)	(1,900)	(87,543)	(84,212)
Equity in losses of associates, net	14,628	17,248	5,352	6,116	21,876
Taxes on income, net	72	832	-	832	892
Finance income from accounts receivable from CartiHeal's Transaction (see Note 3.A)	(2,781)	(1,832)	-	(1,832)	(4,026)
Other	154	(277)	(3)	(3)	(170)
	1,180	(71,019)	3,585	(81,233)	(64,496)
Changes in Assets and Liabilities:					
Decrease (increase) in other accounts receivable	(175)	(277)	69	(117)	28
Increase (decrease) in trade payables	54	(540)	34	22	(601)
Increase (decrease) in other accounts payable	(1,257)	(560)	(117)	454	15
	(1,378)	(1,377)	(14)	359	(558)
Cash paid and received during the period for:					
Taxes paid	(72)	-	(72)	-	-
Interest paid	-	(91)	-	(28)	(116)
Interest received	1,315	438	448	277	910
	1,243	347	376	249	794
Net cash used in operating activities	(3,335)	(4,842)	(489)	(577)	(5,533)

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

Consolidated Statements of Cash Flows (Cont.)

	Nine months ended September 30		Three months ended September 30		Year ended December 31
	2023	2022	2023	2022	2022
	Unaudited				Audited
	$ thousands				
Cash flows from investment activities					
Purchase of property and equipment	(6)	-	(6)	-	-
Investment in associates and other companies	(5,554)	(23,788)	(2,247)	(5,663)	(24,175)
Proceeds from sale of associates and other companies	7,958	35,249	1,416	34,952	36,015
Sale of other investments in securities, net	500	2,150	500	-	2,150
Taxes paid as a result of sale of investments in companies	-	(1,334)	-	-	(1,334)
Withdrawal of deposits, net	2,228	13,946	9,290	3,125	16,472
Net cash provided by investment activities	5,126	26,223	8,953	32,414	29,128
Cash flows from financing activities					
Dividend distribution	-	-	-	-	(34,450)
Repayment of lease liability	-	(142)	-	(56)	(200)
Net cash used in financing activities	-	(142)	-	(56)	(34,650)
Exchange rate differences in respect of cash and cash equivalents	(336)	(675)	(201)	(784)	573
Increase (decrease) in cash and cash equivalents	1,455	20,564	8,263	30,997	(10,482)
Cash and cash equivalents as of beginning of the period	30,396	40,878	23,588	30,445	40,878
Cash and cash equivalents as of end of the period	31,851	61,442	31,851	61,442	30,396

Information regarding investment and financing activities that do not involve cash flows- see note 3.A regarding CartiHeal’s Transaction and note 3.N regarding update of lease Agreement.

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

Note 1 – General

Elron Ventures Ltd. ("Elron" or "the Company") is an operational holding company that focuses on building technology companies. Currently, Elron has significant holdings in cybersecurity, enterprise software and medical device 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., Tel Aviv.

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 60.08% interest in the Company as of September 30, 2023.

The accompanying consolidated financial statements have been prepared as of September 30, 2023, and for the nine and 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, 2022 and the year then ended and accompanying notes ("the annual consolidated financial statements").

<u>The impact of the “Swords of Iron” War</u>

In October 2023, subsequent to the reporting date, a war referred to as “Swords of Iron” broke out in the State of Israel (the “War”). This War’s ongoing duration has had a significant impact on economic operations within the Israeli economy. One contributing factor was the unexpected recruitment of reserve personnel to the military, resulting in uncertainty regarding the duration of their service. Additionally, economic activities in Israel were disrupted because of the War. The War's repercussions has the potential to extend to numerous sectors and geographic regions across the country.

Potential fluctuations in foreign exchange rates, availability of personnel, local services and resources are all liable to affect entities that have significant operations or exposures in or with the State of Israel. As of the date of approval of the consolidated financial statements, the Company cannot accurately evaluate the potential future influence of the war on its operations and assets due to market volatility, uncertainty about the War’s duration and intensity, its effects on the Company's operations, and additional measures taken by the government.

