Elron Ventures Ltd.

English Translation of the Periodic Report for 2023

Elron Ventures Ltd.

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Elron Ventures Ltd.

Periodic Report for 2023

Part I

English Translation of Description of Corporation's Business

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Chapter II: Description of Group Companies

1. Introduction

1.1. The operations and developments in the business of Elron Ventures Ltd. ("**Elron**" or the "**Company**") as of December 31, 2023 are described below. This description was prepared pursuant to the Israeli Securities Regulations (Periodic and Immediate Reports), 5730-1970.

1.2. Glossary

For convenience, the following definitions shall be ascribed the meanings set opposite them:

Elron or **the Company-**	Elron Ventures Ltd.;
Alcide-	Alcide IO Ltd.;
associates-	companies over which the Company has significant influence and which are not subsidiaries;
Atlantium-	Atlantium Technologies Ltd.;
Audioburst-	Audioburst Ltd.;
Bark-	Bark AI Ltd.;
Board of Directors Report-	Elron's Board of Directors Report, included in Part II of this Annual Report;
BrainsGate-	BrainsGate Ltd.;
Breeze-	Breeze Security Ltd.
CartiHeal-	CartiHeal (2009) Ltd.;
Cloudyn-	Cloudyn Software Ltd.;
Coramaze-	Coramaze Technologies Ltd.;
Creednz -	Creednz Ltd.
Cyber-	Cybersecurity technologies;

CyberFuture-	El CISO Club Limited Partnership, which Elron is the controlling shareholder in the general partner (the managing partner of the partnership) and also is one of the limited partners in the partnership;
Cynerio-	Cynerio Israel Ltd.;
Cyvers-	CyVers.AI Ltd.;
DEP-	DEP Technology Holdings Ltd.;
DIC-	Discount Investment Corporation Ltd.;
dollar or **USD or $-**	U.S. dollar;
FDA-	U.S. Food and Drug Administration;
filing date-	signature date of this report;
Financial Statements-	Elron's Consolidated Financial Statements for 2023, included in Part III of this Annual Report;
group companies-	subsidiaries, associates, and other companies held by the Company;
IronScales-	IronScales Ltd.;
Imvision	Imvision Software Technologies Ltd.;
Jordan Valley-	Jordan Valley Semiconductors Ltd.;
Canonic-	Canonic Technologies Security Ltd.;
Kyma-	Zoll Medical Israel Ltd. (formerly: Kyma Medical Technologies Ltd.);
Medingo-	Medingo Ltd.;
NASDAQ-	Nasdaq Global Select Market;
N-Drip-	N-Drip Ltd.;
Nitinotes-	Nitinotes Ltd.;

Notal Vision-	Notal Vision Inc.;
Open Legacy-	Open Legacy Technologies Ltd.;
other companies held by the Company-	companies held by the company which are neither subsidiaries nor associates;
Edge	Edge 226 Ltd. (formerly Plymedia Israel (2006) Ltd.);
Rafael-	Rafael Advanced Defense Systems Ltd.;
RDC-	RDC Rafael Development Corporation Ltd.;
RDSeed-	RDSeed Ltd.;
Red Access-	RA Red Access Security Ltd.;
reporting date-	December 31, 2023;
Sayata-	Sayata Labs Ltd.;
Scribe-	Scribe Security Ltd.;
Secdo-	Cyber Secdo Ltd.;
SecuredTouch-	SecuredTouch Inc.;
Sixgill-	SixGill Ltd.;
subsidiaries-	companies under the Company's control pursuant to IFRS 10, and whose financial statements are consolidated with the Company's Financial Statements;
Tamnoon-	Tamnoon, Inc.;
TASE-	Tel Aviv Stock Exchange Ltd.;
Wonder Robotics-	Wonder Robotics Ltd.;
Zengo-	Zengo Ltd.

1.3. The financial data included in this Part I are presented in U.S. dollars, unless stated otherwise. The data in this report are as of December 31, 2023, unless stated otherwise.

1.4. The materiality of the information included in this Part I, and in general of the transactions and/or main companies described herein, was examined from Elron's perspective, while in certain cases descriptions were elaborated for the sake of providing a complete account of a subject matter.

1.5. Elron is an operational holding company that focuses on building technology companies. Elron's primary goal is to create value for its shareholders by enhancing and realizing its holdings (whether through exit transactions or public offerings), while seeking new holdings in technology companies. Currently, Elron has significant holdings, mainly in cyber and enterprise software and also medical device companies, and is examining, through RDC, investment opportunities mainly in Cyber and enterprise software companies.

1.6. In respect of ownership interest in shares of companies mentioned in this report, Elron's ownership interests in a group company through wholly owned corporations or companies are presented as direct ownership interests in the group company, unless stated otherwise.

1.7. Elron's ownership interests are rounded to the nearest whole percentage and are presented as of the reporting date, unless stated otherwise. Elron's ownership interests in a group company reflect its share in its outstanding share capital, and do not take into account dilution due to the exercise of options or other convertible instruments issued by it, unless stated otherwise. Elron's fully diluted holdings take into account all options and convertible instruments, unless the amount of shares to be received upon their exercise or conversion, as applicable, is not known in advance. Accordingly, Elron's ownership interests are subject to change, among others, as a result of the exercise of convertible securities (options or other convertible instruments).

1.8. It should be noted that some of the data included in this Part I was obtained from studies, market surveys and the like. In the same places, there is a reference to the source from which the data was taken. Elron is not responsible for the content of said studies and surveys, and they were not independently checked by Elron.

Part I: Overview of Elron's Operations

2. Description of Elron's Operations and Description of the Evolution of Its Business

2.1. Description of Elron's Operations

2.1.1 Elron was incorporated in Israel in 1961 as a private company in accordance with Israeli laws. Elron is a public company whose shares are listed for trading on the TASE since 1975. In 1981 Elron listed its shares for trading on NASDAQ. Over the years, Elron conducted additional offerings on the TASE and NASDAQ. In 2010, Elron voluntarily delisted from the NASDAQ, and from that point on its shares are traded over the counter in the United States. In August 2017, Elron deregistered its shares in the U.S., and since November 2017 its reporting obligations to the public under U.S. securities law were discontinued. For the benefit of its shareholders in the United States, the Company publishes certain financial information and other material information in English on the Company's website. In January 2022, Elron changed its name from Elron Electronic Industries Ltd. to Elron Ventures Ltd.

2.1.2 Elron is an operational holding company that focuses on building technology companies. Elron's group companies include companies at different stages of development that are engaged in various technological fields, mainly in the fields of cyber, enterprise software and also medical devices. Following the sale of CartiHeal (see section 18.2 below), Elron is focusing on its cyber and enterprise software portfolio, and mainly, its collaboration with Rafael through the Company's subsidiary RDC. It is Elron's intention (and RDC's) to continue focusing on its existing Cyber and software enterprise portfolio companies, while maintaining its engagement and support to such companies. New investments, if at all, shall be made through RDC and subject to RDC's financial resources (see also section 19 below, regarding the business strategy and goals).

2.1.3 Elron's primary goal is to create value for its shareholders by building, enhancing and realizing all or some of its holdings (in its group companies, mainly through its sales to third parties or by public offerings of group companies' securities, or by distributing the consideration from realization of holdings in all or some of its group companies, as dividend to its shareholders (subject to applicable law limitations).

2.1.4 Elron is involved in the management of its group companies by means of active membership on their boards of directors and board committees and providing active assistance to management. Elron is directly involved in matters of policy guidance, strategic planning, marketing, selecting and manning senior management positions, determining the business plan, approving investments and budgets, funding, development and operational guidance, assistance in creating strategic partnerships, and the overall ongoing monitoring of its group companies' performance.

2.1.5 Elron is examining, in each reporting period, which are its main group companies. From Elron's perspective, a main company is a company that meets either the quantitative criterion or one of the qualitative criteria adopted by the Board of Directors as specified below:

Quantitative criterion – a company in which the total investment in Elron's Statement of Financial Position exceeds 15% of Elron's total assets, as reflected in its most recent Financial statements.

Qualitative criteria – significant investment commitments by Elron, significant risks and exposure in connection with Elron's investment, the inherent potential in the investment from management's perspective, or significant value (current or potential) of Elron’s investment, etc.

Out of the group companies, as of the filing date, RDC meets the quantitative and qualitative criteria. CartiHeal was a main company until its classification as held for sale in November 2023 (see Section 18.2 regarding CartiHeal’s sale). The composition of main companies may change from time to time due to, among others, changes arising from the sale of a company, investments in companies, or decreases in their value and change in value of the investment in Elron's Financial statements.

2.1.6 As part of its current business strategy, Elron examines a broad range of proposals for investment and strategic cooperation in a broad range of technology fields, through its subsidiary, RDC. Elron holds 50.1% of the issued and outstanding shares and voting rights of RDC and Rafael holds the remaining 49.9%. RDC establishes ventures and invests in early-stage technology companies, including ventures utilizing Rafael's technologies, for the purpose of developing products for the civilian market, and ventures which have synergy potential and are based on the know-how of Rafael's experts or on Rafael's technologies. RDC also has first rights to commercialize military technologies developed by Rafael in civilian markets. For details about the agreement with Rafael see Section 18.1 below, and for details about RDC see Section 22 below.

2.1.7 The Investment Platform

2.1.7.1 One of the salient features of Elron's operations is its active involvement in the group companies, inter alia, by supporting them in the early stages of product definition, in conducting proof of concept pilots, and in bringing products to market. Elron, through RDC, looks for talented entrepreneurs that have the ability to build innovative products for a large market and the ability to build successful companies, and strives to provide entrepreneurs with the support and guidance they need on their path to success, based on their specific needs, from establishing a diverse and relevant management team, developing a product and making it suitable for the market, to developing a market penetration strategy (go-to-market- "GTM”), creating strategic partnerships, and securing continued financing.

2.1.7.2 The platform has been built and optimized over the past years to obtain several main objectives: sourcing and validation of potential investments in cyber protection and software for organizations (B2B software); increasing the potential return on investment by investment in early stage ventures (generally before reaching product/market fit (“PMF”); providing various tools and services for research and development, accelerating market penetration, and back office for entrepreneurs, based on their unique needs.

2.1.7.3 The platform is based on several circles of value: a management team in Elron that includes managers with both tech and business expertise and experienced investors, strategic partners, Cyber Future, a club of Chief Information Security Officers (“CISOs”) with the support of Elron, whose purpose is to invest in companies operating in the cyber field, an advisory board of experts, a group of entrepreneurs in Elron’s capital activities (“Elronists”) and also strong connections with hundreds of executives in the industry in Israel and the world. This platform has proven itself and has been successful in building value for companies held by Elron, from seed early stage of investment to growth and realization, and in creating value for its shareholders.

2.1.7.4 The first value circle is Elron's core team comprised of technology and business experts and leading investors with extensive experience in cybersecurity, enterprise software for enterprises and vast experience in venture capital. These are growing and dynamic sectors driving continuous innovation in which strategic players struggle to remain competitive and seek opportunities to expand their product offering. This opportunity creates a double challenge for early-stage investors of identifying market needs among complex technological solutions for highly specific environments, and of achieving PMF in rapidly evolving markets. Early-stage investors therefore require domain specialization to minimize these inherent risks.

2.1.7.5 The second circle of value is Elron's strategic partnerships. Elron's main and significant strategic partner is Rafael. From the stage of examining new capital deployment opportunities, Rafael conducts close interactions with startups as part of the due diligence and appoints designated teams to examine the venture's technology. The partnership with Rafael enables, inter alia, improvement in support of the group companies, by implementing the products in Rafael, which contributes to finding the PMF and the development of the GTM strategy for the product. The Rafeal teams which implement that product's early versions, also assist in the development of product, such that it will fit the market targeted by the startup, and in its compatibility a to large scale customers such as Rafael, which in many cases, constitutes the first significant customer. Rafael has vast experience in technological projects and implementation of startups' products, as well as know-how in cyber and B2B software fields.

2.1.7.6 The third circle of value is collaborations with leading tech experts in the industry. In this framework, at the end of 2022, Elron established Cyber Future, an exclusive global team of senior CISOs from world leading organizations in various industries, which goal is to locate cyber startups in various stages for the purpose of investing in them, with Elron's financing and involvement. Cyber Future invests and supports young and promising startups via a unique investment and operational model. Elron is the only partner who has funding obligations, with an agreed-upon profit sharing mechanism between all partners.

During the past year, Cyber Future has become a well-known highly appreciated player in the cyber defense world. The Cyber Future club receives many requests from leading firms' CISOs worldwide, and further receives numerous collaboration and funding requests from many young and mature startups. The club's investment in a certain startup only takes place following thorough technological due diligence examination by the club members along with Elron's team. Since the club is highly appreciated, the club's investment in a startup provides the startup with prestige, along with the advantages in the direct connection to the club members and to Elron's team whenever the startup requires business or technological advice, assistance in locating an initial customer base and global market connections. Cyber Future provides Elron with an additional access to unique opportunities. The members of the club work in cooperation with and frequent involvement of Elron, and assist using their experience and professionalism in analyzing the market, connecting Elron and its group companies with other key people, and building a general strategy in the cyber worlds. Since its formation, Cyber Future acquired interest in five young startup companies, including Astrix Security Ltd., Entitle IO Ltd., Prompt Security Ltd, Cyvers and Scribe (Cyber Future has minority interests in each company).

2.1.7.7 The fourth circle of value is an advisory board of senior executives and content experts from leading global enterprises who provide the entrepreneurs with their unique experience and network and are actively engaged in all that pertains to PMF, connection with potential customers and connection to the United States market. The advisory model includes due diligence of investment opportunities, including validation with peers; taking part in advisory meetings with group company entrepreneurs in order to provide feedback and advice at critical decision points; periodic participation in strategic discussions on Elron's key challenges, etc.

2.1.7.8 The fifth circle of value comprises "Elronists", entrepreneurs and investors, with whom Elron nurtures long-term connections and who support the group companies while using their diverse and successful experience and which assist Elron in identifying talented entrepreneur teams at early stages.

2.1.7.9 The sixth circle of value is Elron's rich network, which strengthens relationships with hundreds of industry executives in the United States, Europe and Israel and can maximize the connection between them and its group companies. The network includes senior executives in key management positions in international (with an emphasis on the United States) and large and medium-sized Israeli companies, technology experts and development managers in Israel and the world in a wide variety of disciplines, institutional and private investors who specialize in technology investments, with an emphasis on cyber and software, experienced entrepreneurs who have listed and/or sold companies in the relevant content worlds, corporate development executives in international companies looking to invest in or acquire Israeli companies, as well as organizations supporting entrepreneurs operating in Israeli and international markets, such as accelerators, incubators, and more.

2.1.8 Elron is promoting several business avenues, in addition to its main business avenue (investments in early-stage companies as mentioned above) at the same time.

2.1.8.1 Ideation - Elron's core team has a deep technological and product understanding and rich business experience that allows Elron to work with teams with high potential to establish new ventures or new companies before they have an initial or concrete idea and to help them identify technological gaps or deficiencies and find ways to overcome them. The process includes, among other things, preliminary discussions about a fundamental need, the analysis of the competitive environment in the various fields, the analysis of the deficiencies in existing products, connecting the entrepreneurs with relevant experts (customers, distributors, competitors, etc.) in order to carry out discovery conversations, connecting the entrepreneurs with experts from Rafael in the relevant field for brainstorming products and assistance in developing the product thesis. These processes can start without a basic idea at all, or with a team that examines a specific area of interest and tries to analyze the opportunities and the competitive environment. At the end of such a process, Elron is in a comfortable position to make a decision whether to invest in the project, both in terms of the mutual understanding of the product, and also in terms of the deep familiarity with the team, its internal dynamics and its professional and managerial abilities.

2.1.8.2 Investment in start-up companies in exchange for rights to use Rafael's IP - Over the years, the collaboration between Elron and Rafael has yielded successful ventures, based on the identification of technologies developed at Rafael for the defense industry, which have significant commercial potential in the civilian market. For example, Givan Imaging Ltd., which was traded on NASDAQ and was acquired by Covidian. The collaboration with Rafael continues today as well, as part of which we connect start-up companies facing significant technological challenges that can be bridged through the integration of Rafael's IP, in areas such as: robotics, drones, aeronautics, remote sensing, quantum computing technologies, electronics, mechanics and machine learning. In cases where a relevant company is located, Elron and Rafael strive to sign commercial agreements that give the company rights to use the Rafael IP in the civilian market in exchange for holdings in the company.

2.1.9 For details about developments in Elron and its group companies during the period of this report and subsequently, see Section 1.2 of the Board of Directors Report.

2.1.10 For details about all of Elron's investments (direct and indirect through RDC) in 2023, see Section 1.4 of the Board of Directors Report, Notes 3 and 7 in the Financial Statements, and Sections 3-4 of Part IV of this Annual Report.

2.1.11 For details regarding CartiHeal's sale transaction, see Section 18.12 below.

2.1.12 For details regarding the sale of Canonic, see Section 1.2.1 of the Board of Directors Report and Note 3.B.2.b to the Financial Statements.

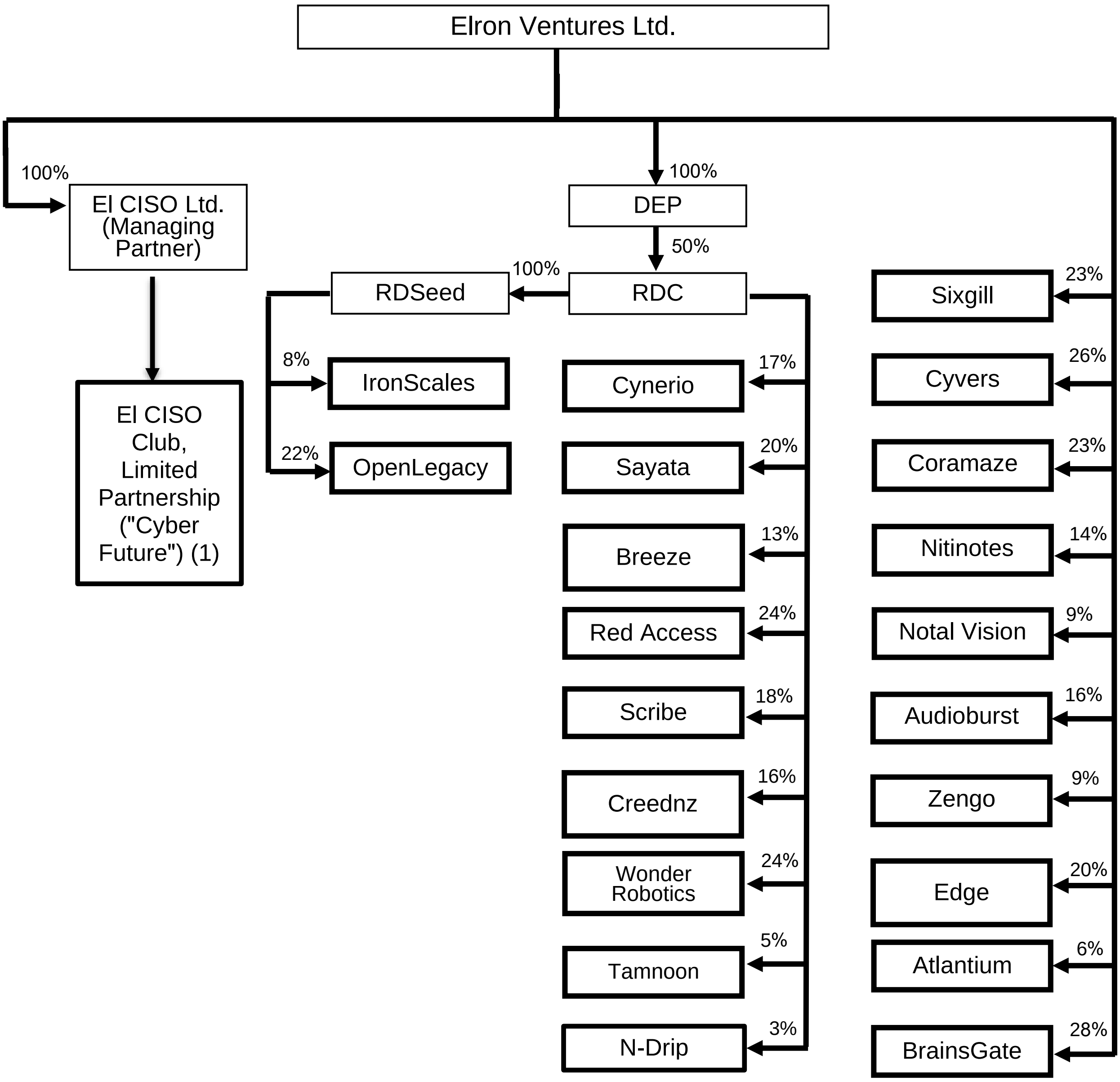
2.2. Elron's Shareholders

2.2.1 DIC is Elron's controlling shareholder and as of the filing date holds 59.68% of its outstanding share capital and voting rights (54.30% fully diluted). DIC is a public company and a reporting company. According to information provided to Elron, DIC is a company without a Controlling Shareholder (as the term "Control" is defined in the Securities Law).

2.2.2 For further details about the holders of 5% or more of Elron's outstanding share capital, (see Section 9 of Part IV of this Annual Report.

2.3. Group Companies Holdings Diagram and Details on Company's Holdings

The structure of Elron's holdings and details regarding its holdings are presented in the following diagram and table and include the active group companies held by Elron (including those held through its subsidiaries – DEP, RDC, RDSeed and El CISO Ltd), the holdings in which are not insignificant in its view. The diagram presents Elron's ownership interests in the outstanding share capital of its group companies (reflecting Elron's holding in ordinary shares and preferred shares on an as converted basis) and not on a fully diluted basis. In the table, the full holdings, rights and investments of RDC are attributed to Elron. To the extent that there were changes to the holdings after the reporting date, they are specified in the footnotes to the table. For information regarding exit transactions that the Company completed during 2023, see Section 1.2.1 of the Board of Directors Report.



(1) For details regarding Cyber future, see Section 2.1.7.6 above.

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
RDC	1993	NA	Incubation and development of companies based on or reliant on Rafael technology	Consolidated	Five directors (out of nine directors)	50.10%	50.10%	NA
Audioburst	2015	2015	Development, operation and provision of services through AI tools for planning and conducting complex strategies in the fields of currency conversion (Forex)	Fair value	No right of representation on the Board of Directors	15.73%	11.35%	Elron: 0.8 Total: 31.1
Open Legacy	2013	2014	Develops and markets a software solution for digital integration of information systems in organizations, based on API	Equity method	Two directors (out of nine directors)	22.20% (held by RDC)	18.28% (held by RDC)	RDC: 8.2 Total: 67.9

[1] In some of the companies, Elron and RDC did not in practice appoint all of the directors they are entitled to appoint.

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Atlantium	2002	2006	Development, manufacturing and marketing of ultraviolet based water disinfection solutions	Fair value	One director (out of seven directors)	6.16%	5.22%	Elron: 13.7 Total: 68.7
IronScales	2014	2015	Development and marketing of a solution against spear phishing attacks	Fair Value	No right of representation on the Board of Directors	8.10% (held by RDC)	7.47% (held by RDC)	RDC: 1.1 Total: 57.4
N-Drip	2015	2018	Develops and supplies a drip system that is operated without the need for energy	Fair Value	No right of representation on the Board of Directors	2.66% (held by RDC)	2.34% (held by RDC)	RDC: 1.5 Total: 88
Breeze	2023	2023	Developing a solution in the space of enterprise cyber security performance management	Equity method	One director (out of five directors)	13.23% (held by RDC)	11.90% (held by RDC)	RDC: 2.2 Total: 7.1
BrainsGate	2000	2005	Development of a platform to treat diseases in the central nervous center, with minimal invasiveness	Equity method	One director (out of six directors)	27.84%	24.93%	Elron: 30.5 Total: 110.9

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Wonder Robotics	2018	2022	Develops autonomous vertical and horizontal awareness solutions for drones	Equity method	Two directors (out of five directors)	24.15% (held by RDC)	20.00% (held by RDC)	RDC: 2.0 Total: 4.1
Zengo	2018	2018	Secured crypto wallet without compromising between security and user experience	Fair value	No right of representation on Board of Directors	9.08%	8.20%	Elron:3.2 Total: 31.3
Notal Vision	2000	2002	Develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) from home and improving vision outcomes.	Fair value	One director (out of nine directors)	8.83%	6.47%	Elron: 15.0 Total: 173.4
Nitinotes	2014	2016	Developing a minimally invasive endoscopic procedure for treatment of obesity	Fair Value	No right of representation on Board of Directors	13.62%	12.36%	Elron: 3.9 Total: 23.7

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Cyvers	2022	2022	Development of a platform to detect and prevent fraud in digital assets in the web3 zone, using advanced artificial intelligence	Equity method	One director (out of five directors)	26.09%	23.98%	Elron: 4.2 Total: 7.9
Scribe[2]	2021	2021	Development of a software supply chain assurance solution that secures the software supplier's digital assets throughout the different stages of software development.	Equity method	One director (out of five directors)	18.49% (held by RDC)	16.73% (held by RDC)	RDC: 5.5 Total: 9.0

[2] In January 2024, subsequent to the reporting date, an additional amount of $1.1 million were invested in Scribe by the other shareholders. For further details see Note 3.B.2.g to the Financial Statements.

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Cynerio	2017	2018	Develops and markets a security platform to protect healthcare systems from cyber threats, in particular medical devices and medical information systems and infrastructures	Equity method	One director (out of seven directors)	17.17% (held by RDC)	14.79% (held by RDC)	RDC: 8.0 Total: 50.5
Sayata	2016	2019	AI based platform connecting between brokers and insurance companies and small businesses	Equity method	One director (out of seven directors)	20.36% (held by RDC)	17.69% (held by RDC)	RDC: 14.1 Total: 62.2
Sixgill	2014	2016	Develops and provides an automated system that crawls the Deep, Dark and Surface Web and extracts information	Equity method	One director (out of seven directors)	22.67%	19.72%	Elron:14.0 Total: 57.3
Edge	2006	2008	Development and marketing of advertising exchange services	Equity method	One director (out of five directors)	20.20%	13.88%	Elron: 2.5 Total: 11.5

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Coramaze [3]	2013	2015	Development of a system to repair the tricuspid heart valves in a minimally invasive procedure	Equity method	Two directors (out of five directors)	22.81%	21.17%	Elron: EUR 5.6 million Total: EUR 18.3 million
Creednz	2022	2022	Development of a B2B solution that uses organizational data and financial transactions data to detect and prevent fraud	Equity method	One director (out of five directors)	15.57% (held by RDC)	13.89% (held by RDC)	RDC: 2.5 Total: 7.0

[3] Including through an indirect holding in Coramaze Technologies GmbH. The year of incorporation of Coramaze Technologies Ltd. is 2017.

Group company name	Year of Incorporation	Year of First Elron Investment	Business	Basis of presentation in the Financial Statements	Rights to appoint directors[1]	Percentage of shareholdings and voting rights	Fully diluted percentage of shareholding and voting rights	Amount invested by Elron and in total (in USD millions)
Red Access	2021	2021	Provides cyber protection to organizations for safe internet browsing and access to cloud resources	Equity method	One director (out of five directors)	23.83% (held by RDC)	21.70% (held by RDC)	RDC: 3.0 Total: 5.5
Tamnoon	2023	2023	Development of technology based service for repairing data protection gaps in cloud infrastructures	Fair Value	No right of representation on Board of Directors	5.48% (held by RDC)	4.75% (held by RDC)	RDC: 0.6 Total: 5.8

3 Field of Activity

Elron operates in one field of activity (considered one reportable segment, in accordance with IFRS 8, Operating Segments), namely investing in and enhancing the value of companies engaged in various technology fields and realizing such investments through exit transactions or public offerings.

4 Investments in Elron's Capital and Transactions in Its Shares

4.1 In April 2022, the Company published a shelf prospectus. For additional details, see the Company's Immediate report dated April 12, 2022.

4.2 In January 2022, the Company's Board of Directors approved the grant of 1,261,164 options to officers who are not directors, other employees of the Company and the subsidiary, RDC, and to permanent service providers of the Company. Concurrently, the Company's Board of Directors also approved the grant of 467,508 options to the Company's CEO as part of his terms of office and employment and in accordance with the compensation policy. The option grant to the CEO of the Company was approved by the Company shareholders' meeting in March 2022, and also by the Tel Aviv stock exchange. For additional details, see Note 12.D to the Financial Statements, and immediate reports of the Company from January 30, 2022, February 4, 2022 and March 6, 2022.

4.3 On March 10, 2022, the Board of Directors of the Company, following the approval and recommendation of the Compensation Committee, approved the terms of tenure of Mr. Dan Hoz as active Chairman of the Board of Directors. Within this framework and pursuant to the compensation policy, the Board of Directors approved the grant of 646,100 options to Mr. Hoz. The options granted to the Chairman of the Board was approved by the Company's General Meeting and also by the TASE. For further details, see Note 12.D to the Financial Statements and immediate reports of the Company dated March 17, 2022 and April 24, 2022.

4.4 In May 2023, the Board of Directors of the Company approved a grant of 1,213,706 options to non-director officers, officers who are Vice-Presidents and other employees in the Company and in RDC. In parallel, the Board of Directors of the Company approved the grant of 593,631 options to the Company's CEO, in the framework of his terms of service and employment and pursuant to the compensation policy. In June 2023, the grant of options to the Company's CEO was approved by the general meeting of the Company's shareholders and in July 2023 by TASE. In parallel with the aforementioned approval, the Board of Directors of the Company approved to cancel and re-issue 561,667 options to employees of the Company, RDC and to regular service providers of the Company, which were first granted in January 2022. For additional details see Note 12.D to the Financial Statements, and supplementary report from July 18 2023 to an immediate report from May 17 2023, and additional immediate reports of the Company and further a supplementary report from June 22, 2023 to an Immediate Report on the Convening of an Annual General Meeting of the Shareholders of the Company from May 23 2023, and Immediate Report from June 27 2023 and from July 18 2023.

5 Dividend Distribution

5.1 On January 11, 2024, subsequent to the reporting date, the Board of Directors of the Company approved a dividend distribution in cash to the Company's shareholders, in the amount of NIS 96.5 million (approximately $26.5 million), constituting NIS1.8461249 per share. The Board of Directors of the Company further determined that the record date for the dividend is January 22, 2024, and the corresponding payment date is February 5, 2024. The dividend was distributed out of the Company's surplus balance, after the Board of Directors examined the Company's satisfaction of "the profit test" and "the solvency test" and confirmed that the distribution will not adversely affect the Company's ability to pay its debts as and when due and/or the Company's current activities.

The balance of the profits available for distribution with regard to the profit test in accordance with Section 302 of the Israel Companies Law, as of the date of approval of the distribution (prior to approval of the aforesaid distribution) was approximately $34.6 million.

5.2 The following are the details of the dividends distributed by Elron in the past two years:

Date of Distribution	The amount of dividend per share	Total dividend amount
5.2.2024	NIS 1.8461249	NIS 96.5 million (approximately $26.5 million)
12.12.2022	$0.66351	$34.45 million

The aforementioned distributions did not require the Court's approval. For additional details, see immediate reports of the Company dated January 11, 2024 and November 14, 2022.

On February 19, 2024, subsequent to the reporting date, Elron's Board of Directors resolved to make an application to the Court for a dividend distribution of $35 million out of which approximately $34.6 million is not out of its profits. Such Additional Dividend Distribution is subject, to the Court's approval pursuant to Section 303 of the Companies Law, 1999 ("Companies Law") and the record date will be determined accordingly. This decision of the Board of Directors was taken after the Board of Directors determined that considering Elron's assets and liabilities, the solvency criterion pursuant to the Companies Law has been met, namely, that there is no reasonable concern that such dividend distribution would prevent Elron from meeting its existing and expected obligations, as and when they fall due, and that such dividend distribution is for the benefit of Elron and its shareholders. It should be clarified that the Additional Dividend Distribution is subject, to the Court approval as stated herein (which is not assured), as well as to a further separate approval of the Board of Directors following receipt of the Court's approval (if and to the extent received), subject to the Board's full discretion. Accordingly, it should be clarified that as of the date of the publication of this report, there is no certainty as to the distribution of a dividend or the timing or amount thereof.

5.3 The Company has not adopted a dividend distribution policy.

5.4 The balance of the Company's profits available for distribution pursuant to the profit test based on the Financial statements as of December 31, 2023, as defined in Section 302 of the Israel Companies Law, 5759-1999, amounts to $26.9 million. As of the reporting date, following the dividend distribution in February 2024 as aforementioned, the balance of the profits available for distribution pursuant to the profit test, as defined in Section 302 of the Israel Companies Law, 5759-1999, is $0.4 million.

6 Financial Information on Elron's Field of Activity

6.1 As mentioned in Section 3 above, Elron operates in one segment. This segment includes investments in group companies and the sale of group companies.

6.2 See the Board of Directors Report regarding Developments in the Company's financial data.

7 General Landscape and Impact of External Factors on Elron's Operations

7.1 Early- and late-stage VC trends[4]

Cybersecurity venture capital activity

VC cybersecurity financing activity (deal volume and deal count) has continued to decline every quarter since the market downturn in the second quarter of 2022, in line with broader trends in VC financing, and has reverted to pre-pandemic levels (“The pandemic”): Deal volume and count in North America and Europe stood at $9.6 billion and 693 in 2023, compared with $17.8 billion and 920 in 2022, and $8.7 billion and 780 in 2019. The median deal size and median pre-money valuation also declined in 2023, particularly in late-stage deals, also reverting to pre-pandemic levels.

M&A volume in the cybersecurity sector declined in 2023 with 363 transactions announced or completed, compared to 447 in 2022. However, M&A volume outpaced pre-pandemic levels, with transactions in 2019 numbering 261.

According to analysts, the drop in late-stage VC financing activity offers a favorable outlook for M&A activity, as late-stage companies may be expected to seek alternative solutions to financing, including a sale. Contributing to this is robust cash flow generation among legacy technology companies in the cybersecurity sector alongside robust demand for cybersecurity products and services, which analysts expect will further drive M&A activity.

[4] The sources of information for this part are: Capstone Partners, Cybersecurity Sector Update, January 2024; CTech, High-tech workers comprise 20% of IDF reserves, double their share in general population, 5.2.2024, https://www.calcalistech.com/ctechnews/article/hku9ilrq6; Pitchbook, Emerging Tech Research: Information Security Report, Q4 2023; Start-up Nation Policy Institute, The Israeli High-Tech in 2023 | Annual Report

The impact of local political instability and the Iron Swords war on Israeli high-tech

The global market downturn coupled with local political instability exacerbated the decline in financing activity in Israel. Between 2022 and 2023, the decline in investment in Israel (at a rate of 58%) was almost double that recorded in the United States (30%) and significantly higher than in Europe (44%). The decline in investments has been continuous from the second quarter of 2022 and reached the lowest point in the last quarter of 2023 due to the Iron Swords war. In the last quarter, Israeli startups raised $1.3 billion in 78 fundraising rounds – the lowest quarterly figures since 2017.

The percentage of foreign VCs that invested in the Israeli high-tech sector in 2022 and did not invest in it in 2023 was 42%, more than double the average for the years 2018-2022, which stands at approximately 17%. Among Israeli VCs, 32% refrained from investing in Israeli startups in 2023, a noticeable increase from the average of 19% observed in previous years.

The widespread enlistment of reservists has significantly impacted Israel's high-tech sector, as high-tech workers comprise 20% of IDF reserves, despite making up only 10% of the Israeli population. Startups, especially those in their early stages, were notably affected – an analysis of 600 companies that submitted applications to an emergency fund for startups impacted by the war, revealed that among those that reported being impacted by key people called for reserve duty, 65% had up to 10 employees. In addition, many startups reported difficulties in signing agreements with international customers, partners, or sales channels.

7.2 Cyber Security General Overview

Companies and organizations of all sizes are faced with a more sophisticated and motivated set of cyber attackers. Coupled with an increasingly complex IT environment and expanding attack surface, driven by ubiquitous connectivity, globalization, mobility and expansion to cloud computing. Business changes, such as expanding the software supply chain used by the organization and API-based business partnerships are also expanding the cyber-attack surfaces of organizations. These trends lead to security and IT teams of organizations are struggling to maintain adequate levels of cyber security, provide visibility to their management teams, and meet increasing regulatory requirements. At the same time, they must navigate a shortage of capable cyber security professionals.

Today’s cybersecurity threat landscape is becoming more complicated and challenging. Breaches are complex and often executed over multiple steps known as the threat lifecycle. The typical threat lifecycle starts with an initial exploit to enter a system, historically using malware, but increasingly using malware-free or fileless methods, to penetrate endpoints and establish a beachhead inside the corporate perimeter. Once inside, adversaries move laterally across the corporate environment where they collect credentials and escalate privileges enabling the typical adversary to download a larger, more destructive malware program or connect with an external control source. At this stage in the threat lifecycle, the adversary is able to encrypt, destroy, or collect sensitive data.

Out of these challenges there is a growing need for cyber security. IT and OT and development and engineering teams are required to be better aligned and work together to identify, manage and reduce risk and more nimbly adapt to emerging threats.

The constant changes in the threat outline create new needs and thirst for new solutions all the time. This reality is fertile ground for the growth of new ventures alongside new developments in existing companies.

<u>The lifecycle of a software/cyber company:</u>

Most ventures raise their first investment round, known as the 'seed' round, at a very early stage, before the venture has even reached a mature product. Companies usually raise initial capital in a 'seed' round based on a preliminary prototype, and sometimes even based on an idea for a solution, with market indications of the severity of the problem the product is designed to address. The first period in a venture's life (one-two years) is dedicated to the most accurate identification possible of the PMF, i.e., building a product that will be in demand and be tailored as best as possible to the requirements of the potential customers in the market. This stage is critical to the life of the venture and is a fundamental criterion for its success and in some cases the venture even chooses to make substantial changes to the product in order to adapt it to market requirements. For such ventures, which generally aim to sell their products to organizations (B2B), it is commonly said that a company has reached this unique point of product-market fit when it manages to recruit its first 5-10 paying customers, although the exact definition of PMF varies between different markets and in different products.

The stages of development in software companies in general, and in cyber companies in particular, continue also after the company has already reached a product that is sold in the market. Ongoing R&D is required to both develop new products and to make adjustments, expansions of the product to meet additional needs of the of the client, and upgrades to keep up with the changing world and the customers' frequently changing needs. This characteristic also frequently enables ventures to charge customers a higher price for using their products. Usually, the business model of software/cyber companies which sell solutions to organizations is based on annual subscription fees. For many companies, new customers may be reached both by direct sales efforts and through various collaborations with sub-distributors or OEM (Original Equipment Manufacturer) technology partnerships.

The next financing round usually takes place after the company has initial revenues. In the next stages the venture usually focuses, alongside continued development, on efforts to increase sales, also by increasing the resources dedicated to marketing & sales and global expansion. Later on, companies continue to make financing rounds as they manage to make business progress, mainly in terms of growing their sales volume or proving other business parameters which indicate the effectiveness of their sales and marketing systems.

In the highly competitive cyber market, and in view of the constant changes in the threat landscape, there is great diversity in the amounts and stages of investment on the one hand, and the timing and amount of exits on the other hand. It is possible to see companies raising very large amounts (equivalent to the second round of an average company) already in the first round, as well as companies raising a seed round that is larger than most first rounds of most companies. Sometimes, a company may be sold before it has even recruited a single paying customer. There are no rules or laws as to the timing of an exit, or its size. Some exits are in fact an acquisition of a technological core, which is an optimal fit for a larger solution of another company. Other exits can be founded on customer base or market leadership, and sometimes an exit mainly concerns acquiring development teams with unique skills.

A reasonable lifetime of a cyber and software company to maturity and exit is around 7[5] years, but recent years have seen two opposite trends emerging at the same time. On the one hand, some companies reach an exit earlier, sometimes even within two years of establishment. On the other hand, there is the trend of aspiration to build up large companies, which are not looking for a quick exit, but are built to become market leading public companies.

7.3 Lifecycle of a Medical Device Company

To the best of the company's knowledge and based on the data available to it as of the reporting date, in principle and generally, a company seeking approval to market a medical device undergoes various stages of development and regulatory approval for product marketing, including a series of clinical trials, as detailed below (note that there may be changes to the mentioned stages and/or additional stages depending on the specific circumstances and products of each company):

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5 https://momentumcyber.com/docs/Yearly/2022_Cybersecurity_Almanac_Public_Edition.pdf

Technological Feasibility Demonstration - At this stage, initial tests are conducted to prove the feasibility of the technological concept.

Prototype Design - At this stage, typically, in vitro and other experiments are conducted to develop the device and determine its efficacy.

Preclinical Studies - At this stage, experiments are typically conducted on animals to examine the safety and efficacy of the device prior to testing in humans.

Clinical Trials - At this stage, trials are conducted in humans. For each clinical trial, a detailed action plan (trial protocol) is predetermined, including all relevant details of the trial. The clinical trial stage includes several sub-stages: initial trials in humans, trials to demonstrate the safety and efficacy of the device, and trials to demonstrate economic efficiency.

Submission of Marketing Approval Application - After obtaining positive results in the clinical trials to demonstrate the safety and efficacy of the device (in accordance with regulatory requirements), the company submits, at this stage, to the relevant regulatory body a request for marketing approval of the device, such as the FDA or the European Union.

Device Commercialization - If the regulatory body in a specific country approves the device for marketing, the company is authorized to market it in that country. The extent of insurance coverage (reimbursement) for the cost of the device or its use by governmental bodies and/or insurance companies may, in some cases, affect the potential sales of the device.

7.4 Iron Swords War:

Iron Swords War: In October 2023, the “Iron Swords” war erupted in Israel (the “War”). The continuation of the War lead to a slowdown in the business activity in the Israeli market, inter alia, due to the recruitment of reserve duty for an unknow period, and also lead to a disruption in the economic activity in Israel. The continuation of the War may have comprehensive implications on numerous fields and geographical areas in Israel. The potential fluctuations in foreign currency rates, the availability of manpower, local services and access to local resources may affect organizations which main activity is with or within Israel.

In addition, on October 24, 2023, Standard & Poors (S&P), the international credit rating company, affirmed Israel's -AA credit rating, along with lowering Israel's credit outlook from "stable" to "negative", due to the significant deterioration in the geopolitical and security risks facing Israel following the Hamas attack on October 7, 2023. During the month of February 2024, subsequent to the date of this report, the rating agency Moody's announced a downgrade of Israel's credit rating from A1 to A2 with a negative outlook and the possibility of further downgrade due to concerns about developments in the Northern frontier warfare.

As of the date of approval of this report, the Company cannot credibly estimate the scope of the War's future impact on the Company's and the group companie's activities, inter alia, due to the market's fluctuations, the uncertainty as to the duration of the War, its intensity, the impact on the Company's fields of activities, and regarding any future steps which may be taken by the government. The Company continues to monitor the War's impact on its operations in general and the risk factors within its business in particular. Risk factors which may be significant: potential difficulties in the group companies' ability to raise capital, impact on group companies' activities vis-à-vis clients, vendors and business partners, including potential ones, potential difficulties for the group companies in consummating commercial transactions or in creating new business opportunities, prolonged and complicated sale cycles' management, and also difficulties in executing exit transactions. The Company constantly monitors the development of events and is considering the implications on its business activities in Israel and its steps accordingly.

7.5 For details on the factors impacting Elron's results of operations and financing sources, see Section 1.1.5 of the Board of Directors Report. For details on the restrictions and regulation on Elron's operations see Section

17 below. Also see Section 20 below regarding the risk factors affecting Elron's and the group companies' operations.

8 Critical Success Factors in the Field of Activity

8.1 As previously mentioned, Elron is an operational holding company that focuses on building technology companies, and its current group companies include companies at different stages of development, mainly in the fields of cyber, enterprise software and also medical device companies.

8.2 Technology fields in which the group companies operate are characterized by the high degree of risk inherent in their products, their continuous technological innovation and their penetration into global markets, which require investment of considerable resources and continuous development efforts. The future success of the group companies is dependent upon, among others, technological quality, intellectual property, prices and nature of their products in comparison to their competitors, and ability to introduce new products to the markets at the right time, while offering cost effective solutions suitable to their customers' needs. In addition, the group companies' future success depends on their ability to raise financing and the condition of the global capital markets.

8.3 Some of the group companies engage in the development of medical devices. This industry is characterized by significant investments, prolonged research and development, and extensive regulation. The development of medical devices involves many elements of uncertainty, as there is no assurance that the group companies' efforts to demonstrate the efficacy, safety, and cost effectiveness of the devices they are developing will succeed. At times, such failure becomes apparent at relatively late stages, after Elron has invested significant resources in the group company.

8.4 The future success of Elron and its group companies is affected by, among others, the following factors:

8.4.1 Elron's access to investment opportunities with significant exit potential (deal flow), and ability to recognize such opportunities.

8.4.2 Elron's ability to recruit managers and employees with the necessary qualifications and experience for guiding the group companies and enhancing their value, who will also be able to effectively serve as board members at the group companies.

8.4.3 Elron's ability to effect exit transactions, which is affected by external factors (the state of the economy, hi-tech industry, venture capital industry, capital markets, and various regulatory and contractual constraints), and by management's ability to successfully lead exit transactions.

8.4.4 Elron's ability to obtain sufficient financing to support the group companies over time and provide them with follow-on investments, which is affected, inter alia, by the state of the economy, capital markets, and venture capital industry.

8.4.5 The group companies' ability to develop products that are technologically superior to those of their competitors and maintain these advantages over time.

8.4.6 The group companies' ability to complete the development of their products and prove their efficacy, including through conducting pilots by cyber and software companies and through clinical trials in the case of the medical device group companies.

8.4.7 The group companies' ability to obtain the necessary regulatory approvals to continue developing their products and market them in various countries around the world, especially in the case of the medical device group companies.

8.4.8 The group companies' success in raising sufficient capital to finance their operations until they manage to break even, which is affected, inter alia, by the state of the economy, capital markets, and venture capital industry.

8.4.9 The group companies' ability to transition from development stage to marketing and manufacturing stage operations, including establishing commercial manufacturing capabilities, establishing sales and marketing infrastructure, and penetrating competitive markets.

8.4.10 The group companies' ability to develop additional products and/or new applications based on the platforms they developed and expand their pipeline of products.

8.4.11 The group companies' ability to market and sell their future products in significant quantities directly or through strategic partnerships or license agreements.

8.4.12 The group companies' ability to protect their intellectual property, including through patents.

8.4.13 Elron's ability to identify, as early as possible, companies and ventures operating in areas that are not yet saturated with cyber and software solutions.

8.4.14 Elron's ability to assist its cyber and software group companies reach customers and strategic partners, and its ability to build a network of relevant connections with the world's leading cyber companies.

9 Main Entry Barriers in the Field of Activity

9.1 Knowledge and expertise in the field of activity: Identifying worthy investment opportunities, being able to guide the group companies and enhance their value, and being able to successfully exit mature companies hinge on the ability to retain top-tier managers with suitable knowledge, experience and qualifications, who have access to investment opportunities with significant exit potential (deal flow). Therefore, any potential competitor will need to invest considerable effort in building such knowledge and expertise or in recruiting managers with these skills.

9.2 Sufficient resources: Investing in and supporting hi-tech companies over the long term requires significant capital.

9.3 Intellectual property: The group companies' protection of their intellectual property is an entry barrier for competitors that seek to use technologies and develop products similar to those developed by the group companies.

9.4 Lengthy and expensive development and regulation stages: The research and development and market approval regulatory processes (mainly in the U.S.) of the group companies which develop medical devices are usually prolonged and require significant capital. Therefore, any potential competitor will have to invest significant time and money.

10 Competition Structure in the Field of Activity

10.1 As a venture capital company that, through RDC, seeks new acquisitions, Elron competes with other entities that seek to invest in companies, such as venture capital funds, strategic investors (large technology companies which invest in their field of activity or tangential fields), private equity firms and other investors. For details on the state of the venture capital industry, see Section 7.1 above.

10.2 In addition, the group companies operate in industries that are rapidly evolving and extremely competitive. Many of these companies compete with companies that are more established and have an advantage in terms of resources, and technical and marketing capabilities. As such, these competitors are able to respond more quickly to new or emerging technologies or changes in clients' requirements and needs, and offer more attractive prices for their products and services.

10.3 Elron has competition in the content worlds in which it operates. There are a number of venture capital funds that fully or significantly specialize in the cyber field, which in recent years have built value-bearing mechanisms specific for this field - broad networks of contacts with information security and cyber managers in leading US companies, partake in follow-on investments from the leading funds in the US market and a prominent presence for their brand within the Israeli cyber entrepreneur's market. The competitive environment is slightly more distributed in the world of software for corporations - and there are a large number of funds in the country that invest in the field or as generalist funds (which invest in all areas of software), sometimes with a specific focus/specialization (such as artificial intelligence (AI) as a market disruption tool, or specialization in deep technology such as quantum computing).

11 **Research and Development**

11.1 The group companies engage in research and development of products in their technology fields. For a description of the research and development activities of each of the companies held by Elron as of the date of this Report (as applicable) see Chapter II: Description of Group Companies.

11.2 For an analysis of the group companies' research and development expenses in 2023, and their anticipated research and development investments in 2024, see Section 1.3.5 of the Board of Directors Report.

12 **Intangible Assets**

12.1 See Section 18.1 below for details on the agreement for commercializing Rafael's technologies in the civilian market.

12.2 Most of the group companies depend significantly on their proprietary technology for their success. The group companies operating in the field of medical devices, rely on a combination of patent, copyright and trademark legislation together with confidentiality agreements and technical measures to protect their proprietary rights in their products.

To the best of the Company's knowledge, the term of a patent is usually 20 years from the filing date of the patent application. During the term of protection, the patent owner is required, in certain countries, to pay maintenance fees to keep the patent in force.

In addition, there is no certainty that patent applications filed by the group companies shall result in the grant of a patent and/or that there will be no attempts by third parties to challenge those patents, and even sue for the revocation thereof. In addition, having an issued patent does not prevent competitors of the group companies from manufacturing products that are substantially equivalent to the group companies' products, in a way that will impair their ability to compete in the market, but only leaves the patent owner with the option to assert infringement claims against the infringing competitors for infringement of the registered patents. In the group companies operating in the cyber and enterprise software fields, the intellectual property is usually not protected by patent but mainly by copyright, which intellectual property protection by its nature provides lesser protection against competing products with similar technology.

The group companies routinely enter into non-disclosure agreements with third parties exposed to confidential information about them or their assets.

13 <u>Human Capital</u>

13.1 As of the filing date, 8 persons are employed at the Company, some of whom engage in sourcing and executing investments including managing and monitoring the group companies, some of whom engage in finance and internal control, and the rest of whom perform administrative services. All Elron’s employees are employed under personal employment agreements.