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.

Note 3 – Material Changes During the Reporting Period

A. CartiHeal

CartiHeal (2009) Ltd. ("CartiHeal") is developing an implant for repair of articular cartilage and osteochondral defects in loadbearing joints, such as the knee. Following the return of CartiHeal shares to the sellers, as detailed below, as of the reporting date, Elron holds approximately 30% of CartiHeal's outstanding shares and the investment in CartiHeal is accounted for under the equity method of accounting.

As mentioned in Note 3.B.2.a) to the annual consolidated financial statements, during July 2022 the sale of CartiHeal to Bioventus LLC (“Bioventus”) (the "Transaction") was completed. The total Transaction consideration included immediate consideration in the amount of $100,000 received upon the closing of the Transaction (Elron’s share was $33,100 net of transaction expenses), deferred consideration (divided into installments) and contingent consideration.

On February 13, 2023, the milestone was completed for the prepayment of the payment which was to be received by July 1, 2023 pursuant to the Transaction. Further to the completion of the aforementioned milestone, Bioventus approached the Company as the Sellers’ representative to discuss certain changes in the parameters of the Transaction and as a result thereof, on February 27, 2023, Elron, in its capacity as the representative of the former shareholders of CartiHeal signed a settlement agreement with Bioventus, as described below (the “2023 Agreement”):

1. At the request of Bioventus, the Sellers have been afforded a period of 30 days commencing on the date of execution of the 2023 Agreement (the "Interim Period"), in order to enable Bioventus to raise funding that will allow it to pay the entire balance of the debt which is non-contingent consideration in respect of the Transaction (approximately $215,000 plus interest accrued from the date of the Transaction, of which Elron’s share is approximately $59,000 plus interest (“Entire Indebtedness")) instead of the payments schedule stipulated in the Transaction, according to which the payments thereof were to be made in several installments until January 2027.

2. As of the date of execution of the 2023 Agreement, ownership of the CartiHeal shares has been returned to the Sellers. To the extent that Bioventus pays the Entire Indebtedness during the Interim Period as stated above, the CartiHeal shares will be returned to Bioventus.

3. The CartiHeal shares have been returned to the Sellers in circumstances where CartiHeal should have resources sufficient for its operations until the end of the Interim Period and thereafter. In addition, Bioventus deposited an amount of $10,000 in escrow. If Bioventus were to pay the Entire Indebtedness as stated above, this amount would have been deducted from future contingent consideration (and not from the debt which is non-contingent consideration) to the extent that it is realized in the future, however, in no event shall this amount be refunded to Bioventus.

4. Bioventus had the option to extend the Interim Period by two additional periods of 15 days each, in exchange for an additional sum of $5,000 for each extension and an aggregate of up to $10,000. If these amounts were paid, such amounts would not be refunded to Bioventus in any event but will be offset against the payment of the balance of the non-contingent Entire Indebtedness (thus the balance of the Entire Indebtedness will be reduced from $215,000 to $205,000 plus interest).

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

A. CartiHeal (Cont.)

In March 2023, the Interim Period has ended and Bioventus had not paid the full balance due under the Transaction by the end of the Interim Period with an additional extension of one day and had not met the conditions for extending the Interim Period, the return of the CartiHeal shares to the sellers is final.

In accordance with the 2023 Agreement, all sums paid by Bioventus to the sellers in the past in connection with the Transaction, as well as the funds that Bioventus invested in CartiHeal (and shares of CartiHeal issued to them as a result) and/or the transferred in order to be used to finance CartiHeal’s activities, will not be refunded to Bioventus.

In light of the above and following the return of CartiHeal shares to the sellers became final, Elron holds approximately 30% of CartiHeal's outstanding shares and the investment in CartiHeal is accounted for under the equity method of accounting. Once the return of CartiHeal’s shares became final, the investment in CartiHeal was initially recognized at cost based on the fair value on the date of return.