13.2 On March 9, 2023, Mr. Niv Levy notified the Company that he is leaving his position as the Company’s CFO and head of Company’s risk management, with effect from June 9, 2023.

13.3 On May 17, 2023, the Board of Directors of the Company approved the appointment of Mrs. Rony Gur-Arie as the Company’s VP Finance and head of Company’s market risks management, and of Mrs. Meital Eliyahu Levitan as the Company’s Director of Finance, both with effect from June 9, 2023.

13.4 In the framework of Elron’s focusing on its cyber and enterprise software business mainly through RDC as set forth in section 2.1.2, during December 2023 and January 2024, the Company’s compensation committee and Board of Directors resolved to approve the employment of the Company’s CEO and VP Cyber as managers of RDC, in addition to their employment by Elron, such that RDC will pay most of their monthly salaries, all with effect from 2024. The company is in contact with RDC and Rafael regarding this matter.

Insofar as this matter will be executed, the CEO and VP Cyber will remain Company’s officers, and there shall be no change in their obligations and duties towards the Company or in their current overall terms of employment (by Elron and by RDC). For additional details please see section 6.b(5) Party IV of this periodic report.

13.5 During the period of this report, and except for the aforementioned, there were no structural changes.

13.6 The Company's employees regularly participate in external seminars, professional conferences, and lectures.

13.7 Compensation Policy

13.7.1 For information about the compensation policy, see the Company’s immediate reports dated January 26, 2021, March 2, 2021, November 22, 2021 and December 27, 2021, as well as Section 6 in Part IV of this Periodic Report.

13.7.2 For details concerning the terms of tenure of the Chairman of the Board, the CEO and other officers of the Company, and with regard to the annual bonus granted to them for 2023 in accordance with the compensation policy, see Sections 6 and 9 of Part IV of this Report.

13.7.3 For details regarding the grant of options to the Chairman of the Board, the CEO, other officers of the Company who are not directors or the CEO of the Company, other employees of the Company and the subsidiary, RDC and permanent service providers of the Company, see Sections 4.2, 4.3 and 4.4 above and Section 9 in Part IV of this Report.

14 Investments

Elron's (direct and indirect through RDC) capital investments to the group companies during 2023 amounted to approximately $11.4 million. For further details see Section 1.4 of the Board of Directors Report, Notes 3 and 7 in the Financial Statements, and Sections 3-4 of Part IV of this Report.

15 **Financing**

15.1 Restrictions on the Company's Ability to Qualify for Credit

The Company and certain of the group companies are affected by the 'Proper Conduct of Banking Business Directives' issued by Israel's Supervisor of Banks, which among other things, set limitations on the total indebtedness of a "borrower", of a "group of borrowers" and of the largest borrowers and “groups of borrowers” to a banking corporation (as these terms are defined in these directives). The Company, its controlling shareholders and several of their group companies are considered a "group of borrowers" under these directives. These limitations may result in difficulties for the Company and group companies in obtaining or increasing bank financing from Israeli banks and may affect their ability to make investments for which bank credit is required or to invest in companies that received large credit facilities from certain Israeli banks as well as their ability to conduct certain business activities in cooperation with parties that received such credit facilities. However, in recent years, there was a decrease in the amount of credit in the Israeli banking system utilized by the group of borrowers which includes the controlling shareholder. It should be noted that as of the reporting date, the Company is not reliant on bank financing to fund its operations.

15.2 The Corporation's Estimation of Its Financing Needs

15.2.1 The Company believes that its and RDC's existing capital sources will be sufficient to fund its and the group companies' operations, and to fund any investments both may carry out in existing portfolio companies and that RDC may carry out in new companies (Depending on the financial resources available to it), for at least the next twelve months.

15.2.2 This section includes forward-looking information. Forward-looking information is uncertain information about the future, based on information existing in the Company as of the filing date, and includes the Company's estimations or intentions as of the filing date. Its actual investments may materially deviate from the above statements due, among others, to unanticipated financing needs on part of the group companies, investments in new companies, any other unanticipated expenses, or if any of the risks detailed in Section 20 materialize.

16 Taxation

16.1 See Note 16 to the Financial Statements regarding taxation matters.

16.2 Elron believes that it was characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for the year 2014. In Elron's opinion, nothing in the said characterization should affect the Company's operations, however it may have an adverse effect on the taxation of United States taxpayers and cause a change in their tax liability or require them to perform various actions with respect to the United States tax authorities. Elron recommends its shareholders who are U.S. taxpayers to contact their tax advisors regarding the tax implications for each of the years 2014-2023 as a result of characterization of Elron as PFIC, including different elections available to them.

17 Restrictions and Regulation on Elron's Operations

17.1 Group of Borrowers

Elron and other companies in DIC group are considered a "group of borrowers" under the Bank of Israel's directives that set limits on the credit that groups of borrowers can receive from bank corporations. For further details see Section 15.1 above.

17.2 Investment Company

Regarding the consequences if the Company is characterized as an “Investment Company” according to U.S. securities law, see Section 20.26 below.

17.3 Regulatory Approvals to Market Medical Devices

17.3.1 Marketing and distribution of products by the medical device group companies is subject to stringent standardization and review and various regulatory approvals by relevant authorities in each country, both as a prerequisite to marketing products and also in order to keep them in effect. Any failure to meet the various regulatory requirements may adversely affect the development of these companies' products and/or the ability to market and distribute them.

17.3.2 The regulatory procedures for obtaining the necessary approvals comprise various stages; the developing company being required, at every stage, to meet the conditions and criteria of the relevant health authorities such as the Ministry of Health in Israel, the FDA, or the European Union.

17.3.3 Procedure for obtaining FDA clearance to market a medical device in the United States-

The FDA is a federal agency in the United States whose role is to protect the American public's health by establishing and enforcing a high product standard and by imposing various regulatory requirements, which will ensure the safety and effectiveness of products such as drugs which are intended for human and veterinary use, biological products, and medical devices. FDA requirements include, inter alia, manufacturing the medical devices in accordance with quality system regulation (QSR), receiving a scientifically based submission file on the medical device, appointing an American agent, and, if required, allowing FDA representatives to inspect the manufacturing processes at the facility.

17.4 Regulatory Approval to Conduct Human Clinical Trials

A condition for conducting human clinical trials in any country which signed the Helsinki Declaration is the receipt of pre-approval from the bodies authorized to approve human clinical trials and compliance with the principles set forth in the Helsinki Declaration. In order to conduct human clinical trials in these countries, approval is required from the Helsinki Committee, an independent institutional committee at the medical center where the trial is conducted, which supervises and approves the trial.

17.5 Innovation Law

Certain of the group companies received grants from the National Innovation Authority for Technological Innovation (the "**Innovation Authority**") ") for the purpose of the research and development activities of the held companies, and this by virtue of the Law for the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984 the regulations established pursuant to it (the "**Innovation Law**") and the rules published by the Innovation Authority (hereinafter **-** the "Instructions").

Companies that receive such grants are subject to various obligations and restrictions pursuant to the Innovation Law and the Provisions, such as: (a) except in relation to various support routes, an obligation to pay the Innovation Authority royalties from the revenues generated from the sale of products and/or services related to the products, based (in all or in part) on knowledge developed from the use of grants received from the Innovation Authority ("**Sponsored Knowledge**"), up to the aggregate amount of the total grants, plus interest (as such term is defined in the Provisions); (b) subject to the exceptions set forth in the Provisions, restrictions on the transfer of Sponsored Knowledge and manufacturing rights for products that are developed using funding from the Innovation Authority, outside of Israel (receipt of prior approval from the Innovation Authority for such transfers; in case of transferring manufacturing rights outside of Israel, increased royalty payments to the Innovation Authority per the rates set forth in the Provisions and increase of the royalty repayment rate; in the case of transferring

Sponsored Knowledge outside of Israel, a redemption fee to the State calculated according to formulas set forth in the Provisions); (c) limitations on granting authorization to use Sponsored Knowledge to a foreign entity which does not totally take away from the sponsored company, the possibility of using the transferred knowledge (receipt of prior approval from the Innovation Authority and payment for the granting of such authorization in accordance with the formulae set forth in the Provisions); and (d) providing reports to the Innovation Authority, for instance, in the event of a change in the company's control. It is noted, that the restrictions set forth in the Provisions (including with respect to transfer of Sponsored Knowledge and manufacturing rights) will continue to apply with respect to a sponsored company even after it completes paying the Innovation Authority the entire sum of royalties. Failure to comply with the requirements of the Innovation Law and the Provisions may impose various sanctions on the group companies, including financial sanctions and criminal sanctions.

In 2020 the Innovation Authority launched a new program for investment protection – "Incentivizing Institutional investors in the Israeli Capital market - Incentive Program 43". The program is intended to encourage and protect the investments of institutional investors (insurance companies, banking corporations and their investment branches and pension funds) in Israeli high-tech companies (as defined in the benefit track provisions). Within the framework of the program, downside protection of a rate of up to 40% of the approved investment framework (as defined in the benefit track provisions). In the event of a certain positive yield on the portfolio of investments at the end of the program, the approved institutional investor will transfer a sum at a certain rate of the positive yield as specified in the benefit track provisions. The Innovation Authority is in the opinion that the protection's objective is to encourage the Israeli high-tech R&D in both the short term and long term; In the short term, the Israeli high-high-tech companies will be able to obtain funding for their operations which include R&D. In the long term, the institutional investors will specialize in consummating investments in the Israeli high-tech industry and will become a relevant and influencing factor with expertise in alike investments. Benefits granted to institutional investment entities under this track are exempt from paying royalties to the Innovation Authority.

17.6 Competition Aspects

Israeli and international competition and economic laws may adversely affect and even prevent the Company's ability to effect exit transactions of its investments in group companies, as certain of these transactions may be subject to the approval of economic competition authorities in Israel or in other countries (such as the U.S. or in Europe) in cases where one of the parties to the transaction, including the purchaser or potential investor (in the group company) has to attain the competition authority approvals as aforesaid, in a manner that may prevent such transactions from taking place or impose limitations which will adversely affect their financial viability.

18 Material Agreements and Collaboration Agreements

The highlights of material agreements outside the ordinary course of business to which the Company is a party, including collaboration agreements, are described below:

18.1 Agreement for Commercializing Rafael's Technologies in the Civilian Market

18.1.1 Pursuant to the agreement from 1993 as amended from time to time, RDC has first exclusive rights to commercialize Rafael technologies without time restrictions. RDC is not entitled to use Rafael's technologies in the military or security market inasmuch the customer is a government entity.

18.1.2 In the event that Rafael is approached by a third-party financial partner with a proposal for a new project, RDC will be entitled to cooperate with Rafael instead of such third party and will pay Rafael the consideration offered by such third party. If such third party is not a financial partner, RDC will be entitled to cooperate with such third party instead of Rafael and Rafael will be entitled to receive 3% of the shares of the company established.

18.1.3 Rafael undertook not to establish an entity similar to or competitive with RDC and Elron undertook not to establish a similar or competing entity to RDC inasmuch as such entity is an Israeli entity engaged in the military-security field and is a competitor of Rafael.

18.1.4 Pursuant to the addendum agreement from 2008: Elron (together with DEP, a wholly owned subsidiary) is committed to invest $750 thousand in RDC for each company that will be established by RDC based on Rafael's technologies; RDC granted Rafael an option to receive from RDC 3% of the shares of each new company that would be established by RDC based on Raphael's technologies (except as described in Section 18.1.2 above); Elron will be entitled to receive certain management fees from RDC in respect of each new company that shall be established by RDC, insofar as it shall be sold, merged or its securities offered to the public, and upon the fulfillment of certain conditions; DEP is entitled to assign its rights and obligations in the agreement to any company, which controls, is controlled by or is under common control with DEP as long as Elron remains liable for its obligations thereunder.

18.1.5 Rafael may cooperate with a third party for the purpose of commercialization of military products with an operating partner (which is not a financial entity) and for the purpose of commercialization of "mature" products, as defined in the agreement, outside of the military segment, a significant part of the development of which has been completed by Rafael. Insofar as Rafael shall seek to cooperate with a financial entity with respect to "mature" products, it is required to also approach Elron at the same time. In cases in which Rafael shall cooperate with a third party in connection with the sale or marketing of products in the fields of business of RDC and in respect of which RDC has no rights, Elron will be able, and alternatively RDC will be able, to participate in approximately 10% of the said cooperation (subject to the third party's consent).

18.2 CartiHeal Sale

18.2.1 CartiHeal specializes in the regenerative medicine field and works to develop and manufacture implants to treat cartilage and bone lesions caused by trauma or degenerative changes in loadbearing joints, such as the knee. Prior to its sale, CartiHeal was approximately 30% held by Elron.

18.2.2 The sale of CartiHeal to Smith & Nephew - On November 22, 2023 a definitive agreement (the “Agreement”) was signed by CartiHeal and Smith & Nephew USD Limited (the "Acquirer" or " Smith & Nephew"), a company wholly owned by Smith & Nephew, plc., for the sale of the entire share capital of CartiHeal to the Acquirer (the "Transaction"). In January 2024, subsequent to the reporting date, the conditions precedent for the Transaction have been fulfilled and the transaction was completed.

The consideration for the Transaction amounts to up to $330 million for all of CartiHeal’s shareholders, subject to adjustments, and is comprised of an immediate consideration and a contingent consideration, detailed as follows:

Immediate consideration in the amount of $180 million, (of which approximately $18 million was deposited in escrow for 12 to 18 months, mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions, such as intellectual property and regulatory approvals) (“Immediate Consideration”); and

Contingent consideration in the amount of $150 million, subject to adjustments, payable at such time when, if during the 10-year period following Transaction closing, the sales of the Agili-C™ and certain other products specified in the Agreement shall generate at least $100 million in net revenues during a consecutive 12-month period (the “Contingent Consideration”).

The Company’s share in the consideration is approximately $88 million, comprised of: (1) Immediate Consideration amounting to approximately $48 million which was received in January 2024, subsequent to the reporting date (of which approximately $5 million was deposited in escrow for a period of 12 to 18 months), and (2) Contingent Consideration amounting to approximately $40 million payable at such time and under the conditions described above. For further details regarding the Transaction and its effect on the financial reports, see Note 3.B.2.a to the Financial Statements.

18.2.3 <u>CartiHeal’s Sale to Bioventus which was canceled during 2023</u>- In July 2022, a transaction was completed for the sale of CartiHeal to Bioventus LLC (“Bioventus”) (the "Transaction"), which, as detailed below, was canceled in 2023. The Transaction included three components of consideration: immediate consideration (Elron's share of approximately $33 million was received upon completion of the Transaction), interest-bearing deferred payments that were to be paid by January 2027 (Elron's share was approximately $59 million) and consideration contingent on CartiHeal’s sales (Elron's share was approximately $37.5 million). For further details, see Note 3.B.2.a to the Financial Statements.

During the first quarter of 2023, the milestone was completed for the prepayment of the next payment which was to be received. As a result, Bioventus approached the Company as the Sellers’ representative to discuss certain changes in the parameters of the Transaction and as a result the parties reached understandings (the “Amendment Agreement”) according to which the transaction was canceled as follows:

18.2.3.1 As of the date of signing the Amendment Agreement, all of CartiHeal’s shares were returned to the ownership of the sellers, including Elron. In addition, the parties released each other from any obligation in connection with the

Transaction or in general and neither party will have any claim in connection with the Transaction.

18.2.3.2 Bioventus deposited a total amount of $10 million in escrow which, as a result of the cancellation of the Bioventus Transaction, was transferred to CartiHeal.

18.2.3.3 In accordance with the Amendment Agreement, and as a final and agreed compensation for the cancellation of the Transaction, all amounts that were paid by Bioventus to the sellers in the past in connection with the Transaction (Elron's share, as mentioned, approximately $33 million), as well as the funds that Bioventus invested in CartiHeal (and the CartiHeal shares that were issued for them) and/or advanced in order to be used to finance CartiHeal's activities, were not returned to Bioventus

19 Business Objectives and Strategy

19.1 Elron's main goal is to build, enhance and realize value for its shareholders through developing its business holdings and then selling of a portion or all of its holdings in its group companies, mainly by means of sale to third parties, or the public offering of shares by any of its group companies to third parties, or through the distribution of its consideration from realization of its holdings in all or part of its group companies, as dividend to its shareholders (subject to applicable laws limitations).

19.2 With the sale of CartiHeal (see section 18.2 above), the strategic move initiated by the Company in 2020, which focused the company's activities on the Cyber and software sectors instead of the medical device field, has been completed. Today, the main value of the portfolio companies is attributed to investments in the Cyber and software sectors, following Elron's shift to making new investments primarily in the Cyber and software fields since 2016, and not making new investments in the medical device field.

19.3 Additionally, given the current market conditions, which include fluctuations in the stock market and a slowdown in fundraising for technology companies, with a focus on Israel, many companies worldwide and in Israel are reassessing their cash utilization rates, with some implementing cost-cutting measures and reducing their workforce. Accordingly, Elron began a cost optimization process in its corporate expenses 2023, which is expected to continue in 2024. Elron (as well as RDC) intends to continue focusing on and supporting existing Cyber and software portfolio companies while supporting them. New investments, if any, will be made through RDC, depending on the financial resources available to RDC.

19.4 Elron's strategy regarding deployment of capital is based on the following principles:

19.4.1 Focusing on its existing Cyber and software portfolio.

19.4.2 Focusing on Cyber and software investment and mainly in its collaboration with Rafael, through the subsidiary RDC.

19.4.3 Identifying and exploiting opportunities in companies with innovative technology and significant exit potential, among others through Cyber Future.

19.4.4 Investing over the long term in order to maximize the potential for enhancing the group companies' value.

19.4.5 Striving for significant holdings and focusing on investments which provide Elron influence and active involvement in their management.

19.4.6 Actively enhancing the group companies' value through active involvement in their management, by means of the following: active membership on their boards of directors; active assistance to their management; assistance in the advancement of their technology; forming strategic relationships, providing access to capital; providing development and operational guidance; business plan preparation; strategic planning; marketing; investment and budget planning;

finance; manning senior management positions; and overall ongoing monitoring of the group companies' performance.

19.4.7 Exploiting opportunities to exit group companies, including Elron's intention to search for opportunities to realize mature companies.

19.5 It should be noted that Elron's strategy allows it to take actions which deviate from the above principles in circumstances where management believes that the specific circumstances justify such deviation.

19.6 This section includes forward-looking information, as defined in the Israel Securities Law. Forward-looking information is uncertain information about the future, based on information existing in the Company as of the filing date, and includes the Company's estimations or intentions as of the filing date. Elron's actual implementation of its strategy may materially deviate from the above statements due to, among others, failure to meet goals, modifications in the business plan, goals and/or strategy, group companies' unexpected needs for additional funding, investments in new companies, any other unexpected expense or if any of the risks detailed in Section 20 materialize.

20 Discussion of Risk Factors

The following are the main risk factors that affect the operations of Elron and the group companies:

Macro Risks

20.1 Iron Swords War

The continuation of the War may adversely affect the business results of the Company and the group companies, and among others, lead to security and financial instability in Israel. Risk factors which may be significant: the recruitment of reserve duty for an unknow period of time; potential difficulties in the group companies' ability to raise capital, impact on group companies' activities vis-à-vis clients, vendors and business partners, including potential ones; potential difficulties for the group companies in consummating commercial transactions or in creating new business opportunities, prolonged and complicated sale cycles' management, and also difficulties in executing transactions. Furthermore, to the Company's best knowledge as of the reporting date, there is a concern that the War might be expanded and escalated to additional battlefronts, which the Company estimates may lead to a more significant damage to civil infrastructures in Israel, including, inter alia, in the mobility to other regions in Israel, etc., and to significant damage to Israel's economy. For additional details, see section 7.4 above.

20.2 Global economic conditions

Developments in the global markets and particularly in the Euro zone and in the United States, including the rising inflation worldwide and in Israel, raising interest rates, volatility in securities' prices and currency exchange rates, as well as domestic developments, in the past have affected and in the future may affect the Company and the group companies' results of operations, liquidity, value of equity, value and exit potential of assets, business (including the demand for the group companies' products), financial covenants, ability to distribute dividends, ability to raise financing as required for day-to-day, long-term and R&D operations, allocation of resources, and availability and terms of financing from financial institutions and banks.

20.3 Limits on the Company's and group companies' ability to borrow from Israeli banks

The Company, its controlling shareholder and some of their affiliated companies are considered to be a single "group of borrowers" with respect to restrictions prescribed by the Supervisor of Banks in Israel on the amount of loans that a banking corporation in Israel can provide to a single "group of borrowers" (see section 15.1 above). These regulations may result in difficulties for the Company and its group companies in obtaining or increasing bank financing, if required, from Israeli banks, and may affect the Company and its ability to make investments for which bank credit is required or to invest in companies that received large credit facilities from certain Israeli banks as well as their ability to conduct certain business activities in cooperation with parties who received such credit facilities.

20.4 Downturn in the capital markets

Securities markets in general are volatile, even more so with negative economic developments, including changes in the interest rates, and are particularly volatile for publicly traded high-technology companies, including companies that have a significant presence in Israel. Although the volatility of these companies' securities is not necessarily related to their operating performance, such volatility could result in these companies' experiencing difficulties in raising additional financing required to effectively operate and grow their businesses as well as difficulties in executing exit transactions in these companies. These difficulties and the volatility of the securities markets in general, and specifically during economic slowdowns, have affected and may continue to affect the Company and its group companies' ability to realize the Company's investments or to raise financing, which in turn may result in the Company having to record impairment charges.

20.5 International operations

The products of most of the group companies are designated for sale to customers outside of Israel. As a result, negative changes in international, political, health, economic or geographic events could result in significant shortfalls in orders or revenues. These shortfalls could cause the business, financial condition and results of operations of these companies to be harmed and as a result negatively impact on Elron's financial condition and results of operations. Some of the risks of doing business internationally include unexpected changes in regulatory requirements, international geographical events, exchange rate fluctuation, inability of the group companies and their subcontractors to obtain export licenses, imposition of tariffs and other barriers and restrictions, burdens of complying with a variety of foreign laws, political and economic instability, changes in diplomatic and trade relationships, acts of terror, and others.

20.6 Financial risks

Elron and the group companies are exposed to changes in interest rates and inflation, and to fluctuations in the price of tradable securities and exchange rates, which directly or indirectly affect them, inter alia due to bank liabilities and investments in interest-bearing deposits and debentures, indexed linked agreements and various shekel-based expenses (the currency of the operations of Elron and most of the group companies is the U.S. Dollar). In addition, the R&D activity of most of the group companies is located in Israel and accordingly these companies are exposed to changes in the USD-NIS exchange rate. For additional details, see Note 19 to the Financial Statements.

Sector Risks

20.7 Regulatory and contractual limitations on disposal of holdings

Elron and some of its group companies are subject to regulatory as well as contractual limitations which may limit the possibilities for disposing of its holdings in its group companies at a time and in a manner deemed suitable to Elron. These regulatory limitations may include, inter alia, economic competition laws (see Section 17.6 above), and lock up periods according to applicable securities laws. Contractual limitations and limitations in the articles of association, include rights of first refusal, tag-along rights of other shareholders in group companies in a sale by Elron, or the right of other shareholders to bring-along Elron in a sale by such other party, veto rights and similar rights which may restrict transfer of shares or may limit the Company's ability to dispose of its shares in its group companies.

20.8 Effecting exit transactions at significant values

Elron's results of operations and its cash resources are impacted by its ability to conclude exit transactions at significant values. Elron's ability to conclude exit transactions at significant values are impacted, inter alia, by economic conditions, market conditions in the high technology, medical device and/or cyber security industries, the status of the venture capital industry and capital markets and various regulatory and contractual limitations. Furthermore, the possibility of concluding exit transactions at significant values is dependent on the circumstances and characteristics of the group company whose sale is being considered (the demand for its solutions, uniqueness, size of the problem it is trying to solve, etc.) as well as the ability of Elron's management and the management of companies in its group to lead successful exit transaction processes. To the extent that Elron is not able to conclude these types of transactions, its results of operations and cash resources will be adversely affected.

20.9 <u>The impact of the group companies' operating results on Elron</u>

Elron's results of operations are directly impacted by the results of operations of its group companies which are consolidated in its Financial statements or are accounted for on an equity or fair value basis. To the extent that any of these companies have poor financial results or encounter difficulties in their operations, the Company's financial results will be negatively impacted. Many of these companies are in the development stage and some have not yet generated significant revenues, if at all. The Company anticipates that the majority of these companies will continue to record losses in the future.

20.10 <u>Retaining key employees</u>

The success of the group companies depends, in large part, on a limited number of key personnel in the management, scientific-technological and technical fields. In addition, future success will depend, in part, on attracting and retaining highly qualified personnel. The increasing demand for highly qualified personnel in the high-tech industry may make it more difficult to recruit and retain highly qualified personnel. There can be no assurance that the group companies will be able either to retain present personnel or additional qualified personnel as and when needed. The loss of key personnel, the increase in key personnel's salaries, and the failure to attract highly qualified personnel may materially adversely affect the group companies' financial condition and results of operation and as a result, Elron's financial condition and results of operation may be materially adversely affected.

The Company is also dependent on skilled personnel. There can be no assurance that such personnel will be available to Elron at all times and this may adversely affect Elron's business.