The fair value of the investment was determined with the assistance of an independent appraiser and was estimated at approximately $69,000. In parallel, the balance owed by Bioventus to Elron for the deferred and contingent consideration in the amounts of $55,200 and $11,500, respectively were deducted. As a result. Elron recorded during the first quarter of 2023 a net gain in the amount of approximately $2,300 resulted from the difference between the cost of the investment in CartiHeal on the day of the return of shares and the assets deducted. Such gain was recognized, under line item gain from sale, revaluation, realization of operation and changes in holdings, net, in the statement of income (loss). The Company does not attach CartiHeal’s financial statements to its financial statements because its financial statements are meaningless in relation to Elron's financial statements.

The fair value of the investment in CartiHeal, and the purchase price allocation were determined with the assistance of an independent appraiser. The fair value of the investment was estimated at approximately $69,000. The fair value of Elron’s shares in CartiHeal was measured based on a comparison method for comparable transactions.

As part of the assessment, the appraiser examined mergers and acquisitions of companies operating in the field of Orthopedic Devices, with an emphasis on products in the fields of sports injuries and rehabilitation treatments, with a product mix and scope of activity similar to CartiHeal and which is in advanced stages towards obtaining approval or after receiving the FDA approval. In electing the transactions, the appraiser used transactions where over 80% of the acquired company’s shares capital were sold, most of which were carried out in recent years. CartiHeal's fair value was estimated according to the calculation of the average value of 8 comparable transactions identified by the appraiser. The value of the comparable transactions included the value of the immediate considerations that were received as well as the value of deferred considerations if relevant.

The attribution of the excess cost to CartiHeal's assets is subject to a final assessment of the allocation of the purchase price, which has not yet been completed at the time of publication of these reports and can be finally adjusted up to 12 months from the date of return of shares. Most of the excess cost was attributed to technology, which is amortized over a useful life of 19 years.

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

B. Canonic

Canonic Security Ltd. was developing a security platform to detect and defeat SaaS-native threats. Prior to its sale (as detailed below), RDC Rafael Development Corporation Ltd. ("RDC", Elron's 50.1% held subsidiary) held approximately 21% of Canonic's outstanding shares and the investment in Canonic was accounted for under the equity method of accounting, until its classification as held for sale in December 2022.

As mentioned in Note 3.B.2.m) to the annual consolidated financial statements, Canonic and its shareholders (including RDC) signed a definitive agreement with Zscaler, Inc. (the "Acquirer") for the sale of the entire outstanding share capital of Canonic (the "Transaction") and the Transaction was simultaneously completed. Pursuant to the Transaction, in March 2023, RDC received an amount of approximately $7,300 (of which an amount of approximately $800 was deposited in escrow for a period of 15 months, mainly in order to secure certain indemnification obligations of the selling security holders to the Acquirer).

In the first quarter of 2023, Elron recognized with respect to the Transaction a net gain attributable to the Company's shareholders in the amount of approximately $3,500 (a consolidated net gain in the amount of approximately $7,000) under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

C. 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 17% of Cynerio's outstanding shares and the investment in Cynerio is accounted for under the equity method of accounting.

As mentioned in Note 3.B.2.g) to the annual consolidated financial statements, in February 2023, Cynerio signed an investment agreement (SAFE - Simple Agreement for Future Equity) with the participation of some of its shareholders for an amount of $5,000, according to which, the investment sum will be converted to Cynerio shares, under certain conditions, stipulated in the agreement. RDC's share of the investment was approximately $1,200.

D. Coramaze

Coramaze Technologies Ltd. ("Coramaze") is developing a minimally invasive device to repair of the tricuspid heart valve. As of the reporting date, Elron holds approximately 23% of Coramaze's outstanding shares (directly and through Coramaze Technologies GmbH) and the investment in Coramaze is accounted for under the equity method of accounting.

As mentioned in Note 3.B.2.j) to the annual consolidated financial statements, in February 2023, Coramaze signed an investment agreement with the participation of its existing shareholders, in an amount of approximately €2,500 thousand (approximately $2,700) in consideration for preferred shares. Elron's share is €375 thousand (approximately $400).

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

E. Creednz

Creednz Ltd. (“Creednz”) is developing a B2B solution that uses organizational data and financial transactions data to detect and prevent fraud. As of the reporting date, RDC holds approximately 16% of Creednz’s outstanding shares and the investment in Creednz is accounted for under the equity method of accounting (among other things, due to RDC’s right to the appointment of Directors in Creednz’s Board of Directors).

As mentioned in Note 3.B.2.t) to the annual consolidated financial statements, in April 2023, the investment agreement from August 2022 was extended, in the amount of approximately $1,300 in consideration for preferred shares. RDC did not participate in the aforementioned investment. Following such extension, RDC's holdings in Creednz did not significantly change.

F. Bark

Bark A.I. Ltd. (“Bark”) is developing a revenue optimization platform for e-commerce merchants. The investment in Bark is accounted for as a financial asset measured at fair value through profit or loss.

As mentioned in Note 7.H) to the annual consolidated financial statements, in January 2023, the investment agreement (SAFE) from July 2022 was extended and an additional investment of approximately $400 was invested in Bark. Elron’s share was $250. In accordance with the investment agreement (SAFE) the investment sum will be converted into Bark’s shares under certain conditions stipulated in the agreement.

G. Breeze

Breeze Security Ltd. ("Breeze") is developing a solution in the space of enterprise cyber security performance management. As of the reporting date, RDC holds approximately 14% of Breeze's outstanding shares and the investment in Breeze is accounted for under the equity method of accounting.

In April 2023, RDC completed its first investment in Breeze in the amount of $200, as part of an investment agreement (SAFE) in a total investment of $400. In accordance with the investment agreement the investment sum will be converted into Breeze shares under certain conditions stipulated in the agreement.

In August 2023, Breeze entered into an investment agreement with the participation of some of its existing and new investors to invest an amount of up to approximately $6,500 in consideration for preferred shares. A total amount of $6,050 was transferred immediately to Breeze (RDC’s share in the total investment was approximately $2,000). In October and November 2023, subsequent to the reporting date, an additional amount of approximately $220 was invested in Breeze. In parallel to the aforementioned investment, the SAFE investment from April 2023 was converted into Preferred shares. As a result, the investment in Breeze commenced to be accounted for under the equity method of accounting (among other things, due to RDC’s right to the appointment of Directors in Breeze’s Board of Directors).

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

H. N-Drip

N-drip Ltd. ("N-drip") has developed a micro-irrigation solution powered by gravity, providing precise irrigation while saving on water and energy. As of the reporting date, RDC holds approximately 3% of N-Drip's outstanding shares. The investment in N-drip is accounted for as a financial asset measured at fair value through profit or loss.

In April 2023, N-drip entered into an investment agreement with the participation of some of its existing and new investors to invest an amount of up to $50,000. RDC did not participate in the aforementioned investment.

The fair value of the investment in N-drip was determined with the assistance of an independent appraiser and was estimated at approximately $2,200. As a result, during the first quarter of 2023, RDC recorded a gain of approximately $600 in respect of the change in the value of the investment in N-drip.

I. Tamnoon

Tamnoon Inc. ("Tamnoon") is developing a technology-driven managed cloud protection service. As of the reporting date, RDC holds approximately 5% of Tamnoon's outstanding shares. The investment in Tamnoon is accounted for as a financial asset measured at fair value through profit or loss.

In June 2023, RDC completed its first investment in Tamnoon in a total amount of $600, together with other shareholders of Tamnoon, as part of an investment round of up to $3,100 in consideration for preferred shares.