20.11 Uncertainty and risk in the Company's and the group companies' technology fields

The penetration into the technological fields within which the group companies operate involves a high level of risk and uncertainty and requires the investment of considerable amounts of money and time. There is no assurance that Elron’s group companies will succeed in the development of their products, manufacturing of products, or obtaining the necessary approvals for commercializing products. The research and development of Elron’s group companies, particularly companies in the medical device field, takes many years and requires the employment of high-quality development personnel. For Elron’s group companies engaged in the development of cyber security technology, the development periods are shorter, and completion of initial product development typically takes about two years. Since the field today is populated with solutions and ventures, any delay in development can give an advantage to competitors and may risk the market penetration. Every product development project of the group companies entails many scientific and engineering complexities and extensive technological know-how is required for the development of the product. The absence of technological and business know-how and suitable technological infrastructure may lead to a delay or failure in the product development. In addition, there is also the risk that after completion of the development and approval processes, a competitor may have developed superior technology, which gives it a competitive advantage. There is no assurance that the group companies will be able to transition from development stage to marketing and manufacturing stage operations, including establishing commercial manufacturing capabilities and establishing sales and marketing infrastructure. The ability to penetrate markets in circumstances where there is no competing product is also dependent on the ability of our group companies to educate their potential customers of the possibilities for the use of the product and its advantages. Delays, difficulties or failures associated with developing, manufacturing, or marketing products, or associated with new product introductions or product enhancements, could materially adversely affect the financial condition and results of operations of these companies and on their ability to raise the financing required for their operations, and as a result, the Company’s financial condition and results of operation.

20.12 Competition in the markets in which the group companies operate

Many of the group companies experience competition from companies with significantly greater financial, technical and marketing resources, who have easier market access, better operational infrastructure, longer operating histories, larger installed client bases, greater name recognition, more established relationships and alliances in their industries and offer a broader range of products and services. As a result, these competitors may be able to respond more quickly to new or emerging technologies or changes in clients' requirements or devote greater resources to the promotion of their products and services and more. The acceleration of the development capabilities of these competitors due to the increased competition in the market could materially adversely affect the relative positioning of the products of the group companies and as a result, on their ability to sell their products and on Elron's ability to realize its holdings in these companies.

20.13 Difficulty faced by the group companies in obtaining future financing

Many of the group companies are in the development stage and have extensive research and development and marketing costs and limited revenues, if any. In order to succeed, these companies may require additional capital to fund these costs. If these companies have difficulties obtaining financing from their current shareholders or from external financing sources, their continued operations may be at risk and such difficulties may materially adversely affect their results of operations and financial performance. This would also adversely affect Elron’s financial performance and results of operations.

20.14 Intellectual property

As stated in Section 12.2 above, most of the group companies depend significantly on their proprietary technology for their success. Like many other technology companies, most of the group companies, and more particularly those operating in the field of medical devices, rely on a combination of protection laws within the field of patents, copyrights and trademarks together with non-disclosure agreements, confidentiality clauses in their agreements, including employment agreements, and technical measures to establish and protect proprietary rights in their products. However, these legal means may not adequately protect the group companies' rights or permit them to acquire or maintain any competitive advantage. For instance, the companies do not always succeed in protecting their proprietary rights in foreign countries, among other things since some foreign countries do not provide patent protection. In addition, the process of issuing a patent may sometimes be lengthy and may not always result in patents issued in a form that will be advantageous to the group companies, or at all, and patents and applications for patents may be challenged, invalidated or circumvented by third parties. Competitors of the group companies may be issued patents that will prevent the group companies from using certain technologies. Enforcing their rights may be time consuming and costly, thereby diverting management's attention and company resources. Unauthorized parties (such as customers and suppliers) may attempt to copy aspects of the group companies' products and develop similar products or to obtain and use information that they regard as proprietary. Competitors may independently develop products that are substantially equivalent or superior to our group companies' products or that do not adversely affect the intellectual property rights of the group companies. In Elron's cyber and enterprise software companies, the main asset is generally not protected by patent but mainly by copyright, which intellectual property protection by its nature, provides lesser protection against competing products with similar technology. The success of certain of the group companies, particularly Elron's cyber security and enterprise software companies rely to a lesser extent on intellectual property in order to protect the proprietary rights of their products, and therefore there is an increased risk that similar products will be developed by others, and the pace of market penetration has an increased importance. In addition, others may assert infringement claims against group companies, which could have a material adverse impact on the group companies. In these circumstances, the cost of managing legal process claims could be significant. If the group companies do not adequately protect their intellectual property, their competitors or other parties could make similar products and compete with the group companies. All the aforesaid could materially adversely affect the group companies' business, financial condition and results of operations and as a result, this could materially adversely affect Elron's financial position and results of operations.

20.15 Exposure to intellectual property lawsuits in the medical device field

There is a substantial amount of litigation over patent and other intellectual property rights in the medical device industry. Sometimes, whether or not a product infringes a patent involves complex legal and factual issues. The group companies that engage in medical device development (both the existing and the ones sold, see also section 18.2 above) may be exposed to intellectual property lawsuits that can be expensive and time-consuming to litigate and can divert management's attention from the concerned company's core business as well as result in the payment of damages or even prevent the concerned company from selling its products. All of the above could accordingly materially adversely affect the group companies' financial condition and results of operation and as a result this could also materially adversely affect the Company's financial condition and results of operations.

20.16 Innovation Authority and Investment Center programs

Certain of the group companies have received grants and benefits through programs of the Innovation Authority or the Investment Center. There is no certainty that these benefits will continue to apply in full or in part in the future. In addition, the terms and conditions of the said grants and benefits impose various restrictions on companies to manufacture products and/or to transfer knowledge and technology outside of Israel. The restrictions could limit the ability of the group companies to execute transactions with international companies as well as the Company's execution of exit transactions with respect to their holdings in the group companies. Also, if the group companies do not continue to meet the conditions relating to the grants, they may be required to pay taxes and other payments and benefits may be denied to them in future. There is no certainty as to the availability or amount of the benefits which may be granted to companies in the future. In addition, if the group companies do not comply with the conditions imposed by the Innovation Authority, they may be required to repay the grant immediately plus interest and in some cases, pay fines. For details regarding the Innovation Law, see Section 17.5 above. All the above may materially adversely affect the financial condition and results of operations of the group companies and consequently also the financial condition and the results of operations of Elron.

20.17 Product or Services claims

The group companies are exposed to claims pertaining to their products or services. A claim pertaining to a product or service, regardless of its merit or eventual outcome, could result in substantial costs to a group company and a substantial diversion of management attention. Such claim or any product recalls could also harm a group company's reputation and result in a decline in revenues. A future claim or series of claims brought against the group companies could have a material adverse effect on their financial condition or the results of operations, or there is no assurance that that insurance's coverage limits would be adequate. This in turn could have a material adverse effect on the financial condition and results of operations of Elron.

20.18 The uncertainty facing research and development stage medical device companies

Most of the medical device group companies are in the research and development stage. In light of the uncertainty that they will succeed in developing their various products, and/or in penetrating relevant markets, in the event of the failure in the technological development of products of the group companies and/or the failure to obtain the required approvals from the authorized regulatory authorities in order to market their products and/or successfully penetrate into the relevant market, Elron's investment in these companies may ultimately be lost.

20.19 <u>The impact of regulations on medical device product development, manufacturing and marketing</u>

The activities of the medical device group companies are subject to strict governmental supervision including with regard to limitations on financial arrangements and kickbacks to financial institutions and healthcare officials and with regard to obtaining and maintaining regulatory approval to market their products in any country. Compliance with regulatory requirements involves significant time and money resources. In addition, noncompliance with applicable regulatory requirements can require the investment of more time and resources in the development of products, stop product development and result in enforcement action which may include recalling products, ceasing product marketing, paying significant fines and penalties, and similar regulatory actions which could limit product sales, delay or halt product shipments and/or delay new product clearances or approvals, any of which may thereby materially adversely affect such group companies' businesses. All of the aforesaid could have a material adverse effect on the financial condition and results of operations of the group companies and consequently on the financial condition and results of operations of Elron.

20.20 <u>Reimbursement</u>

If medical service providers (physicians, hospitals and other healthcare providers) are unable to obtain sufficient coverage and reimbursement from third-party payers to cover the costs of purchasing the medical device group companies' products, including companies which were sold, and there is an Contingent consideration to be received for its sale, such as CartiHeal (se section 18.2 above), or if coverage does not adequately compensate physicians and health care providers as compared with competitors, the sales of these companies may be adversely affected. In addition, the group companies could be adversely affected by changes in reimbursement policies of governmental or private healthcare payers to the extent any such changes affect reimbursement amounts or availability for procedures in which their products are used. Accordingly, this could materially adversely affect the group companies' financial condition and results of operations and as a result could also materially adversely affect Elron's financial condition and results of operations.

20.21 Conducting clinical trials

The continued development of many of the products being developed by the group companies engaged in the medical device field is dependent upon the performance of clinical trials and subject to, and contingent upon, the success of such trials at each one of the regulatory stages. The performance of clinical trials is dependent upon a variety of factors, including the ability to recruit appropriate candidates for such trials (see Section 20.22 below), the need to obtain consent from various clinical research bodies for the performance of the trials, receipt of regulatory approvals for performance of the trials and the structure of the trials (trial protocol, manner of analysis of results etc.), regulatory changes, as well as the possibility of unexpected side effects of the group companies' products. All these factors may constitute obstacles in the path to successful completion of the clinical trials, and may delay or even stop the continued performance of the clinical trials and lead to postponement of receipt of the approvals and permits as aforesaid. Therefore, it is impossible to know when clinical trials will be completed, if at all. Accordingly, this could materially adversely affect the group companies' financial condition and results of operations and as a result could also materially adversely affect the Company's financial condition and results of operations.

20.22 Difficulty and delays recruiting clinical trial candidates

The performance of clinical trials is dependent upon a variety of factors, including the ability to recruit appropriate candidates for such trials. A slower than expected pace of recruiting and/or a delay in recruiting candidates for the trials may derive from various factors, such as low incidence of patients meeting the trial's criteria, competition between companies over the participation of trial candidates, a change in candidates' readiness to volunteer for the trial and lack of funds. This may delay or disrupt the conduct of the clinical trials and obtaining regulatory approvals for medical devices and could materially adversely affect the companies' businesses and as a result, Elron.

Specific Risks

20.23 Compliance with regulatory requirements and restrictions in several countries

Elron and its group companies' operations are subject to regulation in Israel and additional countries in which Elron and its group companies operate or wish to operate. These regulatory requirements may impact, inter alia, on Elron's reporting obligations and as a result, may affect its business and its ability to invest in new companies. In addition, the regulatory requirements and restrictions in Israel to which Elron and its group companies are subject may be different and even in conflict with the regulatory requirements and restrictions applicable to Elron and its group companies in other countries. If this occurs, it will adversely affect Elron's business.

20.24 Financing sources

The Company's financial resources are dependent upon proceeds from the realization of its holdings in its group companies, from capital raising from the public or dividends from group companies. In the past, the Company's financial resources included loans and credit facilities from banking institutions as well as loans from the controlling shareholder. In the absence of sufficient financial resources, there is no assurance that the Company will be successful in raising additional capital for its activities and the continued support of and investment in the group companies and new companies.

20.25 Control by DIC

DIC holds 59.68% of the Company's ordinary shares and voting rights and is the Company's controlling shareholder. As of the filing date, DIC has the power to appoint a majority of the members of the Company's board of directors and accordingly, DIC has the ability to direct the Company's business and affairs. DIC's control over the Company may impose various regulatory limitations on the Company (see Sections 15.1 and 20.7 above). In certain shareholders' view, having a controlling shareholder is a limitation on the influence shares held by the Company's public shareholders may have. DIC has the ability to act in order to change the control of the Company or the composition of the Company's Board of Directors.

20.26 Classification as an "Investment Company" according to U.S. securities law

Generally, for so long as a company has more than 100 US investors (as is the case with respect to the Company as of the reporting date), a company must register under the Investment Company Act of 1940 as amended, or the 1940 Act, and comply with significant restrictions on operations and transactions with affiliates if it is engaged in the business of investing, owning, holding or trading securities and owns investment securities (as defined in the 1940 Act) exceeding 40% of the company's total assets, or if it holds itself out as being engaged primarily in the business of investing in, reinvesting or trading securities. The 1940 Act provides for various exemptions from the obligation to register thereunder, and in 1980 the Company received an order from the SEC, declaring that it is not an investment company under the 1940 Act. If certain of the Company's activities and/or investments were to adversely affect its status under the 1940 Act or if the Company were to cease to comply with the conditions of the order from 1980, the Company might be deemed an investment company and/or need to dispose of or acquire other investments to avoid the requirement to register as an investment company on terms that may not be favorable to it. In addition, if the Company were deemed to be an investment company and therefore required to register as such under the 1940 Act, it would be unable to continue operating as it currently does, as a result of which its performance and market value could be severely harmed.

20.27 Changes in the value of the Company's holdings

The Company is exposed to the volatility of the value of its holdings in group companies. If the group companies experience difficulties in the future, or if there are adverse changes in their fair value, the Company may need to write-down or write-off the carrying value of its holdings, raise capital at a lower market value than expected, and its business and financial results and/or the value of its assets will be adversely affected. In addition, changes in the value of the Company's holdings in the group companies may have an adverse effect on the Company's market value. The Company regards the changes described herein as being in the ordinary course of our business.

20.28 Realizing the potential of the agreement with Rafael

If RDC is unable to realize the full potential of its agreement with Rafael (see section 18.1 above), the Company's ability to develop new companies within the framework of RDC may be adversely affected and as a result the results of the Company's operations and its financial position may be adversely affected. The failure to realize such potential may occur if Rafael does not cooperate with RDC in realizing RDC's rights under the agreement, if Rafael or RDC fails to identify existing technology, or Rafael does not develop new technology that could be exploited for civilian purposes or if RDC will not reach an agreement with Rafael on the terms of use of technologies for commercial purposes. Furthermore, the framework of cooperation with Rafael is broader and includes, as mentioned in section 2.1.7.5 above, additional actions undertaken by Rafael's personnel both during the investment evaluation stage and after the investment has been made, in the fields of cybersecurity and software, as well as other areas within the dual-use domain. If Rafael and its personnel do not collaborate within the scope of these actions, the value that RDC provides in both the evaluation stage of new investment opportunities and post-investment may be affected.

20.29 Realization of the Conditions to receive the Contingent consideration from CartiHeal's Sale

In accordance with the sale transaction of CartiHeal to Smith & Nephew detailed under section 18.2 above, and its terms, the selling shareholders, including Elron, are entitled to Contingent consideration in the amount of $150 million, subject to adjustments, payable upon the date on which the sales of Agili-C and additional products as detailed in the agreement (the "Products"), will generate net income of at least $100 million in a consecutive 12 months period (conditional upon fulfilling said condition within the 10 years' period commencing from the transaction's closing). Elron's share in the Contingent consideration is approximately $40 million (the Company anticipates recording an asset worth 50% of this amount, in the first quarter of 2024). Accordingly, with respect to the receipt and value of the Contingent consideration, the Company is depending on Smith & Nephew's ability to sell the Products in order to reach the agreed-upon sale threshold, and on Smith & Nephew's financial condition and its ability to comply with its obligations and the period until reaching the required sales threshold.

20.30 Risk of a cyber attack

The Company and its group companies are assisted by various technologies and databases for their business activities, including development. As a result, the Company and its group companies are exposed to the risk of theft of business and technological data, and to the disruption of the group companies' ongoing activities and the developments on which they are working.

20.31 Exposure to liability for representations and escrow deposits in exit transactions

In exit transactions executed or which may be executed by the Company in the future, the Company and/or its group companies are often required to make representations and warranties to the acquirer about the relevant group company and to, under certain circumstances, indemnify the acquirer for damages should such representations or warranties prove to be inaccurate. In addition, a portion of the sale proceeds is often held in escrow as security for the indemnification obligations, which may expose the Company to the risk of ultimately not receiving all or part of such portion of the proceeds should the representations and warranties prove to be inaccurate. Also, certain proceeds may be contingent upon future performance of such companies following the exit transaction and over which the Company has no control and accordingly, there is no assurance that such proceeds will be ultimately paid to the Company in full or at all. In this regard, the Company has indemnification obligations regarding representations given, inter alia, within the framework of transactions for the sale of Medingo, Kyma, Jordan Valley, Cloudyn, Secdo, Alcide, Imvision, SecuredTouch, Canonic and CartiHeal, which could be material if realized. In addition, there are representations given by previously held group companies and by the Company in the framework of transactions for the sale of companies previously held by it. See also section 18.2 above regarding CartiHeal's sale.

20.32 Below is a summary of the risk factors according to their type and their impact on Elron's business, based on management's assessment:

	Degree of Impact of Risk Factor on Elron		
	Major Impact	**Medium Impact**	**Minor Impact**
<u>Macro Risks</u>			
Iron Swards War	✓		
Global economic conditions	✓		
Limits on the Company's and group companies' ability to borrow from Israeli banks			✓
Downturn in the capital markets	✓		
International operations	✓		
Financial risks		✓	

	Degree of Impact of Risk Factor on Elron		
	Major Impact	**Medium Impact**	**Minor Impact**
Sector Risks			
Regulatory and contractual limitations on disposal of holdings	✓		
Effecting exit transactions at significant values	✓		
The impact of the group companies' operating results on Elron	✓		
Retaining key employees	✓		
Uncertainty and risk in the group companies' technology fields	✓		
Competition in the markets in which the group companies operate	✓		
Difficulty faced by the group companies in obtaining future financing	✓		
Intellectual property		✓	
Exposure to intellectual property lawsuits in the medical device field	✓		

	Degree of Impact of Risk Factor on Elron		
	Major Impact	**Medium Impact**	**Minor Impact**
Innovation Authority and Investment Center programs			✓
Product claims			✓
The uncertainty facing research and development stage medical device companies		✓	
The impact of regulations on medical device product development, manufacturing and marketing		✓	
Reimbursement	✓		
Conducting clinical trials		✓	
Difficulty and delays recruiting clinical trial candidates		✓	
Specific Risks			
Compliance with regulatory requirements and restrictions in several countries		✓	

	Degree of Impact of Risk Factor on Elron		
	Major Impact	**Medium Impact**	**Minor Impact**
Financing sources	✓		
Control by DIC		✓	
Classification as an "Investment Company" according to U.S. securities law			✓
Volatility in the value of the Company's holdings	✓		
Realizing the potential of the agreement with Rafael		✓	
CartiHeal Contingent consideration	✓		
Risk of a cyber attack			✓
Exposure to liability for representations and escrow deposits in exit transactions	✓		

Chapter II: Description of Group Companies

21 Introduction

Below is a description and details regarding the group companies held by Elron on the reporting date, and which were held by Elron during 2023 and still held by Elron on the filing date of the report (none of these companies, in and of itself, comprises a separate activity segment).

22 RDC

22.1 RDC, a private company incorporated in Israel, was established and commenced its activities in 1993.

22.2 Elron holds 50.1% of RDC's share capital (through DEP), and Rafael holds the remaining 49.9%.

22.3 RDC seeks to identify technological projects and acquire interest in companies in diverse fields that will either commercialize Rafael's military technologies in the civilian market or will be benefited by Rafael's technologies and know-how, and also invests in other companies specifically in the fields of cyber and enterprise software, and in fact currently constitutes Elron’s investments branch (see also section 19 above regarding Elron’s investment strategy). Following identification of such projects, RDC develops the relevant technologies, and in the case of military technologies, adapts them for commercial use, initially by utilizing its own management and funding resources, thereafter by spinning off activities into independent companies and at later stages from external funding. Rafael also grants RDC companies that utilize its technologies licenses to use such technologies in the civilian market. See Section 18.1 above for details on the agreement for commercializing Rafael's technologies in the civilian market. For the value enhancement strategy of the group companies held by RDC through its cooperation with Rafael (the second shareholder of RDC), see section 2.1.7 above.

22.4 The group companies held by RDC as of the filing date are: OpenLegacy, IronScales, Sayata, Cynerio, Scribe, Red Access, Wonder Robotics, Creednz, Breeze, Tamnoon and N-Drip. For a description of these companies, see Section 23.

22.5 In March 2021, Elron and Rafael provided a loan to RDC totaling $16 million (in equal parts) in order to make new investments and continue to support the investee companies. In January 2024, subsequent to the reporting date, the Board of Directors of the Company approved the early repayment of half of the loan balance advanced by Elron and Refael in the total amount of $9.2 million (principal and accrued interest). Elron's share is approximately $4.6 million (principal and accrued interest).

22.6 For details regarding directors' compensation paid by RDC to Elron and Rafael during 2023, see Note 18.B to the Financial Statements

22.7 RDC's operating results are presented in Section 5 of Part IV of this Annual Report. Details on RDC's investments are presented in Section 1.4 of the Board of Directors Report and Section 3-4 of Part IV of this Annual Report. RDC's cash flows are presented in Note 3.A.2 to the Financial Statements.

22.8 As of December 31, 2023, RDC had 4 employees (see also section 13.4 above with respect to the proposed employment of the Company's CEO and VP Cyber as employees of RDC, in addition to their employment by Elron).

23 Group Companies

The Mature Group Companies

23.1 Sixgill – develops and provides an automated system that crawls, identifies and extracts data from the Deep, Dark and Surface Web to provide its customers with relevant intelligence, alerting them of possible or ongoing cyberattacks against the organization. Unlike competing solutions, which perform manual analytics, Sixgill's solution is based on artificial intelligence (AI) and machine learning (ML) to analyze the activity of suspicious players and offenders and create relevant intelligence. Elron holds approximately 23%

of Sixgill's issued and outstanding shares and approximately 20% on a fully diluted basis.

23.1.1 Active entrepreneurs and management

Sharon Wagner, CEO – Sharon has served as CEO since 2019. Before Sixgill, Sharon was the founder and CEO of Cloudyn, which provided cloud management solutions to multi-cloud organizations. Sharon managed all of Cloudyn's operations in New York, including over 100 customers and business partners. Cloudyn, which was a portfolio company of Elron, was acquired by Microsoft in 2017. Before Cloudyn was established, Sharon was a senior innovation and strategy manager at CA Technologies, which is based in Boston. Sharon joined CA Technologies as part of the acquisition of Oblicore, where he held several senior positions for over 9 years, including product group manager and engineering group manager.

Elad Lavi, entrepreneur and CTO – Elad has over 20 years of experience in various technological and managerial positions at software companies in the fields of visualization data, BI, social media and security. Before Sixgill, Elad was VP of R&D at a startup by the name of Social Network Analysis, where he led all of the technological aspects, was a member of the management team and played an active role in determining the short and long-term goals. Prior thereto, Elad worked at SAP and at BMC Software, where he led R&D teams and several projects. Elad holds a B.A. with Honors in Computer Science from the Open University.

23.1.2 Sixgill's current stage

Sixgill is at the sales stage and has over 145 active customers who use Sixgill's system. Sixgill has business partners that are responsible for the management of the cyber programs at large organizations. These partners incorporate Sixgill's intelligence services under broader services provided by them and provide Sixgill's intelligence services to over 300 additional end customers.

Sixgill is export-oriented and focuses most of its sales activity on the U.S. and European markets. In 2018, the subsidiary Sixgill USA Inc. was established to set up the marketing mechanism in the U.S. and customer support.

23.1.3 Intellectual property

Sixgill has received approval for two patents, as described in the table below.

Patent number	**Description of requested patent**	**Patent grant date**	**Countries where the patent is registered**
11,570,188	Dark Web Monitoring, Analysis And Alert System And Method	January 1, 2023	U.S.
11,748,488	Information Security Risk Management	September 5, 2023	U.S.

In addition, Sixgill has applied for approval of a Dark Web Monitoring Analysis And Alert System And Method patent in Europe.

23.1.4 The market structure and material competitors

The importance of and need for cyber intelligence has never been greater, with organizations striving to remain one step ahead of the cyber threats and to protect their valuable assets and data on a vulnerable and interconnected digital landscape.

In addition, together with the growing severity and frequency of cyber threats, regulators are increasing their efforts to ensure that organizations have strong and adequate cybersecurity means.

The size of the cyber threat intelligence (CTI) market according to Gartner was $1.6 billion in 2023 and is expected to grow to $2.8

billion by 2026. According to a survey recently conducted by ESG, over 90% of the large corporations in the U.S. have designated CTI budgets with high demand for cutting-edge products and technologies. The CTI market is split into different sub-groups, all of which generate insights at one or more of the different intelligence levels – strategic, operational and tactical. Some providers focus on one type of intelligence (for example identity intelligence), some providers focus on specific geographies or industries, and some focus on specific intelligence sources or specific user personas. Sixgill strives to provide AI-based intelligence tailored to the specific needs of the majority of use cases, personas, industries and geographic locations.

23.1.5 Regulation

Sixgill meets privacy and information security standards and has received ISO27001, ISO27701 and SOC 2 Type 2 certification.

23.1.6 Recent financing rounds

Since its establishment and until now, Sixgill has raised approximately $57 million. In March 2022, Sixgill completed a financing round of approximately $35 million, led by a new investor and with the participation of existing investors of Sixgill, including Elron. Part of the investment amount was used for the acquisition of shares from shareholders of Sixgill. Elron’s share in the investment round and in the acquisition of shares from other shareholders totaled approximately $6 million.

In December 2023, a SAFE agreement was completed for investment in Sixgill, with the participation of existing shareholders, in the amount of approximately $7.2 million. Elron’s share in the investment amount is $2 million.

For further details on the investment agreements, see Note 3.B.2.d to the Financial statements.