J. Scribe

Scribe Security Ltd. ("Scribe") is developing a supply chain assurance solution that secures the software supplier's digital assets throughout the different stages of software development. As of the reporting date, RDC holds approximately 18.5% of Scribe's outstanding shares and the investment in Scribe is accounted for under the equity method of accounting. (among other things, due to RDC's right to the appointment of Directors in Scribe's Board of Directors).

In October 2023, subsequent to the reporting date, an investment agreement (SAFE) was signed in Scribe, with the participation of its existing shareholders, in an amount of up to $3,000. RDC's share in the investment in the amount of $2,000 was immediately invested. In accordance with the investment agreement (SAFE) the investment sum will be converted into Scribe's shares under certain conditions stipulated in the agreement.

K. Nitinotes

Nitinotes Ltd. ("Nitinotes) is developing a minimally invasive endoscopic procedure for treatment of obesity. As of the reporting date, Elron holds approximately 14% of Nitinotes's outstanding shares and the investment in Nitinotes is accounted for under the equity method of accounting.

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

K. Nitinotes (Cont.)

In September 2023, an investment agreement in Nitinotes was signed with the participation of part of its existing shareholders, in the amount of approximately $6,000 in consideration for preferred shares. Elron did not participate in the aforementioned investment. As a result, Elron lost its significant influence over Nitinotes and the investment in Nitinotes commenced to be accounted for as financial asset measured at fair value through profit or loss.

The fair value of the investment in Nitinotes was determined with the assistance of an independent appraiser and was estimated at approximately $1,900. As a result, during the third quarter of 2023, Elron recognized income of approximately $1,900 under line item gain (loss) from sale, revaluation, realization of operation and changes in holdings, net.

L. Keepy

Keepy AI Ltd. ("Keepy") developed a software productivity solution that allows software development managers to increase work productivity while maintaining employee satisfaction.

As mentioned in Note 3.B.2.o) to the annual consolidated financial statements, in February 2023, RDC invested in Keepy an amount of $500.

In September 2023, Keepy's board of directors decided on the voluntary dissolution of the company.

M. Share based payments

As mentioned in Note 12.D to the annual consolidated financial statements, in November 2018, the Company's Board of Directors approved an employee options plan (the "Option Plan"), according to which it will be possible to grant to employees of the Company, non-tradable options to purchase Ordinary Shares of the Company, par value NIS0.003 each (the "Options"). The Ordinary Shares that will be issued further to the exercise of the Options will be identical in all their rights to the Company's Ordinary Shares, immediately upon their issuance.

In May 2023, following the approval of the Compensation Committee, the Company's Board of Directors approved the grant of options to the Company's CEO, officers, other employees of the Company and its subsidiary, RDC. In June 2023, the General Meeting of shareholders of the Company approved the aforementioned grant of options to the Company's CEO.

Accordingly, 593,631 options were granted to the CEO and 1,213,706 options were granted to the officers, other employees of the Company and its subsidiary, RDC. The vesting period of the Options is as follows: 1/3 at the end of one year from the date of grant, an additional 1/3 at the end of the second year from the date of the grant and an additional 1/3 at the end of the third year from the date of the grant. The Options are exercisable up to a period of 5 years from the date of grant. Any Option not exercised by such date shall expire.

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

M. Share based payments

The exercise price of the options was determined based on the higher of the average share price during the 30 trading days prior to the date of board approval and the share price on the last trading day immediately prior to the date of board approval (May 16, 2023), namely NIS4.525 and in respect of the CEO and the officers only, plus a 10% premium, namely NIS4.978. The exercise of the options will be according to the net exercise mechanism (cashless) according to which the number of shares which will be issued to the employee will be calculated. The fair value of the aforementioned options was estimated at approximately $230 for the CEO and approximately $480 for the other optionees.

In parallel to the aforementioned approval, following the approval and recommendation of the Compensation Committee, the Company's Board of Directors approved additional decision regarding the cancellation and re-granting of 561,667 options to employees of the Company and its subsidiary, RDC and regular service providers of the Company, which were previously granted in January 2022. The exercise price of each option is NIS4.525 (instead of the original exercise price of NIS8.779). The vesting period of the Options is as follows: 1/3 at the end of one year from the date of grant, an additional 1/3 at the end of the second year from the date of the grant and an additional 1/3 at the end of the third year from the date of the grant. The Options are exercisable up to a period of 5 years from the date of grant. Any Option not exercised by such date shall expire. The fair value of the re-granted options minus the fair value of the options that were canceled is estimated at approximately $190 (the “Incremental Fair Value”). In accordance with the provisions of IFRS2, the Company will recognize an expense in the amount of the Incremental Fair Value over the vesting period of the options which begins on the date of grant as mentioned above.

N. Shared Office Use and Expenses Agreement

As mentioned in Note 18.B. to the annual consolidated financial statements, in January and February 2023, the Audit Committee and Board of Directors approved (as a non- extraordinary transaction in which the controlling party has a personal interest) the update of the Company's contract under the Shared Office Use and Allocation Expenses Agreement, according to which Elron leased the 27th floor of ToHa Tower on Yigal Alon St. in Tel Aviv (the "Amended Agreement"). According to the Amended Agreement, Elron will cease to use the abovementioned offices and the expenses allocation and during July 2023, moved to separate offices on the 22nd floor in the same building, which were rented to Gav-Yam (Company controlled by DIC) until that date. As part of the amendment to the agreement, the lease period was updated until May, 2024, with an option to extend it by three additional years, subject to the consent of the lessor. As a result of the update of the said agreement, and in accordance with the provisions of IFRS 16, during the first quarter of 2023, Elron deducted, the right-of-use asset and the Lease liability in the company's 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

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Equity attributable to shareholders of the company	Equity attributable to non-controlling interests
As of Septermber 30, 2023 (unaudited)								
CartiHeal (2009) Ltd. (*)	9,167	574	9,741	1,547	2,226	3,773	5,968	-

(*) In addition, the investment in CartiHeal includes excess cost in the amount of $64,400 as of September 30, 2023.

	Revenues	Gross profit	Operating loss	Loss from continuing operations	Loss for the period	Loss attributable to shareholders of the company	Loss attributable to non-controlling interests	Other comprehensi ve loss	Total comprehensi ve loss
For the nine months period ended September 30, 2023 (unaudited)									
CartiHeal (2009) Ltd. (*)	95	95	(5,466)	(5,617)	(5,617)	(5,617)	-	-	(5,617)
For the three months period ended September 30, 2023 (unaudited)									
CartiHeal (2009) Ltd. (*)	37	37	(2,543)	(2,674)	(2,674)	(2,674)	-	-	(2,674)

(*) In addition, Elron's share in the losses of CartiHeal for the periods of nine and three months includes excess cost amortization in the amounts of approximately $1,800 and $900, respectively (For further details see Note 3.A above).

(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, deferred consideration, other accounts payable, trade payables 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 September 30, 2023		
	Unaudited		
	Level 1	Level 2	Level 3
Other investments in companies measured at fair value	-	-	22,346
Other investments in securities	-	5,893	-
	-	5,893	22,346

	As of September 30, 2022		
	Unaudited		
	Level 1	Level 2	Level 3
Other investments in companies measured at fair value	-	-	24,623
Other investments in securities	-	6,332	-
Other accounts receivable (*)	-	-	12,112
	-	6,332	36,735

	As of December 31, 2022		
	Audited		
	Level 1	Level 2	Level 3
Other investments measured at fair value	-	-	19,779
Other investments in securities	-	6,385	-
Other accounts receivable (*)	-	-	11,515
	-	6,385	31,294

(*) See Note 3.A regarding contingent consideration asset attributed to CartiHeal’s Transaction.

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

Note 5 – Financial instruments (Cont.)