23.1.7 R&D expenses and development grants received by Sixgill

In 2022 and 2023, the R&D expenses constituted approximately 33% and 35% of Sixgill's total expenses, respectively. The grants received from the Innovation Authority as of the publication date of this report total approximately NIS 6.7 million. By December 31, 2023, Sixgill had repaid NIS 3.3 million to the Innovation Authority. In addition, Sixgill received a grant in the amount of approximately NIS 865 thousand from a support program of the Ministry of Economy and Industry. By December 31, 2023, Sixgill had repaid NIS 453 thousand. In 2020, Sixgill received approval for the "Horizon 2020" program funded by the European Union in connection with the IMPETUS project. The total approved grant is €412 thousand, which is not required to be repaid. As of December 31, 2023, the full grant amount had been received.

23.1.8 Strategy and customers

Sixgill sells directly to the end customers as well as through sale channels. Sixgill operates in the U.S. market, in the European market and in other markets, including Israel. The business model is based on an annual payment for Sixgill's platform, including payment for additional Sixgill products. Sixgill's main customers are Fortune 500 companies, companies in the fields of security, technology and MSSP, governments and law enforcement agencies (including Accenture, Esentire, Snowflake, Bitsight, Imperva, etc.). In addition, Sixgill has several OEM transactions with DXC, IBM and others. In 2023, an OEM transaction with Crowdstrike came to an end.

It should be noted that Sixgill's estimates regarding the achievement of the goals and targets as specified above, and the targets which the company must achieve to realize them, are forward-looking information (insofar as they do indeed include such information), as defined in the Securities Law. These estimates are based, inter alia, on information collected by Sixgill in connection with the condition of the market, products and market potential, competition and the identity of the competitors and their modes of action, and long-term forecasts and plans. These estimates may not materialize, in whole or in part, or may materialize differently than expected. The factors that may cause the said estimates to either not materialize, in whole or in part, or materialize differently than expected are errors in the data and the estimates collected, changes in the market condition, manpower problems, technological and engineering difficulties, a deviation from timetables of developments, unexpected regulatory issues or regulatory changes, tougher competition, including development of competing products and technologies, etc.

23.2 OpenLegacy – develops and markets a software solution that facilitates digital integration of old legacy systems with mobile, web and cloud applications, automatically, effectively, safely and exponentially faster than current solutions. OpenLegacy's technology effects automatic API (application programming interface) integration, thereby accelerating the digital conversion of core systems. Therefore, OpenLegacy enables organizations that rely on legacy core systems to perform an effective and low-risk digital upgrade with significant time savings (projects which would normally take many months will take a few weeks and even days), and at significantly lower costs. RDC holds approximately 22% of OpenLegacy's issued and paid-up capital and approximately 18% on a fully diluted basis.

23.2.1 Entrepreneurs and management

Ron Rabinowitz, CEO – Ron oversees the global financial activity, strategy, investments, reporting, manpower and overall business activity of OpenLegacy. Ron has 15 years' experience in various local, regional and global management positions at P&G (Procter & Gamble) and acted as CEO of P&G Joint Venture, while acquiring considerable experience in the technological startup ecosystem. Ron was part of the P&G team leading the sale of Duracell's business. Ron holds an LLB and a B.A. in Business Administration, summa cum laude, from Tel Aviv University.

Roi Mor, CTO and Co-Founder – 25 years in the high-tech industry. As CTO, Roi leads the R&D activity in creating the first micro-services-based API integration and management platform. Roi brings a deep understanding and over 15 years' proven experience in successfully leading large Java, internet, mobile, cloud, cybersecurity and modernization projects. At Software AG he managed technology, infrastructures and methodologies at OpenLegacy's Israeli R&D laboratory. Roi also established a group of cyber solutions at Intellinx, and at the start of his career he headed complex modernization projects around the world for Sabratec.

Romi Stein, President and Co-Founder – Romi provides strategic direction and oversees OpenLegacy's day-to-day performance. Romi is experienced in all aspects of information technology business leadership. He has a deep understanding of how to lead in this market, gleaned from fifteen years at IBM's global headquarters where he became familiar with the operation of one of the top corporations behind previous-generation systems. At IBM, Romi held a wide variety of leadership positions, including managing a Country Pricing Group and acting as a Principal Market Development Consultant, where he contributed to the development and growth of new markets in North America and Europe. Romi holds a B.A. in Accounting & Economics and an MBA, both from Tel Aviv University.

23.2.2 OpenLegacy's current stage

OpenLegacy is at the stage of sales in the global markets, specifically in the U.S., European, South American, Japanese, Indian and Israeli markets. OpenLegacy is export-oriented and for this purpose subsidiaries have also been established in the U.S., Hong Kong, Mexico and Tokyo. The lion's share of its revenues derives from the U.S. and Europe, and in its forecasts for 2024, OpenLegacy expects a significant strengthening in the U.S. and European markets.

23.3 Intellectual Property

OpenLegacy has several patents as described in the table below:

Patent number	Description of the requested patent	Patent grant date	Countries where the patent is registered
9,471,405 / 14,595,232	Development of interfaces for legacy programs. A system includes a client device displaying a series of screens output from a legacy program in a terminal emulator. The system further includes a tracking module logging activity in the terminal emulator in a trail file, and an analysis module adapted to analyze the trail file and produce, based on the analysis, a REST API based upon the analysis that supports a collection of different REST API calls corresponding to the series of screens output from the legacy program. The REST API is a stateless API utilized in a stateful manner in which each REST API call of the collection of REST API calls provides direct access to a corresponding screen of the series of screens. analyzing network packets	October 18, 2016	USA
10,819,756 / 15,483,509	A method receives from a client a request for server transaction processing, the request being a session request of an outer non-persistent session between the client and a server, the outer non-persistent session including the session request and a session response, the session request to initiate the outer non-persistent session and the session response to terminate the outer non-persistent session. The method commences processing of a server	October 22, 2020	USA

	transaction on the server, the server transaction to be processed in transaction portions. The method initiates inner non-persistent session(s), each including (i) a session request providing a response to a client request to process a corresponding first transaction portion, and (ii) a session response providing a client request to process a corresponding second transaction portion. Based on termination of a final inner non-persistent session, the method provides the session response of the outer non-persistent session to terminate the outer non-persistent session.		
11,705,963 / 17/068,452	A method provides a server a request for server transaction processing, the request being a session request of an outer non-persistent session between a client and the server, the outer non-persistent session including the session request to initiate the outer non-persistent session and a session response to terminate the outer non-persistent session. The method includes, for each inner non-persistent session between the client and the server performed as part of a server transaction, receiving a session request from the server that initiates the inner non-persistent session and provides a response to a client request to process a corresponding first transaction portion, and providing a session response to the server that terminates the inner non-persistent session and provides a client request to process a corresponding second transaction portion. The method also includes receiving from the server the session response of the outer non-persistent session to	July 27, 2021	USA

	terminate the outer non-persistent session.		

23.3.1 The market structure and material competitors

The market targeted by OpenLegacy is the Global Integration and Automation technologies Market which, according to Gartner, could reach over $52 billion at the end of 2027.

In addition, most of the IPaaS providers are currently looking for a technological partner for integration of legacy systems, since they lack the expertise in the complex field of legacy systems that is required to connect the various legacy systems with mobile and web applications, AI, SaaS, etc. As a result, this introduces to OpenLegacy an enormous market which, according to Gartner, experiences double-digit growth annually and may cross the $18 billion threshold in 2027.

Consequently, OpenLegacy expects that the need of large organizations for an integration tool such as OpenLegacy for core systems will grow in the coming years, and the significant growth in the estimates of the relevant market size derives from the understanding that has or may be gained by all of the players in the market, and particularly cloud providers, that decades will be needed until large organizations are able to transfer their systems to the cloud (if at all), and that even if this is their intention, the high risk and cost entailed by such a decision will significantly slow down the transformation, taking many years. In the meantime, OpenLegacy believes that the corporations will need to adopt an integration tool in order to be competitive, reduce costs and prepare themselves for a partial or full transition to the cloud. In addition, OpenLegacy assumes that in view of the risk and the cost, most organizations will adopt an approach of transferring part of their legacy applications to the cloud, and not all of the systems in full. IBM, with its z/OS Connect product, is the main competitor in the mainframe environment, but OpenLegacy has managed, in the last two years, to successfully compete therewith in acquiring strategic customers. Another competitor is MuleSoft, which was acquired by Salesforce and is a leader in several fields in the market, but it does not facilitate an accessible connection to the core systems. An accessible connection requires significant manual developments. There are also additional competitors such as ESB software providers such as Tibco, iPaaS integration service providers such as Jitterbit, and no-code solutions such as Rocket Software. Each one of OpenLegacy's competitors is able to provide only part of the solution, in an environment of complex core systems or legacy systems. OpenLegacy's SaaS system provides a full solution, with no need for complex and expensive adjustments (such as use of several software products, manual coding work and related services). This system is one of the only systems that is based on international standards, open-source software, and supports all of the modern deployment technologies. Therefore, OpenLegacy's system allows high automation and significantly reduces dependency on the expensive resources stated above. Competing products, such as Workato and Boomi, sell an iPaaS product that allows digital transformation on cloud, ERP and CRM systems only, and not on core systems. Boomi provides connectivity for on-premises and cloud systems to a running environment, without access to core systems. While IBM provides access to core systems only in an on-premises environment (and not on the cloud), and MuleSoft provides limited access only to core systems, through add-ons of business partners. None of these companies have these technological capabilities themselves and therefore require collaboration.

23.3.2 Information security

OpenLegacy is certified for information security standards ISO 27001 and ISO 27017.

23.3.3 Financing rounds

Since its establishment and until now, OpenLegacy has raised approximately $68 million. The last financing round was in February 2020, in which OpenLegacy raised around $20.5 million from SBI Holdings, a large Japanese financial services company. This is a strategic partnership since SBI Holdings deem OpenLegacy and its platform as an important factor in supporting the future integration of banking institutions controlled by SBI Holdings.

23.3.4 R&D expenses

In 2022 and 2023, the R&D expenses (including the product development team) constituted approximately 40% and 29% of the total expenses, respectively.

23.3.5 Strategy and customers

OpenLegacy sells through distribution channels, technological partners and direct sales to end customers. OpenLegacy is export-oriented and works with active customers throughout the global market, with a particular emphasis on expansion in the U.S. and European markets. The business model is based on annual payment for use of the company's license according to several API methods and legacy system types to which the modules in the product connect (the license also includes annual maintenance). OpenLegacy focuses its efforts on forging strategic and technological partnerships with public cloud companies and leading technological products for sale of the product by the technological partners as part of such partners' product platform. OpenLegacy thereby, in part or in its entirety, embeds its product into the technological partner's product, or alternatively offers the product synergistically with the cloud companies in order to facilitate and expedite the process of penetration and sale to potential customers.

OpenLegacy's customers include Global 2000 and Fortune 500 companies, alongside various customers in Israel, from all industries. OpenLegacy's technological partners include the leading public cloud companies in the market, Gartner-listed top integration companies in this category, and other product companies.

Is should be noted that OpenLegacy's estimates regarding achievement of the goals and targets as specified above, and the targets which OpenLegacy must achieve to realize them, are forward-looking information (insofar as they do indeed include such information). These estimates are based, inter alia, on information collected by OpenLegacy in connection with the market condition, products and market potential, competition and the identity of the competitors and their modes of action, and long-term forecasts and plans. These estimates may not materialize, in whole or in part, or may materialize differently than expected. The factors that may cause the said estimates to either not materialize, in whole or in part, or materialize differently than expected are errors in the data and the estimates collected, changes in the market condition, manpower problems, technological and engineering difficulties, a deviation from timetables of developments, tougher competition, etc.

23.4 Cynerio – develops and markets a security platform to protect health service systems against cyberthreats, particularly medical information infrastructures and systems and medical devices. Cynerio's platform combines a medical systems and device' behavior learning with analysis of work processes to ensure patient safety and protection of sensitive medical information.

In every hospital there are thousands of IoMT (Internet of Medical Things) devices which are exposed to malicious attacks but cannot be disconnected because these devices are critical to patient care and to the organization's network infrastructures. Cynerio interprets the IoMT risks and secures the medical equipment without impacting the core service, and bridges between the organization's IT security personnel and the clinical teams. Cynerio was established in 2017 and in 2018 established a subsidiary in the U.S. for marketing and advertising in the U.S. market.

Cynerio's product is unique in that it is a solution for: 1) automatic detection and identification of all types of medical devices and systems at the hospital; 2) use of cutting-edge machine learning algorithms for the detection of deviations and anomalies, risk analysis, and identification of faults in devices and/or potential leaks of confidential medical information; 3) giving IT teams the capability of focusing on incidents of importance or urgency in the medical and clinical world.

RDC holds approximately 17% of Cynerio's issued and paid-up capital and approximately 15% on a fully diluted basis.

23.4.1 Entrepreneurs and management

Leon Lerman, CEO and Co-Founder – served as Director of Sales at Metapacket, including management of sale processes and customer acquisition, management of sales and pilot processes in the U.S. and Israel. He also worked at RSA as a sales engineer for cyber solutions and tailored identity and access management. He holds a B.Sc. in Industrial Engineering & Management from the Open University.

Daniel Brodie, entrepreneur and CTO and Co-Founder – Daniel completed a top technology course in IDF’S 8200 Cyber Division. Daniel has managed chip development projects at IT companies, worked at NSO on research for cellular weakness identification and invention. He also led the product cyber planning and set up and managed R&D teams to detect malware in the cellular world at Lacoon, which was acquired by CheckPoint, and has lectured at Black Hat conventions. He later served as VP Development at Metapacket. He holds a B.Sc. in Computer Science from Bar-Ilan University.

Cynerio's current stage

Cynerio is at the stage of expansion in the U.S. and European markets. In the U.S. market, it has expanded its operations and supplies its products to leading hospitals with a growing customer base. In the European market, particularly in England, Cynerio has established its status as the healthcare cyber market leader, with a significant market share. Cynerio is also continuing to expand to other countries in Europe, such as Italy, Spain and Germany. During the fourth quarter of 2023, Cynerio secured three new transactions in the Italian market, alongside continued business development in Spain.

23.4.2 Intellectual property

Cynerio has received approval for a “System and method for analyzing network packets” patent, as described in the table below:

Patent number	**Description of requested patent**	**Patent grant date**	**Countries where the patent is registered**
10916342	System and method for analyzing network packets	February 9, 2021	U.S.

In addition, Cynerio is in the process of registration of a Virtual Segmentation patent, which is a virtual process that allows the division of the hospital’s medical device network into segments and the running of security protocols tailored to each segment separately. The process also allows significant shortening of the duration of integration of hospitals’ security projects, from around one year to several weeks.

23.4.3 The market structure and material competitors

The healthcare cybersecurity market in the U.S. is estimated at approximately $3 billion per year. In the U.S. there are more than

6,200 hospitals and over 790 thousand hospital beds. Around 25% of the hospitals are mid-sized/large hospitals (with a capacity of over 200 hospital beds), which are the initial target market.

The healthcare electronic product management and control market – a study conducted by the research company Institute found that medical institutions spend approximately $1.24 million annually on medical equipment control, leading to the conclusion that the size of the target addressable market in the U.S. is over $7.6 billion per year. Assuming that Cynerio only targets mid-sized/large hospitals, the Segment Addressable Market may be assessed at approximately $2 billion per year.

Cynerio continuously analyzes the competitive environment for IoT solutions, but the competition is mainly with companies that focus on and develop know-how and expertise in healthcare fields. Cynerio has identified the degree of specialization in the healthcare fields, the degree of completeness of the solution, the degree of compatibility of the system with the organization's functions, the pricing model and the preventive value as the most significant factors and has also had these advantages validated by the leading research companies.

23.4.4 Regulation

Cynerio has received all of the relevant regulatory approvals and meets the U.S. HIPAA and European GDPR requirements.

23.4.5 Recent financing rounds

Since its inception and until now, Cynerio has raised approximately $50.5 million.

In April 2021, an investment round was completed in the amount of approximately $26 million, led by the ALIVE fund (which specializes in healthcare), with the participation of existing investors (RDC's share in the investment amount was approximately $2.25 million, of which around $1.55 million was used for the acquisition of shares from other shareholders of Cynerio). In addition, the balance of a SAFE agreement of November 2019, in the amount of $3 million, was converted into shares (RDC's share was approximately $0.75 million).

In February and November 2023, a SAFE agreement was completed for investment in Cynerio in the total amount of approximately $15 million. RDC's share was approximately $2.7 million.

For further details on the financing rounds described above, see Note 3.B.2.e to the Financial statements.

23.4.6 R&D expenses and development grants

In 2022 and 2023, the R&D expenses constituted approximately 39% and 37% of Cynerio's total expenses, respectively.

Cynerio received grants from the Innovation Authority and from a support program of the Ministry of Economy and Industry in the amount of approximately NIS 3 million.

23.4.7 Strategy and customers

Cynerio sells through distribution channels and direct sales to end customers. Cynerio is export-oriented and operates in the U.S. and European markets. The business model is based on an annual payment based on the size of the organization (number of beds).

Cynerio focuses its efforts on the following verticals: mid-sized and large HMOs and medical institutions. An analysis performed by Cynerio found that these sectors constitute jointly approximately 25% of the "In Hospital Segment" of the healthcare cybersecurity market. The end customer within the organization is generally the organization's IT department, and decision makers are expected to be associated with the following departments: CIO, CISO.

The customers are hospitals mainly in the U.S., Europe and Israel. Customers use Cynerio's solution to identify medical devices on the network, detect threats and risks thereto, identify behavioral anomalies and prevent cyberattacks.

It should be noted that Cynerio's estimates regarding achievement of the goals and targets as specified above, and the targets which the company must achieve to realize them, are forward-looking information (insofar as they do indeed include such information), as defined in the Securities Law. These estimates are based, inter alia, on information collected by Cynerio in connection with the condition of the market, products and market potential, competition and the identity of the competitors and their modes of action, and long-term forecasts and plans. These estimates may not materialize, in whole or in part, or may materialize differently than expected. The factors that may cause the said estimates to either not materialize, in whole or in part, or materialize differently than expected are errors in the data and the estimates collected, changes in the market condition, manpower problems, technological and engineering difficulties, a deviation from timetables of developments, unexpected regulatory issues or regulatory changes, tougher competition, including development of competing products and technologies, etc.

23.5 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. Its main customers are large and medium size enterprises, mainly in the United States and the United Kingdom, who engage in diverse areas of activity. IronScales currently employs approximately 140 employees, half of whom are in Israel, and the other half in the United States and the United Kingdom.

In December 2021, IronScales completed a financing round with PSG Equity (US growth fund) and existing investors for a total of approximately $64 million. Part of the transaction amount was invested in IronScales (RDC did not participate in this investment) and part was used to purchase shares from existing shareholders (RDC's share in the proceeds of this sale was approximately $7.3 million).

RDC holds approximately 8% of the issued and paid-up capital of IronScales and approximately 7% on a fully diluted basis.

23.6 BrainsGate – is developing a platform for the treatment of diseases of the central nervous system, with minimal invasiveness. The platform operates by electrically stimulating a nerve center located behind the nasal cavity using a miniature implantable electrode. Elron holds approximately 28% of BrainsGate’s issued and paid-up capital and approximately 25% on a fully diluted basis. Between 2011-2018, BrainsGate conducted the ImpACT-24B trial, a controlled, randomized, double-blinded, clinical trial on 1,000 patients to prove BrainsGate’s ISS safety and efficacy among stroke victims with cortical involvement. In February 2022, the FDA's response was received that BrainsGate's application for marketing authorization cannot be approved and that further information and clinical substantiation is required for approval. For further information, see the Company’s immediate reports dated December 11, 2021, and February 10, 2022.

BrainsGate had few meetings with the FDA for the purpose of reaching an agreement on a new clinical trials protocol, required to submit an application for FDA approval in an updated guideline for reducing disability in patients with ischemic stroke who were treated with brain stent (Neurothrombectomy). BrainsGate will need additional time and resources, which, at this stage, cannot be estimated.

23.7 Atlantium – develops, manufactures and provides ultraviolet-based water disinfection solutions. Elron holds approximately 6% of Atlantium's issued and paid-up capital and approximately 5% on a fully diluted basis

23.8 Notal Vision – develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) from home and improving vision outcomes. Elron holds approximately 9% of Notal Vision's outstanding share capital and approximately 6% of Notal Vision's fully diluted share capital.

23.9 Edge – has developed and markets a digital advertising platform for ad networks. Elron holds approximately 20% of Edge's issued and paid-up capital and approximately 14% on a fully diluted basis.

The Next Generation Companies

23.10 Sayata – is developing software that combines the expertise of insurance professionals, IT developers and data scientists to help insurance companies in underwriting insurance policies across various product lines tailored for small and medium businesses. It enables, to address their clients' risk and accordingly provide the right insurance quotes.. The company's first line of insurance is cyber insurance, where it has developed expertise, amassed tens of thousands of policies, and hundreds of brokers. Sayata caters to insurance companies, on the one hand, and to brokers who specialize in insurance for small and medium-sized businesses, on the other hand, enabling them to manage a sophisticated trading arena on its platform, so that the insurers benefit from additional access to brokers (and consequently, to their insured clients) and the brokers benefit from a technological platform that enables policy comparison and economy of scale offered by the company. In addition to Sayata being a link in the underwriting chain of the policy, access is enabled to all policies and subsequently to claims and indemnities for them, which allows Sayata to be exposed a large volume of information which it uses to improve the platform, and in the future, to even engage in big-data risk assessment and machine learning.

In June 2021, Sayata completed a financing round with the participation of existing investors, and led by new investors, in the amount of approximately $17 million (RDC's share was approximately $3.1 million).

In December 2021, Sayata completed an additional financing round with the participation of existing and new investors in the amount of approximately $35 million (RDC's share was $6 million). In addition, some of Sayata’s shareholders, including RDC, completed the purchase of shares from other shareholders in consideration for approximately $7 million (RDC's share was approximately $1.2 million).

For more information about the financing rounds described above, see Note 3.B.2.f) in the Financial Statements.

Currently, Sayata employs about 60 employees, the majority of whom are in Israel and the remainder in the United States. RDC holds approximately 20% of Sayata's issued and paid-up capital, and approximately 18% on a fully diluted basis.

23.11 Zengo – develops and provides a secure crypto wallet that doesn't compromise between security and user experience. The solution is intended for end users and Zengo markets it directly to them through a variety of marketing channels and also works through collaborations with companies and other parties in the world of cryptocurrencies in order to reach additional audiences. Zengo's technological infrastructure is based on a set of mathematical algorithms from the world of MPC (multi-party computation) and this infrastructure enables Zengo to produce a product with the most significant advantages over the variety of solutions available in the market. Among the values that Zengo provides its customers: highest level of security, simple and convenient usability, support for a very wide range of currencies and protocols and easy conversion between them.

In April 2021, an investment round of $20 million was completed, led by Insight Partners (Elron's share was $1.3 million). As part of the investment agreement, the SAFE balance in the amount of $3.75 million was converted (Elron's share was $0.35 million). In addition, some of Zengo's shareholders, including Elron, completed the acquisition of shares from other Zengo shareholders for a total of approximately $1.5 million (Elron's share was approximately $0.35 million).

In July 2023, a $3.7 million SAFE was consummated. For further details regarding the financing rounds described above, see Note 7d to the Financial Statements.

Elron holds approximately 9% of Zengo's issued and paid-up capital and approximately 8% on a fully diluted basis.

23.12 Nitinotes – is developing a minimally invasive endoscopic procedure for treatment of obesity. The endozip system (Endozip™), which Nitinotes develops, allows the procedure to be performed in a minimally invasive, simple and efficient manner, comparing to the other market alternatives available. The endozip is inserted into the patient's stomach through the pharynx and sutures the walls of the stomach safely and automatically, so that the patient's stomach volume is reduced, all with minimal non-surgical intervention.

In 2019, Nitinotes successfully conducted a first human trial among 11 patients, which showed the safety and efficacy of the treatment over a 6-month follow-up period. Between 2021-2023 Nitinotes successfully conducted an automatic suturing in the framework of a pilot trial with 45 patients at three medical centers in Europe and Israel with 12 months' follow-up period. In 2023, Nitinotes has commenced an additional trial with 38 patients in Europe, focusing on comorbidities associated with obesity in all patients. Patients' recruitment has concluded, and they are under 12-months' follow-up expected to end by the end of 2024.

In September 2023, an agreement for a $6 million investment in Nitinotes was signed by existing and new shareholders, in consideration for preferred shares. Elron did not participate in the said investments, for further details see Note 7.F of the Financial Statements.

Elron holds approximately 14% of Nitinotes's issued and paid-up capital, and approximately 12% on a fully diluted basis.

23.13 Coramaze – is developing a minimally invasive device to repair the Tricuspid heart valve. The Tripair™ system developed by Coramaze allows the use of the patient's natural valve by simple insertion and anchoring, in a minimally invasive and non-traumatic technique, and in a short process. In addition, the transplant process is reversible during the procedure and does not damage leaves, strings and more.

In February 2023, an investment agreement was signed with Coramaze, with the participation of its existing shareholders, in the amount of approximately

€2.5 million (approximately $2.7 million) in exchange for preferred shares. Elron's share is approximately €0.4 million (approximately $0.4 million).

Elron holds approximately 23% of Coramaze's issued and paid-up capital and approximately 21% on a fully diluted basis.

23.14 AudioBurst – is engaged in the development, operation, and provision of services through artificial intelligence tools for planning and executing complex strategies in the field of currency exchange (forex).

Elron holds approximately 16% of AudioBurst's issued and paid-up capital and approximately 11% on a fully diluted basis.

Seed-Stage Companies

23.15 Scribe – is developing a software supply chain assurance solution, that secures the software supplier's digital assets throughout the different stages of software development. During 2023 initial sales began.

In October 2023, a SAFE investment agreement was signed with Scribe, with the participation of existing and new shareholders, in the amount of approximately $3.3 million (RDC'S share of the investment was $2 million). For further details, see section 3.B.2.g of the Financial statements.

RDC holds approximately 18% of Scribe's issued and paid-up capital, and approximately 17% on a fully diluted basis.

23.16 Cyvers – is developing a platform to detect and prevent fraud in digital assets in the web3 zone, using advanced artificial intelligence. In April 2022, Elron completed its first investment of approximately $3.3 million in Cyvers (see also Note 3.B.2.i of the Financial statements). In 2023 initial sales began. Elron holds approximately 26% of Cyvers's issued and paid-up capital and approximately 24% on a fully diluted basis.

23.17 Red Access – provides cyber protection to organizations for safe internet browsing and access to cloud resources. In 2023 Red Access commenced initial sales. For further details regarding the financing rounds in Red Access, see Noe 3.B.2.h of the Financial statements. RDC holds approximately 24% of Red Access's issued and paid-up capital, and approximately 22% on a fully diluted basis.

23.18 Wonder Robotics – develops autonomous vertical and horizontal awareness solutions for drones and has begun sales of the first product for autonomous landing in both the defense and civilian markets. In January 2022, RDC completed an initial investment of approximately $2 million in Wonder Robotics. For details see Note 3.B.2.l of the Financial statements. RDC holds approximately 24% of Wonder Robotics issued and paid-up capital and approximately 20% on a fully diluted basis.

23.19 Creednz – is developing a B2B solution that uses organizational data and financial transactions data to detect & prevent fraud. In August 2022, RDC completed its first investment in the amount of $2.5 million in Creednz. For further details see Note 3.B.2.j of the Financial statements. RDC holds approximately 16% of Creednz's issued and paid-up capital and approximately 14% on a fully diluted basis.

23.20 Breeze – is developing a solution in the space of enterprise cyber security performance management. In April 2023, RDC completed its initial investment (SAFE) in Breeze for an amount of $0.2 million, and in August 2023, RDC made an additional investment of $2 million in Breeze. For further details, see section 3.B.2.k of the Financial statements. RDC holds approximately 13% of Breeze's issued and paid-up capital and approximately 12% on a fully diluted basis.

23.21 N-Drip – develops and supplies a drip system that is operated without the need for energy, and provides precise irrigation that allows saving water and energy on the one hand and improving the crop and reducing costs on the other hand. N-Drip began sales of its product in volumes of tens of millions of dollars.

In April 2023, N-Drip signed investment agreements with the participation of existing and new investors for a total amount of up to approximately $50 million. RDC did not participate in the investment. For further details, see section 7.E of the Financial statements.

RDC holds approximately 3% of N-Drip's issued and paid-up capital and approximately 2% on a fully diluted basis.

23.22 Bark – is developing a revenue optimization platform for e-commerce merchants. In July 2022, Elron completed its initial investment (SAFE) in Bark (see note 7.G in the Financial Statements). In 2023 Bark commenced its initial sales.

23.23 Tamnoon – is developing a technology-driven managed cloud protection service. In June 2023, RDC made its first investment of $0.6 million in Tamnoon (see also Note 7.I in the Financial statements). RDC holds approximately 5% of Tamnoon's issued and paid-up capital and on a fully diluted basis. In 2023, Tamnoon commenced its initial sales.

23.24 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. In July 2022, Elron Elron completed its initial investment (SAFE) in Sidetalk (see also note 7.H in the Financial Statements).

ELRON VENTURES LTD.

Periodic report for 2023

Part II

Board of Directors Report

Elron Ventures Ltd.
Part II
English Translation of Board of Directors Report
for the Year ended on December 31, 2023

1. Board of Directors' Analysis of the Company's Business

1.1. <u>Company Description</u>

All terms in this Board of Directors report below, which are not defined therein, shall have the meaning as specified in Section 1.2 in Part A (Description of Corporation's Business) of this Annual Report.

1.1.1. General

Elron Ventures Ltd. ("Elron", the "Company") is an operational technological holding company that focuses on building technology companies. Elron's group of companies includes companies in various stages of development that are engaged in various technological fields, mainly cybersecurity, enterprise software and medical devices. Elron's principal shareholder is Discount Investment Corporation Ltd. ("DIC") (which as of the date of publication of these reports holds 59.68% of the Company.

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 December 31, 2023 (the "Financial Statements").

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

1.1.2. Business Objectives and Strategy

Elron's main goal is to generate value for its shareholders by building, enhancing and exiting part or all of its Group Company holdings mainly through their sale to third parties or through the public listing of their shares and by distribution of proceeds received, all or in part as dividend to its shareholders (subject to limitation of the law).

For details regarding Elron's Business Objectives and Strategy, see Section 19 of Part A of this periodic report.

1.1.3. RDC

As part of its business strategy, Elron examines a broad range of cooperation and investment proposals, mostly through RDC – Rafael Development Corporation Ltd. ("RDC"), an Elron subsidiary. Elron holds 50.1% of the issued and outstanding shares and voting rights of RDC and Rafael – Advanced Defense Systems Ltd. ("Rafael") holds the remaining 49.9%.

RDC is engaged in the establishment of ventures and investment in early stage technology companies, mostly ventures that utilize technologies developed by 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 commercialize military technologies developed by Rafael for civilian markets .

For further details regarding the agreement of commercialization of Rafael’s technologies in civilian markets and about RDC, see sections 18.1 and 22 of Part A of this periodic report.

Elron Ventures Ltd.
Part II
English Translation of Board of Directors Report
for the Year ended on December 31, 2023

1.1.4. Group companies

For details regarding the Group Companies, see Chapter II in Part A of this periodic report. 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 1.1.3 above.
- **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 insurance professionals, IT developers and data scientists to help insurance companies in underwriting insurance policies across various product lines tailored for small and medium businesses. It enables , to address their clients' 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 markets a security platform to protect healthcare systems from cyber threats, in particular medical devices and medical information systems and infrastructures. Cynerio's platform combines learning the behavior of the medical equipment and systems with work process analysis to ensure the safety of patients and the protection of sensitive medical information.
- **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 provides cyber protection to organizations for safe internet browsing and access to cloud resources.
- **Wonder Robotics Ltd. (24% by RDC) ("Wonder Robotics ") -** Wonder Robotics develops autonomous vertical and horizontal awareness solutions for drones and has begun sales of the first product for autonomous landing in both the defense and civilian markets.
- **Cyvers.AI Ltd. (26%) (“Cyvers") –** Cyvers develops 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.
- **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. (13% by RDC) ("Breeze")** - Breeze is developing a solution in the space of enterprise cyber security performance management.

- **El Ciso Club, Limited Partnership ("Cyber Future")** - Cyber Future is an exclusive global group of Chief Information Security Officers from the world's leading organizations in diverse industries, whose goal is to locate cyber ventures at various stages in order to invest in them, with Elron's funding and involvement.
- **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.
- **N-drip Ltd. (3% by RDC) ("N-drip") -** N-drip develops and supplies a drip system that is operated without the need for energy, and provides precise irrigation that allows saving water and energy on the one hand and improving the crop and reducing costs on the other hand.
- **BrainsGate Ltd. (28%) ("BrainsGate")** - BrainsGate is developing a platform for the treatment of diseases of the central nervous system, with minimal invasiveness. The platform operates by electrically stimulating a nerve center located behind the nasal cavity using a miniature implantable electrode.
- **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.
- **Coramaze Technologies Ltd. (23%) ("Coramaze") -** Coramaze is developing a minimally invasive device to repair the Tricuspid heart valve.
- **Nitinotes Ltd. (14%) ("Nitinotes") -** Nitinotes is developing a minimally invasive endoscopic procedure for treatment of obesity.

1.1.5. 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 at all, 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.

Technology fields in which the group companies operate are characterized by the high degree of risk inherent in their products, their continuous technological innovation and their penetration into global markets, which require investment of considerable resources and continuous development efforts. The future success of the group companies is dependent upon, among others, technological quality, intellectual property, prices and nature of their products in comparison to their competitors, and ability to introduce new products to the markets at the right time, while offering cost effective solutions suitable to their customers' needs. In addition, the group companies' future success depends on their ability to raise financing and the condition of the global capital markets

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. The company continues to monitor and examine the impact of the “Swords of Iron” War on its operations as a whole, and the focal points of potential risk in particular. For more details, see Section 20.1 in Part A of this periodic report.

1.2. Description of Operation in the Year of 2023 and Subsequently

1.2.1. Exit Transactions

- **CartiHeal (2009) Ltd ("CartiHeal")** - Further to section 18.2 in Part A of this Periodic Report and to Note 3.B.2.a) to the Financial Statements of 2023, with regard to the sale transaction of CartiHeal to Smith & Nephew and with regard to the sale of CartiHeal to Bioventus LLC ("Bioventus") which was canceled during 2023:

  The sale of CartiHeal to Smith & Nephew - On November 22, 2023 a definitive agreement (the “Agreement”) was signed by CartiHeal and Smith & Nephew USD Limited (the "Acquirer" or " Smith & Nephew"), a company wholly owned by Smith & Nephew, plc., for the acquisition of the entire share capital of CartiHeal by the Acquirer (the "Transaction"). In January 2024, subsequent to the reporting date, the conditions precedent for the Transaction have been fulfilled and the transaction was completed.

  The consideration for the Transaction amounts to up to $330 million for all of CartiHeal’s shareholders, subject to adjustments, and is comprised of an immediate consideration and a contingent consideration, detailed as follows:

  - Immediate consideration amounting to $180 million, subject to customary financial adjustments and certain transaction costs (of which approximately $18 million will be held in escrow for 12 to 18 months, mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions, such as intellectual property and regulatory approvals) (“Immediate Consideration”); and
  - Contingent consideration amounting to $150 million, subject to adjustments, payable at such time when, if during the 10-year period following Transaction closing, the sales of the Agili-C™ and certain other products specified in the Agreement shall generate at least $100 million in net revenues during a consecutive 12-month period (the “Contingent Consideration”).

  The Company’s share in the consideration is approximately $88 million, comprised of: (1) Immediate Consideration amounting to approximately $48 million which was received in January 2024, subsequent to the reporting date (of which approximately $5 million will be held in escrow for 12 to 18 months), and (2) Contingent Consideration amounting to approximately $40 million payable at such time and under the conditions described above.

  As a result of the Transaction, the Company is expected to recognize as part of its Financial Statements for the first quarter of 2024, the Company's share in the Immediate Consideration and its share in the fair value of the Contingent Consideration which was estimated with the assistance of an external appraiser in the amount of approximately $19.9 million (see section 3.2 below) and on the other hand, the Company will deduct the balance of its investment in CartiHeal (which as of December 31, 2023 amounted to approximately $65 million) and recognize a net gain of approximately $3 million. For further details, see Note 3.B.2.a) to the Financial Statements.

<u>CartiHeal's Sale to Bioventus LLC ("Bioventus") which was canceled during 2023-</u> In July 2022, a transaction was completed for the sale of CartiHeal to Bioventus (the "Bioventus Transaction"), which, as detailed below, was canceled in 2023. The Transaction included the following considerations: immediate consideration (Elron's share of approximately $33 million was received upon completion of the transaction), interest-bearing deferred payments that were to be paid by January 2027 (the "Deferred Consideration") (Elron's share was approximately $59 million) and consideration contingent on CartiHeal's sales (Elron's share was approximately $37.5 million). For more details, see Note 3.B.2.a) to the Financial Statement.

During the first quarter of 2023, the milestone was completed for the prepayment of the next payment which was to be received. As a result, Bioventus approached the Company as the Sellers' representative to discuss certain changes in the parameters of the transaction and as a result the parties signed a settlement agreement with Bioventus (the "Amendment Agreement") according to which the transaction was canceled as follows:

- As of the date of signing the Amendment Agreement, all of CartiHeal's shares were returned to the ownership of the sellers, including Elron. and, the parties released each other from any obligation in connection with the Bioventus Transaction or in general and neither party will have any claim or claim in connection with the transaction.
- In addition, Bioventus deposited a total amount of $10 million in escrow which, as a result of the cancellation of the Bioventus Transaction, was transferred to CartiHeal.
- In accordance with the Amendment Agreement, and as a final and agreed compensation for the cancellation of the transaction, all sums that were paid by Bioventus to the sellers in the past in connection with the transaction (Elron's share, as mentioned, approximately $33 million), as well as the funds that Bioventus invested in CartiHeal (and the CartiHeal shares that were issued for them) and/or the transfer in order to be used to finance CartiHeal's activities, were not returned to Bioventus.

As a result of the return of the CartiHeal shares, Elron recorded in 2023 a gain in the total amount of approximately $2.3 million, for further details, see Note 3.B.2.a) to the Financial Statements. In light of the above and following the return of the CartiHeal shares, Elron held approximately 30% of CartiHeal's outstanding share capital. Starting from the first quarter of 2023 and until its classification as held for sale in November 2023, as detailed below, the investment in CartiHeal was accounted for as an investment in an associate company, that qualified for the criteria for classification as a main company (as detailed in section 2.1.5 of Part A of this Annual Report).

- **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.2.b) to the Financial Statements**.**

1.2.2. Investments

- During 2023, Elron (directly and through RDC) invested approximately $11.4 million in the Group Companies. For further details see section 1.4 below and Notes 3 and 7 to the Financial Statements.
- **Cynerio** - In February and November 2023, SAFE agreements were completed with the participation of existing Cynerio's shareholders in the total amount of $15 million. RDC's share in investments amounted to approximately $2.7 million (for further details, see Note 3.B.2.e) to the Financial Statements).
- **Tamnoon** -In June 2023, RDC completed its first investment in Tamnoon in the amount of $0.6 million. For further details, see Note 7.I to the Financial Statements.
- **Breeze -** In August 2023, an investment agreement in an amount of approximately $6.65 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.B.2.k) to the Financial Statements.
- **Scribe** - In October 2023, an investment agreement (SAFE) was signed, with the participation of its existing shareholders, in an amount of approximately $3.3 million. RDC's share in the investment was $2.0 million (for further details, see Note 3.B.2.g) to the Financial Statements).
- **SixGill** - In December 2023, an investment agreement (SAFE) was signed, with the participation of its existing shareholders, in an amount of approximately $7.2 million. Elron's share in the investment was $2 million (for further details, see Note 3.B.2.d) to the Financial Statements).
- **Cyber Future**- At the end of 2022 Elron established Cyber Future, and since its inception has invested a total amount of approximately $0.7 million in Cyber Future. Cyber Future invests in and supports promising young startups through a unique investment and operating model. Since its inception, Cyber Future has invested in five young startup companies, namely Asterix Security Ltd., Entitle I.O Ltd., Prompt Security Inc., Cyvers and Scribe.

1.2.3. Financing and Distribution

<u>Dividend distributions:</u>

- Further to the December 2022 dividend distribution, in January 2024, subsequent to the reporting date, a cash dividend was announced in the amount of NIS 96.5 million (approximately $26.5 million) which constitutes NIS 1.8461249 per share to the Company's shareholders. In February 5, 2024, subsequent to the reporting date, the dividend was distributed to the Company's shareholders that held share as of January 22, 2024. For further details see Elron's Immediate Report from January 11, 2024 (reference number: 2024-01-004741), the contents of which is included in this report by way of reference.

- On February 19, 2024, the Company's Board of Directors resolved to make an application to the Court for a dividend distribution in the amount of $35 million, of which a total amount of $34.6 million is not out of the Company's profits.

  Such dividend distribution is subject to the Court approval pursuant to Section 303 of the Israeli Companies Law, 1999 (the "Companies Law") and the date for distribution will be determined accordingly. The Company intends to submit a request to the honorable court accordingly. This decision of the Board of Directors was taken after the directors determined that considering the Company's assets and liabilities, the solvency criterion pursuant to the Companies Law has been met, namely that there is no reasonable concern that such dividend distribution would prevent the

Company from meeting its existing and expected obligations, as and when they fall due, and that such dividend distribution is for the benefit of the Company and its shareholders.

It should be clarified that the abovementioned decision of the Board of Directors does not constitute a decision to distribute a dividend, and that a dividend distribution in any amount, shall be subject, in addition to the Court approval as stated herein (which is not assured), to a further separate approval of the Board of Directors in relation to the dividend distribution itself, subject to the Board's full discretion. Accordingly, it should be clarified that as of the date of the publication of these reports, there is no certainty as to the distribution of a dividend or the timing or amount thereof.

Financing and liquid resources:

- As of the date of filing this report, Elron's and RDC's non-consolidated liquid resources amounted to approximately $42.8 million and $23.9 million, respectively. These amounts include RDC's bank deposits in the amount of approximately $2 million. As of the date of filing this report, Elron has no debt and RDC has a loan received from Elron and Rafael.

  Further to section 3.A.3.a) of the Financial Statements, in January 2024, subsequent to the reporting date, the Company's Board of Directors approved to act to effect the early repayment of half of the loan balance granted in March 2021 by Elron and Rafael in the total amount of approximately $9.2 million (principal and accrued interest). Elron's share is approximately $4.6 million (principal and accrued interest).

1.2.4. Personnel

- **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 the framework of Elron’s focusing on its cyber and enterprise software portfolio mainly through RDC as mentioned above, during December 2023 and January 2024, the Company’s compensation committee and Board of Directors resolved to approve the employment of the Company’s CEO and VP Cyber as managers of RDC, in addition to their employment by Elron, such that RDC will pay most of their monthly salaries, all with effect from 2024. The Company is in contact with RDC and Rafael regarding this matter.

  Insofar as this matter will be executed, the CEO and VP Cyber will remain Company’s officers, and there shall be no change in their obligations and duties towards the Company or in their current overall terms of employment (by Elron and by RDC). For further details, see Section 6.B in Part D of this periodic report.

- For details regarding the granting of options to employees and regular service providers, see Section 4 of Part A of the periodic report and Note 12.d of the Financial Statements.

- For details regarding a discretionary grant to the Chairman of the Board of Directors and linking the management fees of the Chairman of the Board of Directors to the consumer price index see Section 6.b of Part D of this Periodic Report.

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1.3. Results of Operations

1.3.1. Elron's main annual operating results

	For the year ended December 31,		
	2023	2022	2021
		Audited	
		$ thousands	
Gain (loss) attributable to Elron's shareholders	(8,174)	69,524	5,484
Basic gain (loss) per share attributable to Elron's shareholders (in $)	(0.16)	1.34	0.11
Diluted gain (loss) per share attributable to Elron's shareholders (in $)	(0.16)	1.28	0.10

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

	For the year ended December 31,		
	2023	2022	2021
		$ thousands	
Losses in respect of Group Companies:			
Elron's share in net losses of Group Companies, net	(10,683)	(12,990)	(8,093)
Excess cost amortization	(3,223)	(705)	(75)
Total	(13,906)	(13,695)	(8,168)
Gain from disposal and revaluation of investee companies and changes in holdings, net**	10,084	89,307	22,159
Corporate operating expenses	(2,868)	(4,235)	(4,573)
Taxes on income, net	(817)	(892)	(2,754)
Other***	(667)	(961)	(1,180)
Gain (loss) attributable to shareholders	(8,174)	69,524	5,484

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

**) Including interest income in the amount of approximately $2,800 and $4,000 thousand in 2023 and 2022 respectively, in respect of the Deferred Consideration from the Bioventus Transaction.

***) Include a non-cash accounting expense related to a share based payment.

I) Losses in respect of Group Companies

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 during 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 during 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.

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

Excess cost amortization:

The excess cost amortization of its Group Companies (net of non-controlling interests) during 2023 resulted mainly from the excess cost amortization of CartiHeal and SixGill and in 2022 mainly from SixGill.

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

Gain and loss from disposal, revaluation, realization of operation of group companies, and changes in holdings during 2023 resulted mainly from:

- An approximately $5.1 million gain recorded as a result of the return of CartiHeal shares and interest income attributed to the deferred consideration from the Bioventus Transaction (see section 1.2.1 above and Note 3.B.2.a) to the Financial Statements);
- An approximately $3.5 million gain (net of non-controlling interests) recorded as a result of the sale of Canonic (see section 1.2.1 above);
- An approximately $1.9 million gain recorded 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 (see Note 7.F to the Financial Statements).
- An approximately $1.0 million loss recorded as a result of decrease in the fair value of the investment in AudioBurst Ltd ("AudioBurst").

Gain and loss from disposal, revaluation, realization of operation of group companies, and changes in holdings during 2022 resulted mainly from:

- An approximately $96.5 million gain recorded as a result of the sale of CartiHeal to Bioventus (see Note 3.B.2.a) to the Financial Statements).
- An approximately $4.2 million loss recorded as a result of decrease in the fair value of the investment in ZenGo (see Note 7.C to the Financial Statements).
- An approximately $2.4 million loss (net of non-controlling interests) comprised of a $3.4 million loss (net of non-controlling interests) from impairment of the investment in Pocared due to financing difficulties experienced by Pocared that led to the cessation of its operation, and 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 EIB (European Investment Bank).

Gain and loss from disposal, revaluation, realization of operation of group companies, and changes in holdings during 2021 resulted mainly from:

- An approximately $11.3 million gain (before tax) recorded as a result of the sale of Alcide.IO Ltd ("Alcide").
- An approximately $6.5 million gain (before tax) following the partial sale of IronScales's shares which resulted in initial fair value measurement of the investment in IronScales in lieu of the equity method of accounting as a result of the decrease in RDC's holding in IronScales's share capital and the loss of significant influence over IronScales.

- An approximately $5.2 million gain (net of non-controlling interests) recorded as a result of the sale of SecuredTouch Inc. ("SecuredTouch").
- An approximately $2.8 million gain recorded as a result of increase in the fair value of the investment in ZenGo.
- An approximately $2.5 million gain (net of non-controlling interests) recorded as a result of the sale of Imvision Software Technologies Ltd. (“Imvision”).
- An approximately $1.9 million gain (net of non-controlling interests) recorded as a result of the sale of the operation of Kindite Ltd. ("Kindite").
- An approximately $0.7 million gain (net of non-controlling interests) recorded as a result of the sale of the operation of Oz Code Ltd. ("OzCode").
- An approximately $2.5 million loss due to a decrease in the fair value of the investment in Aqwise – Wise Water Technologies Ltd. ("Aqwise") and the expected consideration from its sale.
- An approximately $1.7 million loss recorded due to a decrease in the fair value of the investment in Notal Vision.
- An approximately $1.9 million loss (net of non-controlling interests) which was recorded due to a decrease in Elron's participating share in profit or loss of Pocared in light of the recapitalization in Pocared's capital structure in the first quarter.
- An approximately $2.3 million loss recorded due to a decrease in the fair value of the investment in AudioBurst.

III) Corporate operating expenses

Corporate operating expenses mainly include general and administrative expenses. The decrease in corporate operating expenses in 2023 compared with 2022 and the decrease in 2022 compared with 2021, resulted mainly due to cost saving and efficiency measures that the Company implemented.

IV) Taxes on Income

Tax expenses in 2023 and 2022 mainly resulted from the sale of CartiHeal, while the tax expenses in 2021 were mainly due to the reversal of the tax asset recorded during 2020 due to Alcide’s sale, in respect of the temporary difference relating to Elron's investment in Alcide and in respect of losses carried forward for tax purposes that were expected to be utilized in 2021. In addition, tax expenses in 2021 resulted also from Elron's share of the tax expenses recorded by RDC following a partial sale of IronScales shares and a deferred tax liability attributed to a temporary difference in IronScales which is measured at fair value through profit and loss.

1.3.2. Analysis of the consolidated statements of profit and loss

	2023	2022	2021	
		Audited		
		$ thousands		Explanation
Gain from disposal and revaluation of group companies, and changes in holdings, net	11,357	84,212	37,403	In 2023, this item mainly included gain in the amount of approximately $6,900 thousand recorded from the sale of Canonic (see section 1.2.1 above), $2,300 thousand gain recorded as a result of the return of CartiHeal shares (see section 1.2.1 above), an approximately $1,900 thousand gain recorded 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 due to an increase in the fair value of the investment in N-drip, which were partially offset by $1,000 thousand loss recorded due to a decrease in the fair value of the investment in AudioBurst. In 2022, this item mainly included: an approximately $92,500 thousand gain resulted from CartiHeal sale to Bioventus that was cancelled (see section 1.2.1 above), $4,600 thousand loss recorded from the impairment of the investment in Pocared and approximately $4,150 thousands net loss recorded due to a decrease in the fair value of the investment in ZenGo. In 2021, this item mainly included: an approximately $13,000 thousand gain as a result of the sale of part of the shares of IronScales and the initial measurement of the remaining balance of the investment in IronScales at fair value in lieu of the equity method of accounting, a $11,300 thousand gain due to the sale of Alcide, a $10,470 thousand gain due to sale of SecuredTouch, a $4,900 thousand gain due to sale of Imvision, a $3,700 thousand gain as a result of the sale of Kindite's operations, an approximately $2,800 thousand gain due to an increase in the fair value of the investment in ZenGo and a $1,400 thousand gain as a result of the sale of OzCode's operations. The gain was partially offset by a $2,500 thousand loss due to the decrease in the fair value of the investment in Aqwise and the expected consideration from its sale, a $3,300 thousand loss due to the decrease in the participating share in profit or loss of Pocared, a $1,750 thousand loss due to a decrease in the fair value of the investment in Notal Vision and a $2,300 thousand loss due to a decrease in the fair value of the investment in AudioBurst.