B. Classification of financial instruments by fair value hierarchy (Cont.)

Changes in financial assets classified in Level 3:

For the nine and three months periods ended September 30, 2023:

	Financial assets measured at fair value
Balance as of January 1, 2023 (audited)	31,294
Total recognized gain in profit or loss, net (*)	1,537
Contingent consideration attributed to CartiHeal's Transaction (See Note 3.A)	(11,515)
Classification of investment in Breeze under the equity method of accounting (see Note 3.G))	(200)
Investments (see notes 3.G, 3.I and 3.F above)	1,230
Balance as of September 30, 2023 (unaudited)	22,346
Balance as of July 1, 2023 (unaudited)	20,518
Total recognized gain in profit or loss, net (*)	1,900
Classification of investment in Breeze under the equity method of accounting (see Note 3.G)	(200)
Investments	128
Balance as of September 30, 2023 (unaudited)	22,346

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

For the nine and three months period ended September 30, 2022:

	Financial assets measured at fair value
Balance as of January 1, 2022 (audited)	22,664
Total recognized gain in profit or loss, net	130
Contingent consideration attributed to CartiHeal's Transaction	11,466
Investment	2,475
Balance as of September 30, 2022 (unaudited)	36,735
Balance as of July 1, 2022 (unaudited)	24,419
Total recognized loss in profit or loss, net	(350)
Contingent consideration attributed to CartiHeal's Transaction	11,466
Investment	1,200
Balance as of September 30, 2022 (unaudited)	36,735

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

Note 5 – Financial instruments (Cont.)

B. Classification of financial instruments by fair value hierarchy (Cont.)

For the year ended December 31, 2022:

	Financial assets measured at fair value
	Audited
Balance as of January 1, 2022	22,664
Total recognized loss in profit or loss, net	(5,311)
Investment	2,475
Contingent consideration from CartiHeal's Transaction	11,466
Balance as of December 31, 2022	31,294

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

Details relating to investments in the interim consolidated financial statements as of September 30, 2023

	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 September 30, 2023
	Elron (1)	RDC (2)					
	%						$ thousands
Investments in investee companies							
Associates:							
CartiHeal (2009) Ltd.	30.37	-	30.37	30.37	27.13	27.13	65,964
Coramaze technologies Ltd (4)	22.81	-	22.81	22.81	21.17	21.17	502
SixGill Ltd.	22.67	-	22.67	22.67	19.72	19.72	2,078
Open Legacy Technologies Ltd.	-	22.22	22.22	11.13	18.28	9.16	-
Cynerio Israel Ltd.	-	17.17	17.17	8.60	14.79	7.41	-
BrainsGate Ltd.	27.84	-	27.84	27.84	24.93	24.93	-
Sayata Labs Ltd.	-	20.40	20.40	10.22	17.69	8.86	4,438
Edge 226 Ltd. (formerly: Plymedia Israel (2006) Ltd.)	20.20	-	20.20	20.20	13.88	13.88	-
Scribe Security Ltd.	-	18.49	18.49	9.26	16.73	8.38	-
Ra Red Access Security Ltd.	-	23.83	23.83	11.94	21.70	10.87	842
Wonder Robotics Ltd.	-	24.15	24.15	12.10	20.00	10.02	282
Allero Inc. (5)	10.99	18.32	29.30	20.16	26.67	18.35	1,922
Creednz Ltd.	-	15.57	15.57	7.80	13.89	6.96	1,624
CyVers.AI Ltd.	26.09	-	26.09	26.09	23.98	23.98	2,461
Keepy AI Ltd. (6)	-	32.21	32.21	16.14	29.17	14.61	-
Breeze Security Ltd.	-	13.66	13.66	6.84	12.30	6.16	2,150
Other investments (7), (8):							
IronScales Ltd.	-	8.11	8.11	4.06	7.47	3.74	5,673
Notal Vision Inc.	9.18	-	9.18	9.18	6.75	6.75	7,132
Nitiniotes Ltd.	13.62	-	13.62	13.62	12.36	12.36	1,900
AudioBurst Ltd.	9.69	-	9.69	9.69	7.70	7.70	100
N-Drip Ltd.	-	2.68	2.68	1.34	2.35	1.18	2,167
Zengo Ltd.	9.08	-	9.08	9.08	8.20	8.20	2,350
Tamnoon Inc.	-	5.48	5.48	2.74	4.75	2.38	600
Azura Ophthalmics Ltd.	2.16	-	2.16	2.16	2.01	2.01	570
Atlantium Technologies Ltd.	6.16	-	6.16	6.16	5.22	5.22	130
Forsight Vision6 Inc.	3.55	-	3.55	3.55	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) Includes indirect holdings through Coramaze Technologies GmbH.
(5) In December 2022, it was decided to cease Allero’s activity. It’s carrying value as of 30.09.2023 was received during October 2023, subsequent to the reporting date.
(6) In September 2023, it was decided to cease Keepy AI Ltd. activity.
(7) Bark A.I. Ltd. is held by Elron through SAFE investment, its book value is $950 (see Note 3.F above).
(8) Sidetalk Ltd. is held by Elron through SAFE investment, its book value is $500.