	2023	2022	2021	
		Audited		
		$ thousands		**Explanation**
Financial income	4,728	6,380	419	Financial income in 2023 resulted mainly from interest income in the amount of approximately $2,800 thousand from the Deferred Consideration from the sale of CartiHeal to Bioventus that was recognized until the return of CartiHeal shares as described in section 1.2.1 above, and from interest income on deposits and debentures in the amount of approximately $1,800 thousand. Financial income in 2022 resulted mainly from interest income in the amount of approximately $4,000 thousand from the Deferred Consideration from the sale of CartiHeal to Bioventus, interest income on deposits and debentures in the amount of $1,300 thousand and from USD-NIS exchange rate fluctuations in the amount of $1,100 thousand. Financial income in 2021 resulted mainly from interest income on deposits and debentures.
Total income	16,085	90,592	37,822	
General and administrative expenses	5,907	7,806	6,897	See analysis of Elron's and RDC's operating expenses below.
Equity in losses of associates	19,175	21,876	12,342	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 2023 as compared with 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.

	2023	2022	2021	
		Audited		
		$ thousands		**Explanation**
				The increase in 2022 as compared with 2021 resulted mainly due to the increase in investment in new companies and follow-on investments during 2021 and 2022 and the recognition of Elron's share in the loss of these companies. The increase was partially offset due to sale of group companies during 2021.
Financial expenses	737	1,291	686	Financial expenses in 2023 resulted mainly from interest expenses in respect of the loan granted to RDC by Rafael. Financial expenses 2022 and 2021 resulted mainly from interest expenses in respect of the loan granted to RDC by Rafael and from a decrease in the fair value of debentures measured at fair value.
Total expenses	25,819	30,973	19,925	
Gain (loss) before taxes on income	(9,734)	59,619	17,897	
Taxes on income, net	(1,257)	(892)	(3,954)	Tax expenses in 2023 and 2022 are mainly attributed to the current income resulted from the gain of the sale of CartiHeal. Taxes on income in 2021 resulted mainly from tax expenses from the reversal of the tax asset which was recorded in 2020 following the sale of Alcide, tax expenses recorded following a partial sale of IronScales shares and a deferred tax liability attributed to a temporary difference in a company which is measured at fair value through profit and loss.
Net gain (loss)	(10,991)	58,727	13,943	
Gain (loss) attributable to the Company's shareholders	(8,174)	69,524	5,484	
Net income (loss) attributable to non-controlling interests	(2,817)	(10,797)	8,459	The income or loss attributable to non-controlling interests results from the share of the non-controlling interests in the income or loss recorded by RDC.

	2023	2022	2021	Explanation
		Audited		
		$ thousands		
				The loss attributable to non-controlling interests in 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. The loss attributable to non-controlling interests in 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. The gain attributable to non-controlling interests in 2021, resulted mainly from the share of non-controlling interests in the gain recorded by RDC from the partial sale of IronScales, the sale of Imvision, SecuredTouch, Kindite and OzCode and from the gain recorder due to the initial measurement of the balance of the investment in IronScales at fair value in lieu of the equity method of accounting. This gain was partially offset mainly by the share of non-controlling interests in the loss recorded by RDC in respect of the losses of its group companies.
Basic gain (loss) per share attributable to the Company's shareholders (in $)	(0.16)	1.34	0.11	
Diluted gain (loss) per share attributable to the Company's shareholders (in $)	(0.16)	1.28	0.10	

Analysis of the consolidated operating expenses

Operating expenses in 2023, 2022 and 2021 amounted to $5,907, $7,806 and $6,897 thousand, respectively, and comprised mainly of general and administrative expenses of Elron's and RDC operations, as detailed below:

	2023	2022	2021	
	$ thousands			Explanation
Corporate	3,619	5,080	4,599	The decrease in 2023 compared with 2022 resulted mainly from decrease in headquarters expense following cost saving and efficiency measures that the Company implemented (as mentioned above). The increase in 2022 compared with 2021 resulted mainly from share-based compensation expenses recorded in 2022. Such increase was partially offset by decrease in headquarters expense following cost saving and efficiency measures that the Company implemented as well as due to USD-NIS exchange rate fluctuations.
RDC	2,288	2,726	2,298	The decrease in 2023 compared with 2022 resulted mainly from decrease in headquarters expense following cost saving and efficiency measures that the Company implemented (as mentioned above). The increase in 2022 compared with 2021 resulted mainly from share-based compensation expenses recorded in 2022 and from USD-NIS exchange rate fluctuations.
Total	5,907	7,806	6,897	

1.3.3. Main quarterly results of Elron

	Three months ended			
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
	Unaudited			
	$ thousands			
Net gain (loss) attributable to the Company's shareholders	5,319	(5,555)	(2,906)	(5,032)
Basic net gain (loss) per share attributable to the Company's shareholders (in $)	0.10	(0.11)	(0.06)	(0.10)
Diluted net gain (loss) per share attributable to the Company's shareholders (in $)	0.10	(0.11)	(0.06)	(0.10)

	Three months ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
	Unaudited			
	$ thousands			
Net gain (loss) attributable to the Company's shareholders	(1,977)	(6,286)	83,861	(6,074)
Basic net gain (loss) per share attributable to the Company's shareholders (in $)	(0.04)	(0.12)	1.62	(0.12)
Diluted net gain (loss) per share attributable to the Company's shareholders (in $)	(0.04)	(0.12)	1.54	(0.12)

As previously mentioned, the net gain and loss attributable to the Company's shareholders mainly comprises of: 1. Elron's share in the losses of group companies, 2. gains and losses from disposal and revaluation of group companies, and changes in holdings 3. corporate operating expenses, and 4. taxes on income, as detailed below:*

	Three months ended			
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
	Unaudited			
	$ thousands			
Elron's share in net losses of Group Companies	(2,601)	(3,827)	(4,094)	(3,384)
Gain (loss) from disposal and revaluation of group companies, and changes in holdings, net	8,903	(1,000)	1,900	281
Corporate operating expenses	(619)	(654)	(579)	(1,016)
Taxes on income	(36)	-	-	(781)
Other**	(328)	(74)	(133)	(132)
Gain (loss) attributable to the Company's shareholders	5,319	(5,555)	(2,906)	(5,032)

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	Three months ended			
	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
	Unaudited			
	$ thousands			
Elron's share in net losses of Group Companies	(2,581)	(4,317)	(3,928)	(2,869)
Gain (loss) from disposal and revaluation of group companies, and changes in holdings, net***	2,204	(659)	90,575	(2,813)
Corporate operating expenses	(872)	(968)	(984)	(1,411)
Taxes on income	-	-	(832)	(60)
Other**	(728)	(342)	(970)	1,079
Gain (loss) attributable to the Company's shareholders	(1,977)	(6,286)	83,861	(6,074)

* The results summarized in these tables are presented net of non-controlling interests.

** During 2023 and 2022, line item "Other" included a non-cash accounting expense related to a share based payment.

*** In 2023 and 2022, including interest income in the amount of approximately $2,800 and $4,000 thousand respectively, attributed to the Deferred Consideration in the Bioventus Transaction (for further details, see Note 1.2.1 above).

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

The loss Elron recorded in the fourth quarter of 2022 in respect of its share in the net losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of SixGill, Sayata and Canonic.

The gains (losses) from disposal, changes in holdings and revaluation of Group Companies measured at fair value in the fourth quarter of 2022 resulted mainly from a $4,600 thousand loss due to a decrease in the fair value of the investment in ZenGo which was partially offset by the interest income in the amount of approximately $2,200 thousand due to the Deferred Consideration from the Bioventus Transaction (for further details, see Note 1.2.1 above).

1.3.4. Quarterly consolidated statements of profit and loss

	Year ended December 31, 2023	Three months ended			
		March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023
	Audited	Unaudited			
	$ thousands				
Gain (loss) from disposal and revaluation of group companies, and changes in holdings, net	11,357	9,898	(1,001)	1,900	560
Financial income	4,728	3,181	521	563	732
Total income (expenses)	16,085	13,079	(480)	2,463	1,292
General and administrative expenses	5,907	1,364	1,316	1,264	1,963
Equity in losses of associates, net	19,175	4,022	5,254	5,352	4,547

Financial expenses	737	330	185	283	208
Total costs and expenses	25,819	5,716	6,755	6,899	6,718
Gain (loss) before taxes on income	(9,734)	7,363	(7,235)	(4,436)	(5,426)
Taxes on income	(1,257)	(72)	-	-	(1,185)
Net gain (loss)	(10,991)	7,291	(7,235)	(4,436)	(6,611)
Gain (loss) attributable to the Company's shareholders	(8,174)	5,319	(5,555)	(2,906)	(5,032)
Gain (loss) attributable to non-controlling interests	(2,817)	1,972	(1,680)	(1,530)	(1,579)
Basic gain (loss) per share attributable to the Company's shareholders (in $)	(0.16)	0.10	(0.11)	(0.06)	(0.10)
Diluted gain (loss) per share attributable to the Company's shareholders (in $)	(0.16)	0.10	(0.11)	(0.06)	(0.10)

	Year ended	Three months ended			
	December 31, 2022	March 31, 2022	June 30, 2022	September 30, 2022	December 31, 2022
	Audited	Unaudited			
	$ thousands				
Gain (loss) from disposal and revaluation of group companies, and changes in holdings, net	84,212	2,729	(844)	87,543	(5,216)
Financial income	6,380	250	616	2,272	4,052
Total income (expenses)	90,592	2,979	(228)	89,815	(1,164)
General and administrative expenses	7,806	1,730	1,817	1,841	2,418
Equity in losses of associates, net	21,876	4,180	6,952	6,116	4,628
Financial expenses	1,291	522	391	978	210
Total costs and expenses	30,973	6,432	9,160	8,935	7,256
Loss before taxes on income	59,619	(3,453)	(9,388)	80,880	(8,420)
Taxes on income	(892)	-	-	(832)	(60)
Net gain (loss)	58,727	(3,453)	(9,388)	80,048	(8,480)
Gain (loss) attributable to the Company's shareholders	69,524	(1,977)	(6,286)	83,861	(6,074)
Gain (loss) attributable to non-controlling interests	(10,797)	(1,476)	(3,102)	(3,813)	(2,406)
Basic gain (loss) per share attributable to the Company's shareholders (in $)	1.34	(0.04)	(0.12)	1.62	(0.12)
Diluted gain (loss) per share attributable to the Company's shareholders (in $)	1.28	(0.04)	(0.12)	1.54	(0.12)

1.3.5. Analysis of research and development expenses in group companies

According to Elron's Group Companies' estimations, and as of the date of the filing of this report, their aggregate projected investment in research and development activities during 2024 will total approximately $90,000 thousand.

The above estimates are forward-looking in nature, as defined in Israel Securities Law, 5728-1968, and are based on the Group Companies' estimations based on information available as of the date of filling of this report. These estimates, in whole or in part, may not materialize, or may materialize in a manner materially different than expected. The principal factors that may affect this are lack of sufficient resources to finance research and development expenses and changes in research and development expenses, due to future events that might affect the Group Companies' research and development activities and related plans.

The combined research and development expenses of all Group Companies amounted to approximately $89,000, $103,000 and $88,000 thousand in 2023, 2022 and 2021, respectively.

The decrease in 2023 as compared with 2022 resulted mainly due to the sale of Canonic during the year 2023 (see Note 1.2.1 above) and also following the decision to cease Pocared's operation in November 2022.

The increase in 2022 as compared with 2021 resulted mainly due to the increase in SixGill, IronScales and Notal as well as new investments made this year.

The Company's Consolidated Financial Statements do not include research and development expenses during 2023 - 2021.

1.4. <u>Financial Position, Liquidity and Capital Resources</u>

Financial position

	December 31, 2023	December 31, 2022
	Audited	
	$ thousands	
Total assets in the consolidated statement of financial position	159,821	169,565
Current assets	51,283	53,802
Investments in associates and other companies (not including investment in CartiHeal)	39,680	46,623
Investment in CartiHeal *	64,926	63,905
Other long-term assets	870	2,174
Intangible assets	3,051	3,051
Current liabilities	7,287	6,534
Long-term liabilities	1,747	2,647
Long term loans	9,222	8,719
Total liabilities	18,256	17,900
Equity (including non-controlling interests)	141,565	151,665

(*) In 2023 - investment in an associates company classified as held for sale and in 2022 - financial assets related to the Bioventus Transaction. For more details, see section 1.2.1 above.

Total equity (including non-controlling interests) at December 31, 2023 was $141,565 thousand, representing approximately 89% 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 2023, which was partially offset from the sale of Canonic and from the return of CartiHeal's shares following cancellation of the Bioventus Transaction (see section 1.2.1 above).

Consolidated working capital at December 31, 2023 (not including CartiHeal's investment which was classified as held for sale) amounted to $43,996 thousand, compared with $47,630 thousand at December 31, 2022 (not including current maturities of the Deferred Consideration asset from CartiHeal's sale to Bioventus that was cancelled). The decrease in the consolidated working capital resulted mainly from cash investments in Group Companies during 2023 (as detailed below) and from operating expenses of Elron and RDC during the period and was partially offset by the proceeds from the sale of Canonic (see section 1.2.1 above).

The Company did not include a section on exposure to market risks and their management in the Board of Directors report, 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 year ended December 31,		For the three months ended December 31,	
	2023	2022	2023	2022
	Audited		Unaudited	
	$ thousands			
Investments in Elron's and RDC's group companies	(11,370)	(24,171)	(5,723)	(387)
Taxes paid, net	-	(1,334)	-	-
Proceeds from disposal of Elron's and RDC's non-current investments (2)	11,511	36,015	3,553	766

(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 included immediate consideration from the Bioventus Transaction. In 2023, this item mainly includes the proceeds from the sale of Canonic, which was sold in February 2023, see section 1.2.1 above. In January 2024, subsequent to the reporting date, CartiHeal sale to Smith & Nephew was completed and the immediate consideration in the transaction was received, see also section 1.2.1 above.

Liquid resources balance

Elron's and RDC's non-consolidated liquid resources at December 31, 2023 amounted to $25,537 and $24,330 thousand, respectively (Elron's and RDC's liquid resources as of December 31, 2023 included other short term investments in securities in the amounts of $6,002 thousand in Elron, and bank deposits of Elron in the amount of $1,625 thousand and of RDC in the amount of $2,104 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 amounts of $6,385 thousand in Elron, and bank deposits of Elron in the amount of $13,685 thousand and of RDC in the amount of $2,877 thousand).

Uses of cash

The main uses of cash in 2023 were investments in Group Companies in the amount of $3,388 thousand by Elron and in the amount of $7,982 thousand by RDC. Furthermore, cash was used to pay Elron and RDC's operating expenses ,as detailed above in section 1.3.2 above. Also, in January 2024, subsequent to the reporting date, a dividend of NIS 96,500 thousand (approximately $26,500 thousand) was announced to the company's shareholders, which was paid in February 2024, subsequent to the reporting date, as detailed in section 1.2.3 above.

The main uses of cash in 2022 were investments in Group Companies in the amount of $15,088 thousand by Elron and in the amount of $9,083 thousand by RDC and payment a dividend to the

Company's shareholders in the amount of $34,450 thousand. Furthermore, cash was used to pay Elron and RDC's operating expenses.

Investments in Group Companies during 2023 and 2022 are summarized in the following table (see also Notes 3 and 7 to the Financial Statements and also section 4A in Part IV of this periodic report for additional details regarding investments in Group Companies):

	Elron		RDC	
	For the year ended December 31,			
	2023	2022	2023	2022
	Audited			
	$ thousands			
Sixgill	2,000	6,007	-	-
ZenGo	50	190	-	-
Cynerio	-	-	2,682	-
Cyvers	-	4,152	-	-
Sidetalk	30	500	-	-
Bark	250	700	-	-
Creednz	-	-	-	2,500
Canonic	-	-	-	2,000
Allero Inc. ("Allero")	-	1,500	-	2,500
Wonder Robotics	-	-	-	2,000
Notal Vision	-	584	-	-
Scribe	-	-	2,000	-
Keepy AI Ltd.	-	-	500	-
AudioBurst	100	500	-	-
Nitinotes	-	850	-	-
Coramaze	398	-	-	-
Breeze	-	-	2,200	-
Tamnoon	-	-	600	-
Other	560	105	-	83
Total investments	3,388	15,088	7,982	9,083

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

In January 2024, subsequent to the reporting date, the immediate proceeds from the sale of CartiHeal were received in the amount of approximately $48 million, (net of transaction costs) at the time of completion of the transaction (out of this amount, a total of approximately $5 million was deposited in escrow for a period of 12-18 months).

Proceeds received from the disposal of non-current investments in 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 $3,075 thousand as a result of the dissolution of Allero (a total amount of approximately $1,150 in Elron and approximately $1,900 in RDC) .
- Consideration in the amount of approximately $1,400 thousand as a result of the sale of assets of Kindite Ltd.
- Consideration in the amount of approximately $500 thousand as a result of the sale of assets of Oz Code Ltd.

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

- Immediate consideration in a total amount of approximately $33,100 thousand (net of transaction costs) as a result of the sale of CartiHeal to Bioventus (such consideration remained in Elron and will not be returned to Bioventus after the cancellation of the sale in 2023).
- Receipt of the deposit which was deposited in escrow in the amount of approximately $1,350 thousand from the sale of Alcide in 2021.
- Receipt of the deposit which was deposited in escrow in the amount of approximately $500 thousand from the sale of SecuredTouch in 2021.
- Receipt of the deposit which was deposited in escrow in the amount of approximately $900 thousand from the sale of Imvision in 2021.
-

2. Corporate Governance

2.1.1 <u>The Company's Board of Directors</u>

<u>Changes in the Company's Board of Directors</u>

In October 2023, 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 years, commencing on October 10, 2023.

In October 2023, Mrs. Lee-Bath Nelson ceased to serve as external director of the Company.

<u>Directors with financial and accounting expertise</u>

The Company determined the minimum number of directors with "financial and accounting expertise" serving on its board of directors to be two. Following evaluation of their education, experience, qualification and knowledge in business-accounting and financial statements, the following directors have been designated as directors with financial and accounting expertise: Dan Hoz, Barak Mashraki and Eyal Eshed. For further details, including regarding directors with "financial and accounting expertise", see section 13 in Part IV of this periodic report.

<u>Independent Directors</u>

The Company's articles of association do not include a provision requiring a proportion of independent directors. In practice, as of the report date, there are three independent directors serving in the company (including the two external directors).

2.2 <u>Internal Auditor</u>

Details of internal auditor and compliance with conditions

Internal auditor's name: Itzik Ravid, CPA

Appointment date: October 1, 2020

Role qualifications: Graduate of Accounting and Economics at Tel Aviv University. Around 30 years of experience. Managing partner in the accounting firm Raveh Ravid & Co. and extensive experience in the field of internal auditing. The internal auditor is not an interested party in the Company, does not hold office at the Company (except as the internal auditor), and is not a relative or auditor of any of the above. The internal auditor does not hold any position at the Company besides that of internal auditor, other than handling the complaints of the Company's employees regarding the management of its business, in accordance with the decision of the Company's audit committee. To the best of the

Company's knowledge, the internal auditor does not perform any role outside the Company that creates or may create a conflict of interest with his role as an internal auditor. The internal auditor meets the conditions set forth in section 3 (a) and section 8 of the Israel Internal Audit Law, 5752-1992 and the requirements of section 146 (b) of the Israel Companies Law, 5759-1999.

Holding of shares; Material ties: To the best of the Company's knowledge, the internal auditor does not hold any of the Company's shares or shares of the Company's affiliates, nor does he have material business relations or other material ties with the Company or any of its affiliates.

Status of employment: The internal auditor is a service provider through his office.

Other positions: To the best of the Company's knowledge, the internal auditor is a partner at Raveh Ravid & Co. He also serves as the internal auditor of DIC and Cellcom Israel Ltd.

Nomination of internal auditor: The appointment of the internal auditor was approved by the audit committee on August 13, 2020, and by the Board of Directors of the Company on August 17, 2020. The appointment came into effect on October 1, 2020. Among the reasons for approving Mr. Ravid's appointment: Mr. Ravid was found suitable for the position of internal auditor in the company, inter alia, in light of his many years of experience in similar positions, and after examining his education, skills and experience in internal audits, taking into account the type, scope and complexity of the Company audits, and the type, scope and complexity of the Company's activity.

Supervising Organ of the Internal Auditor: The Chairman of the Board of Directors is the supervisor of the internal auditor in the organization and the internal auditor reports to the Audit Committee.

Internal auditor's work plan: The internal auditor's work plan is a multi-year plan, and is based on a risk survey which was completed recently in 2020. Every year, the work plan of the internal audit for the coming year is updated and re-approved. The plan is updated and approved following deliberations that are held with the management and members of the audit committee, such that within 4 years most of the risk factors will be audited. The internal auditor is authorized to deviate from such plan subject to reporting to the audit committee and receiving its consent for the proposed change. In addition, the audit committee is authorized to direct the internal auditor to deviate from the audit plan during the year. In 2023 the internal auditor performed, inter alia, an audit of on the business continuity and disaster recovery plan, and controls as part of the embezzlement prevention plan adopted by the Company.

Audits abroad or of subsidiaries: The Company has no overseas activity other than the holding of certain corporations outside of Israel. The annual internal audit plan addresses whether or not internal audits have been carried out also in the Company's Group Companies, without distinguishing between their activities in Israel or outside Israel.

Scope of employment: Between 250 and 300 hours per year according to the work plan, while in 2023, the internal auditors invested approximately 260 hours. In the opinion of the Company's board of directors, the internal audit's work plan as well as the scope of employment which was determined to execute such plan are appropriate for its needs. Insofar as required, the Company is able to expand the aforesaid scope of employment.

Conducting the internal audit: The audit was conducted according to accepted professional standards, in accordance with section 4(B) to the Israeli Internal Audit Law and the standards issued by the Institute of Internal Auditors. The audit committee and the board of directors relied on the internal auditor's reports pertaining to their compliance with professional standards according to which they conduct the audits.

Access to information: The internal auditors and their employees have access to information as defined in section 9 to the Israeli Internal Audit Law, including continuous and direct access to the Company's information systems and those of the Company's Group Companies being audited by him, including financial data.

Internal auditor's reports: The internal auditor's reports are submitted in writing. The internal auditor's reports are distributed to the management and the audit committee. During the period covered by this Annual Report, one internal audit report was submitted in respect of the 2022 work plan and one report were submitted in respect of the 2023 work plan. The reports were distributed prior to the audit committee meetings at which these reports were discussed, on March 6, 2023, November 5, 2023. Two additional audit report were submitted in respect of the 2023 work plan which were distributed prior to the meetings of the Audit Committee at which these reports were discussed, on February 11, 2024.

Board of directors' evaluation: In the Company's board of directors' opinion, the scope, nature and successiveness of the Company's internal auditor's activity and his work plan are reasonable under the circumstances, and they fulfill the Company's internal audit goals.

Remuneration: The internal auditors are paid based on actual hours worked. The cost of the internal auditor's employment in 2023 was approximately NIS 75 thousand (approximately $19 thousand). In the opinion of the board of directors, the compensation paid to the internal auditor does not influence the exercise of his professional discretion. In 2023, the auditor invested approximately 260 hours as mentioned above compared to approximately 535 hours in 2022. The main decrease in the scope of the internal auditor's work was due to the fact that in 2023, unlike in the past, the internal auditor was not asked to conduct an audit in a Company's Group Companies, but to focus on audits related to the activities of the headquarters and the operation.

2.3 <u>Disclosure regarding Principal Accountant Fees</u>

The Company's principal accountants are Kesselman and Kesselman (PricewaterhouseCoopers). On December 28, 2023, the Company's General Meeting approved their re-appointment.

In accordance with the decision of the General Meeting, the Company's Board of Directors is entitled to set the fees of the principal accountant of the Company in accordance to the scope and manner of the services provided. The fees of the Company's principal accountants were also approved by the Company's Audit Committee.

	In respect of 2023		**In respect of 2022**	
	Fees ($ thousand)		**Fees ($ thousand)**	
The Company and fully owned corporate companies:	Audit and tax services (1)	Other Services (2)	Audit and tax services (1)	Other Services (2)
Kesselman and Kesselman	146	19	167	33
Other subsidiaries of the Company				
Kesselman and Kesselman	39	12	41	-

(1) Audit services- Fees for audit and related services, and for tax services.

(2) Other services- Fees for tax consulting services, assistance and representation in connection with tax audits and tax compliance services.

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

3.1 Critical Accounting Policies

In respect to critical accounting policies, refer to Note 2 of the Company's Financial Statements.

3.2 Main data detailed in significant valuations and very significant valuations

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

Valuation of the contingent consideration from CartiHeal's Transaction:

As mentioned in section 1.2.1 above and in Note 3.B.2.a) to the Financial Statements, in January 2024, subsequent to the reporting date, CartiHeal's Sale Transaction to Smith & Nephew was completed. As a result of the Transaction and in accordance with the provisions of IFRS5 ("the Standard"), the investment in CartiHeal was classified as an asset held for sale in the statement of financial position as of December 31, 2023. The Standard defines that asset held for sale shall be measured at the lower of carrying amount and fair value less costs to sell.

In order to estimate the fair value of the investment in CartiHeal, Elron used the inherent fair value deriving from CartiHeal's Sale to Smith & Nephew which includes, the immediate consideration in the total amount of approximately $48 million, net of transaction costs and the fair value of the Contingent Consideration estimated with the assistance of an independent appraiser as detailed below. According to the valuation, the fair value of the investment in CartiHeal as of December 31, 2023 amounted to approximately $68 million (which is higher than its carrying amount). In accordance with the Regulations, the contingent consideration's valuation is considered very material valuation and is attached to the Company's annual reports of 2023.