Elron Ventures Ltd.

Part III

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

As of September 30, 2023

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 Ventures 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. Mrs. Rony Gur Arie, VP Finance.

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 quarterly report on the effectiveness of the internal control over financial reporting and disclosure which was attached to the periodic report for the period ended June 30, 2023 (the "**Last Quarterly 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 June 30, 2023 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 Quarterly 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 Quarterly 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 Ventures Ltd. (the "**Corporation**") for the third quarter of 2023 (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.

November 12, 2023 __________________________________

Yaron Elad, CEO

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

Managers' Declaration

Declaration of Principal Financial Officer

I, Rony Gur Arie, declare that:

(1) I have examined the interim financial statements and other financial information which is included in the interim reports of Elron Ventures Ltd. (the "**Corporation**") for the third quarter of 2023 (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.

November 12, 2023 __________________________________

Rony Gur Arie, VP Finance

November 12, 2023

To:

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

Dear Sirs,

Re: Auditors' Consent in connection with the self prospecus of the Company published April 2022

We hereby consent to the incorporation (including by reference) of our reports described below in connection with the shelf prospectus from April 2022:

(1) Auditors' review report from November 12, 2023 regarding the interim consolidated financial information of the Company as of September 30, 2023 and for the nine and three months periods then ended.

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Kind Regards,

Kesselman & Kesselman
Certified Public Accountants (lsr.)
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

English Translation of Liabilities report of the Company by repayment date

Section 36a to the Israel Securities Law (1968)

Report as of September 30, 2023
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 September 30, 2023 (1 USD = 3.824 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 Comapny'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	382	0	56	438
Total	0	0	0	382	0	56	438

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	382	0	56	438
Total	0	0	0	382	0	56	438

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						
	NIS (CPI linked)	**NIS (Not linked)**	**Euro**	**USD**	**Other**	**Gross interest payments (excluding deduction of tax)**	**Total by years**
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						
	NIS (CPI linked)	**NIS (Not linked)**	**Euro**	**USD**	**Other**	**Gross interest payments (excluding deduction of tax)**	**Total by years**
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	30,592	0	7,652	38,244
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	30,592	0	7,652	38,244

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						
	NIS (CPI linked)	**NIS (Not linked)**	**Euro**	**USD**	**Other**	**Gross interest payments (excluding deduction of tax)**	**Total by years**
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						
	NIS (CPI linked)	**NIS (Not linked)**	**Euro**	**USD**	**Other**	**Gross interest payments (excluding deduction of tax)**	**Total by years**
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						
	NIS (CPI linked)	**NIS (Not linked)**	**Euro**	**USD**	**Other**	**Gross interest payments (excluding deduction of tax)**	**Total by years**
First year	0	0	0	0	0	0	0
Second year	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. Cash and cash equivalents, marketable securities and short-term deposits based on the Company's consolidated Statements (NIS in thousands) **199,276**