Valuation of the contingent consideration from the Sale of CartiHeal

The significant details included in the valuation in accordance with the Report Regulations' requirements are as follows:

1. Identity of the asset evaluated: The value of contingent consideration from the sale of CartiHeal.

2. Engagement date: January, 2024.

3. Timing of the valuation: January 09, 2024 (the date in which the sale of CartiHeal was completed).

4. The value of the contingent consideration as estimated in the valuation – the value of the contingent consideration was estimated at approximately $19.9 million which will be presented in the Financial Statements under Long-term receivables in the first quarter of 2024.

   Identity of appraiser: The work was prepared with the assistance of BDO Ziv Haft accounting firm, by a team led by Mr. Sagiv Mizrahi, CPA, partner, and team leader in the Corporate Finance Department. Sagiv has an undergraduate degree in Practical Mathematics from Bar

Ilan University, and an MBA (Summa cum Laude), specialized in financial management from Tel Aviv University. Sagiv has over 10 years' experience in economic and business consulting, valuations of companies and financial instruments and diverse economic-accounting work, in conformity with international accounting standards (IFRS) and with US accounting standards (US GAAP). Previously, Sagiv was lecturer on accounting and valuations at Bar Ilan University. The appraiser received an indemnification commitment from the company for claims and expenses that may be incurred by the appraiser as a result of this work for damages that are more than 3 times the fee. The organ in the company that decided on the engagement with the appraiser is the VP Finance of the Company. In addition, the accounting firm BDO Ziv Haft is considered a very material appraiser, since it assisted in the evaluation of the CartiHeal's investment, the cost of which exceeds a total of 25% of the total assets of the Company.

5. The value of the asset of the contingent consideration was estimated as follows- the fair value of the contingent consideration was estimated at approximately $19.9 million by using a Monte Carlo simulation. Significant assumptions included in the valuation are as follows:
   - Number of iterations: 50,000.
   - Weighted average cost of capital (WACC) attributed to the income projections– approximately 13.25%.
   - Variance of income – 47.55%.
   - Risk-free interest rate- 4.02%.
   - Debt price - • according to the “BB-“ rated debt in the Healthcare sector, changes according to the curve and the payment date in the same iteration when the range is between 5.6%-6.4%.

Dan Hoz Chairman of the Board of Directors	Yaron Elad CEO

February 19, 2024, Tel Aviv

ELRON VENTURES LTD.

Periodic report for 2023

Part III

Consolidated Financial Statements for the Year Ended December 31, 2023

Elron Ventures Ltd.

Consolidated Financial Statements

For the Year Ended
December 31, 2023

Consolidated Financial Statements for the Year Ended December 31, 2023

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of

ELRON VENTURES LTD.

We have audited the accompanying consolidated statements of financial position of Elron Ventures Ltd ("the Company") as of December 31, 2023 and 2022, and the consolidated statements of profit or loss, comprehensive profit (loss), changes in equity and cash flows for each of the three yearsin the period ended December 31, 2023. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of equity accounted investees, the total investment amounted to approximately $ 10,106 thousand and $ 14,638 thousand as of December 31, 2023 and 2022, respectively, and the Company's share in their losses amounted to approximately $ 9,214 thousand, $ 8,314 thousand and $ 1,640 thousand for the years ended December 31, 2023, 2022 and 2021, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar, as it relates to amounts included for those companies, is based solely on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Company's board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2023 and 2022, and the results of their operations, changes in equity and their cash flows for each of the three yearsin the period ended December 31, 2023 in conformity with International Financial Reporting Standards (IFRS) and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "An Audit of Components of Internal Control over Financial Reporting", as amended, the Company's components of internal control over financial reporting as of December 31, 2023, and our report dated February 19, 2024 included an unqualified opinion on the effective maintenance of those components.

Key Audit Matters

The key audit matters detailed below are the matters that were communicated, or required to be communicated, to the Company's board of directors, and which, in our professional judgment, were the most significant in the audit of the consolidated financial statements of the current period. Those matters includes, among other, any matter that (1) relates, or may relate, to material balances or disclosures in the financial statements; and (2) our judjement on his behalf was challenging, subjective or complex. Those matters were addressed in our audit and in forming our opinion on the consolidated financial statements. The communication of those matters below does not change our opinion on the consolidated financial statements, and we are not providing a separate opinion on those matters or on the balances or disclosures to which they relate.

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The Fair Value of non-marketable financial instruments

As described in notes 2.b and 7 to the consolidated financial statements, as of December 31, 2023, the balances of the other investments measured at fair value amounts to $ 22,597 thousands. The fair value of the non-marketable financial instruments is determined by the Company in accordance with various valuation methods, among other, the Option Pricing Model.
The valuations are based on significant estimates involving uncertainty and subjective assessments. Changing on those estimates or assessments may have an material impact on the financial instruments presented in the Company's financial statements.

The main estimates used as a basis for determining the fair value of non-marketable financial instruments

When evaluating the fair value of the non-marketable financial instruments, The Company apply judjement to determine the assumptions and estimates based on which the fair value will be determined.

The company uses the following assumptions to determine the fair value of the non-marketable financial instruments:

- Comparison of the volatility of the shares of the comparetable companies to the held company;
- The expected date of a liquidation event for the evaluated company as a parameter for determining the value using an option pricing model.

We identified the estimates used as a basis for determining the fair value of the Company's non-marketable financial instruments as a key audit matter.
An audit of the determination of fair value of non-marketable financial instruments requires the auditor's judgment as well as knowledge and experience in order to examine the reasonableness of the assumptions and data used by the management in the valuation of the non-marketable financial instruments.

The audit procedures performed as response to the key audit matter

Below are the main procedures performed in connection with this key matter in our audit.
We examined the work processes for calculating the fair value and the planning, implementation and operational effectiveness of certain internal controls related to the determination of estimates and assumptions for the purpose of evaluating the fair value of the non-marketable financial instruments, including controls on the following:

- Review and approval of significant assumptions and forecasts used to determine fair value;
- Adequacy of the data used for the valuation.

We implemented substantive procedures to review the valuations, based on materials received, by a knowledgeable and experienced audit team. These procedures includes, among others:

- Review of the Company's methodology used to determine the fair value of the non-marketable financial instruments (hereinafter - the Model).
- Completeness and accuracy procedures of the data used in the Model.
- Assessing the reasonableness of significant assumptions used by the management to determine the fair value of the non-marketable financial instruments related to comparing the shares volatility of comparetble companies and the expected date of a liquidation event;
- We used an valuation expert to assisst in the Model evaluation.

Tel-Aviv, Israel	Kesselman & Kesselman
February 19, 2024	Certified Public Accountants (Isr.)
	A member firm of PricewaterhouseCoopers International Limited

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Report of Independent Registered Public Accounting Firm to the Shareholders of Elron Ventures Ltd. regarding the audit of internal control over financial reporting in conformity with regulation 9b(c) to the Israeli Securities Regulations (Periodic and Immediate Reports), 1970

We have audited the components of internal control over financial reporting of Elron Ventures Ltd. and its subsidiaries (the "Company") as of December 31, 2023. These components of internal control were determined as explained in the following paragraph. The Company's Board of Directors and Management are responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the Company's periodic report. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

The company's components of internal control over financial reporting audited by us were determined according to the provisions of Israel Auditing Standard (Israel) 911 issued by the Institute of Certified Public Accountants in Israel "Audit of Components of Internal Control over Financial Reporting" (hereinafter – "Auditing Standard (Israel) 911"). These components are: (1) Entity level controls, including controls over the process of editing and closing financial reporting and general controls of information systems; (2) Controls over the investment in companies process; (3) Controls over the treasury process; (4) Controls over the payroll process; (those components are collectively referred to hereinafter as "the audited control components").

We conducted our audit in accordance with Auditing Standard (Israel) 911, which require that we plan and perform the audit in order to identify the audited control components and to obtain reasonable assurance about whether these components of internal control were maintained effectively in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, identification of the audited control components, assessing the risk that a material weakness exists in the audited control components, testing and evaluating the design and operating effectiveness of those components of internal control based on the assessed risk. Our audit, in regard to those components of internal control, also included performing other procedures that we deemed as necessary under the circumstances. Our audit pertained only to the audited control components, as opposed to internal control over all material processes in connection with financial reporting, and therefore our opinion refers only to the audited control components. Furthermore, our audit did not reference the mutual effects between the audited control components and those that are not audited; hence our opinion does not take into account such possible effects. We believe that our audit provides a reasonable basis for our opinion in the context described above.

Due to inherent limitations, internal control over financial reporting in general, and components thereof in particular, may not prevent or detect misstatements. In addition, any conclusions that would be drawn regarding the future based on any current assessment of effectiveness are subjected to the risk that controls may become inadequate because of changes in circumstances, or that the degree of maintaining the policies or procedures may worsen.

In our opinion, the Company maintained effectively, in all material respects, the audited control components as of December 31, 2023.

We have also audited, in accordance with generally accepted auditing standards in Israel, the consolidated financial statements of the Company as of December 31, 2023 and 2022, and for the three years in the period ended December 31, 2023, and our report, dated February 19, 2024 expressed an unqualified opinion on the financial statements based on our audit and the reports of other auditors.

Tel-Aviv, Israel
February 19, 2024

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

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	Note	December 31 2023	December 31 2022
		$ thousands	
Current assets			
Cash and cash equivalents	4	40,136	30,396
Bank deposits	19	3,729	16,562
Other investments in securities	5	6,002	6,385
Other accounts receivable	6	1,416	459
Current maturities- accounts receivable from CartiHeal's Cancelled Transaction	3.B.2.a)	-	29,390
Investment in associate classified as held for sale	3.B.2.a), 3.B.2.b)	64,926	362
		116,209	83,554
Non-current assets			
Investments in associates	3.B	17,083	26,482
Other investments measured at fair value	7	22,597	19,779
Accounts receivable from CartiHeal's Cancelled Transaction	3.B.2.a	-	23,000
Long-term receivables	8	19	11,535
Right-of-use assets	10	851	2,154
Property, plant and equipment, net		11	10
Intangible assets	9	3,051	3,051
		43,612	86,011
Total assets		159,821	169,565

The notes to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Financial Position as of

	Note	December 31 2023	December 31 2022
		$ thousands	
Current liabilities			
Trade payables		188	215
Current maturities of lease liabilities	10	310	366
Other accounts payable	11	6,789	5,953
		7,287	6,534
Long-term liabilities			
Long-term loan	3.A.3.a	9,222	8,719
Lease liabilities	10	631	1,630
Deferred taxes	16	1,116	1,017
		10,969	11,366
Equity attributable to the Company's shareholders	12		
Issued capital		9,592	9,592
Share premium		245,278	245,278
Capital reserves		6,395	6,382
Accumulated deficit		(132,257)	(124,961)
		129,008	136,291
Non-controlling interests		12,557	15,374
Total equity		141,565	151,665
Total liabilities and equity		159,821	169,565

The notes to the consolidated financial statements constitute an integral part thereof.

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

Approval date of the consolidated financial statements: February 19, 2024

Consolidated Statements of Income (Loss)

	Note	For the year ended December 31 2023	2022	2021
		$ thousands (except for loss per share data)		
Income				
Gain from sale, revaluation, realization of operation and changes in holdings, net	15.A	11,357	84,212	37,403
Financial income	15.C	4,728	6,380	419
		16,085	90,592	37,822
Expenses				
General and administrative expenses	15.B	5,907	7,806	6,897
Equity in losses of associates, net	15.D	19,175	21,876	12,342
Financial expenses	15.C	737	1,291	686
		25,819	30,973	19,925
Gain (loss) before taxes on income		(9,734)	59,619	17,897
Taxes on income, net	16	(1,257)	(892)	(3,954)
Net income (loss)		(10,991)	58,727	13,943
Attributable to:				
The Company's shareholders		(8,174)	69,524	5,484
Non-controlling interests		(2,817)	(10,797)	8,459
		(10,991)	58,727	13,943
Income (loss) per share attributable to the Company's shareholders (in $)	17			
Basic income (loss) per share		(0.16)	1.34	0.11
Diluted income (loss) per share		(0.16)	1.28	0.10

The notes to the consolidated financial statements constitute an integral part thereof.

	For the year ended December 31		
	2023	2022	2021
		$ thousands	
Net income (loss)	(10,991)	58,727	13,943
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	13	(21)	(19)
Total gain (loss) that would be reclassified to profit or loss under certain conditions	13	(21)	(19)
Total other comprehensive income (loss)	13	(21)	(19)
Total comprehensive income (loss)	(10,978)	58,706	13,924
Attributable to:			
The Company's shareholders	(8,161)	69,503	5,465
Non-controlling interests	(2,817)	(10,797)	8,459
	(10,978)	58,706	13,924

The notes to the consolidated financial statements constitute an integral part thereof.

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
	$ thousands									
Balance at January 1, 2023	9,592	245,278	351	(1,192)	5	7,218	(124,961)	136,291	15,374	151,665
Total net income (loss)	-	-	-	-	-	-	(8,174)	(8,174)	(2,817)	(10,991)
Total other comprehensive income	-	-	-	-	13	-	-	13	-	13
Share-based payments	-	-	-	-	-	-	878	878	-	878
Exercise options for ordinary shares	(*	-	-	-	-	-	-	(*	-	(*
Balance at December 31, 2023	9,592	245,278	351	(1,192)	18	7,218	(132,257)	129,008	12,557	141,565

(* Represents amount less than $1 thousand.

The notes to the consolidated financial statements constitute an integral part thereof.

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
	$ 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	-	-	-	-	-	-	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 notes to the consolidated financial statements constitute an integral part thereof.

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
	$ thousands									
Balance at January 1, 2021	9,584	211,618	351	(1,192)	45	7,218	(166,518)	61,106	17,712	78,818
Total net income	-	-	-	-	-	-	5,484	5,484	8,459	13,943
Total other comprehensive loss	-	-	-	-	(19)	-	-	(19)	-	(19)
Share-based payments	-	-	-	-	-	-	26	26	-	26
Proceeds from issuance of shares net of issuance expenses	8	33,660	-	-	-	-	-	33,668	-	33,668
Balance at December 31, 2021	9,592	245,278	351	(1,192)	26	7,218	(161,008)	100,265	26,171	126,436

The notes to the consolidated financial statements constitute an integral part thereof.

	For the year ended December 31		
	2023	2022	2021
		$ thousands	
Cash flows from operating activities			
Net income (loss)	(10,991)	58,727	13,943
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustment to the profit or loss items:			
Depreciation and amortization	48	582	288
Finance, net	(1,296)	(411)	246
Stock based compensation	878	973	26
Gain from sale, revaluation, realization of operation and changes in holdings, net	(11,357)	(84,212)	(37,403)
Equity in losses of associates, net	19,175	21,876	12,342
Taxes on income, net	1,257	892	3,954
Finance income related to accounts receivable from CartiHeal;s Cancelled Transaction (see Note 3.B.2.a))	(2,781)	(4,026)	-
Other	154	(170)	(16)
	6,078	(64,496)	(20,563)
Changes in Assets and Liabilities:			
Decrease (increase) in other accounts receivable	(190)	28	63
Increase (decrease) in trade payables	(27)	(601)	644
Increase (decrease) in other accounts payable	(161)	15	512
	(378)	(558)	1,219
Cash paid and received during the year for:			
Taxes paid	(72)	-	-
Interest paid	(9)	(116)	(106)
Interest received	1,834	910	313
	1,753	794	207
Net cash used in operating activities	(3,538)	(5,533)	(5,194)

The notes to the consolidated financial statements constitute an integral part thereof.

	For the year ended December 31		
	2023	2022	2021
	$ thousands		
Cash flows from investment activities			
Purchase of property and equipment	(6)	-	(40)
Investment in associates and other companies	(11,277)	(24,175)	(27,562)
Proceeds from sale of associates and other companies	11,511	36,015	38,384
Sale of (investment in) other investments in securities, net	500	2,150	(4,954)
Taxes paid as a result of realization of investments in companies	-	(1,334)	-
Withdrawal of (investment in) deposits, net	12,741	16,472	(17,790)
Net cash provided by (used in) investment activities	13,469	29,128	(11,962)
Cash flows from financing activities			
Proceeds from issuance of shares net of issuance expenses	-	-	33,668
Receipt of long-term loan from Rafael (see Note 3.A.3.a)	-	-	8,000
Repayment of lease liability	(42)	(200)	(210)
Dividend distribution	-	(34,450)	-
Net cash provided by (used in) financing activities	(42)	(34,650)	41,458
Exchange rate differences in respect of cash and cash equivalents	(149)	573	(6)
Increase (decrease) in cash and cash equivalents	9,740	(10,482)	24,296
Cash and cash equivalents as of beginning of the year	30,396	40,878	16,582
Cash and cash equivalents as of end of the year	40,136	30,396	40,878

Information regarding investment and financing activities that do not involve cash flows:

- During 2023, the company recorded right of use asset and a lease liability in the amount of $894 thousand (see note 10 below).
- See Note 3.B.2.a) regarding CartiHeal's Cancelled Transaction.

The notes to the consolidated financial statements constitute an integral part thereof.

Note 1- General

Elron Ventures Ltd. ("Elron" or "the Company") is an operational holding company that focuses on building technology companies. Elron's group of companies includes companies in various stages of development that are engaged in various technological fields, mainly cybersecurity, enterprise software and medical devices. 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., 22th floor, 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 holds a 59.86% interest in the Company as of December 31, 2023.

These financial statements were approved by the Company's Board of Directors on February 19, 2024.

CartiHeal

In January 2024, subsequent to the reporting date, a transaction for the sale of all of CartiHeal (2009) Ltd. ("CartiHeal") share capital to Smith & Nephew USD Limited was completed (the "Transaction"). The total consideration was up to $330,000, subject to certain adjustments, to all the CartiHeal shareholders consisting of:

1. Immediate consideration in the amount of $180,000 paid upon completion of the Transaction (Elron's share is approximately $48,000, net of transaction costs, out of which $5,000 was deposited in escrow for a period of 12 months to 18 months, mainly in order to secure certain indemnification obligations of the selling security holders to the acquirer).

2. Contingent consideration in the amount of $150,000 (Elron's share is approximately $40,000) to be paid on the date when Agili-C sales together with other revenues deriving from commercialization of other CartiHeal technologies will generate revenues of at least $100,000 over a period of 12 consecutive months (provided such condition is met during the 10 years' period following the Transaction's closing).

For further details regarding the Transaction and its implications, see Note 3.B.2.a) below.

Dividend Distribution

On January 2024, subsequent to the reporting date, the Board of Directors of the Company approved a divided distribution to the Company's shareholders, in the amount of NIS 96.5 million (approximately $26.5 million) which constitute NIS 1.8461249 per share. In February 2024, subsequent to the reporting date, the dividend was distributed to the Company's shareholders.

On February 19, 2024, subsequent to the reporting date, the Board of Directors of the Company resolved to submit a court application for the approval of an additional divided distribution. For further details, see Note 12.c below.

The impact of the "Swords of Iron" War

In October 2023, 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.

Note 1- General (Cont.)

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. The Company constantly monitors the development of events and is considering the implications on its business activities and its actions accordingly.

Definitions

In these financial statements:

IFRS - Standards and interpretations that were issued by the International Accounting Standards Board (IASB) and which include International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) along with the interpretations to these standards of the International Financial Reporting Interpretations Committee (IFRIC) and interpretations of the Standing Interpretations Committee (SIC).

RDC - RDC Rafael Development Corporation Ltd. RDC is a holding company consolidated by Elron. Elron holds 50.1% of RDC's outstanding shares, through DEP Holding Technology Ltd. ("DEP"), a fully owned corporate company.

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.

The Group - Elron and RDC.

Investee companies - Consolidated companies, associates and other investments held by the Group.

Subsidiaries/Consolidated Companies - Companies that are controlled by the Group (as defined in the International Financial Reporting Standard "IFRS 10") and whose accounts are consolidated with those of the Company.

Associates - Companies over which the Group has significant influence and that are not subsidiaries and are accounted for in these consolidated financial statements in accordance with the equity method of accounting.

Other investments/Other companies - Companies in which the Group has invested and that are neither subsidiaries nor associates.

Related parties - As defined in IAS 24 (Revised) with respect to "Related Parties".

Principal shareholders and Controlling shareholders - As defined in the Israel Securities Regulations (Preparation of Annual Financial Statements), 2010.

Dollar - The US dollar.

CPI - The Israeli Consumer Price Index, as published by the Israeli Central Bureau of Statistics.

Government - Government of the State of Israel.

Note 2- Significant Accounting Policies

A. Basis of presentation of the financial statements

1. Measurement basis

The Company's consolidated financial statements have been prepared on a cost basis, except for the following: financial instruments measured at fair value, investments in associates accounted for using the equity method of accounting, associates companies classified as held for sale, deferred tax assets and deferred tax liabilities.

See below additional information regarding the measurement of these assets and liabilities.

2. The preparation format of the financial statements

These financial statements have been prepared in accordance with IFRS and in conformity with the provisions of the Israeli Securities Regulations (Annual Financial Statements), 2010.

3. Consistent accounting policies

The accounting policies adopted in the financial statements are consistent with those followed in all periods presented.

4. Disclosure of Amendments to IFRS standards in the period prior to their adoption

<u>Amendments to IAS 1 presentation of financial statements - Disclosure of Material Accounting Policy Information (the "Amendments")</u>

The IASB has amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. According to the Amendments, accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

In accordance with the amendment to IAS 1, the amendment was implemented by the company as part of these consolidated financial statements, starting on January 1, 2023, and it led to the reduction and focus of the information provided regarding its accounting policy in relation to previous reports.

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements

The Company's accounting policies set forth below in regard to this consolidated financial statements, are referring both to subsidiaries and associates Companies.

Preparation of financial statements in accordance with IFRS, requires the use of certain material accounting estimates. It also requires the Company's management to exercise discretion in the process of implementing the Company's accounting policies. In this note below, a disclosure is given to fields in which a large degree of discretion or complexity is involved, or fields in which assumptions and estimates have a material effect on the financial reports. The results may materially differ from the estimates and assumptions used by the Company's management.

Note 2- Significant Accounting Policies (Cont.)

B. Significant accounting judgments, estimates and assumptions used in the preparation of the financial statements (Cont.)

Presented below is a description of the critical accounting estimates that were used in preparing the consolidated financial statements of the Company:

Determining the fair value of unquoted financial instruments

The fair value of unquoted financial assets and financial liabilities in Level 3 of the fair value hierarchy is determined using valuation techniques including an option-pricing model. At times, the Company contracts independent valuation experts to assist in determining the fair value of such assets. The model's assumptions consist of the price of the underline asset, which is the value of the estimated company's equity, exercise price, expected volatility, expected life, expected dividend and risk-free interest rate. The price of the underlying asset is determined based upon several parameters, including: recent financing rounds, if any, or based upon projected future cash flows discounted at current discount rates applicable for items with similar terms and risk characteristics. Further details are given in Note 7.

Impairment of non-financial assets

The Group examines at each reporting date whether there have been any events or changes in circumstances which would indicate impairment of one or more of the non-financial assets. When indications of impairment exist, the Company examines whether the carrying amount of the asset can be recovered from the discounted cash flows anticipated to be derived from the asset, and if necessary, it records an impairment provision necessary to record the asset at the amount of the recoverable value. The cash flows are discounted using a discount rate before taxes that reflects current market assessments of the time value of money and the risks specific to the asset. The estimates regarding cash flows are based on past experience with respect to this asset or similar assets, and on the best possible assessments of the Group regarding the economic conditions that will exist during the remaining useful life of the asset, considering the market status at the area in which the asset is located. At times, these assessments are made with the assistance of independent valuation experts.

Valuation of intangible assets

The Group is required to allocate the purchase price of investee companies (other than in the acquisition of non-controlling interests that do not confer control) to the assets and liabilities of such investee companies on the basis of their estimated fair value. At times, the Company contracts independent valuation experts to assist in determining the fair value of such assets and liabilities. Such valuations require management to make significant estimates and assumptions. The material intangible assets that were recognized with the assistance of evaluators include mainly in process research and development. Critical estimates to estimate the useful life of such intangible assets may include, inter alia, the estimated life of the intangible assets as well as anticipated market developments.

C. The operating cycle

The Company's operating cycle is 12 months.

D. Basis of consolidation

The consolidated financial statements comprise the financial statements of companies that are controlled by the Company (subsidiaries).

Note 2- Significant Accounting Policies (Cont.)

D. Basis of consolidation (Cont.)

Non-controlling interests in subsidiaries represent the equity in subsidiaries not attributable, directly or indirectly, to a parent company. Non-controlling interests are presented in equity separately from the equity attributable to the equity holders of the Company. Profit or loss and components of other comprehensive income are attributed to the Company and to non-controlling interests. In circumstances where the non-controlling interest's ownership in a consolidated company is in the form of a preferred security or other senior security, the distribution of profit or losses between the Company and the non-controlling interests is based on the ownership level of the particular security held by the Company that grants it the preferred rights, while considering the distribution order between the different types of securities. Losses are attributed to non-controlling interests even if they result in a negative balance of non-controlling interests in the consolidated statement of financial position.

A transaction with non-controlling interests, whether a sale or an acquisition, is accounted for as an equity transaction. As such, further acquisitions of non-controlling interests by the Company are recognized directly in equity (recorded at capital reserves in respect of transaction with non-controlling interests). Any difference between the amount of the adjustment to non-controlling interest (reflecting the change in relative interest in the subsidiary) and the consideration paid or received by the parent on the change in holding is recognized directly as an increase in equity. In disposal part of the equity interests while control is retained, an increase or decrease in equity (recorded at capital reserve from transactions with non-controlling interests) is recognized for the amount of the difference between the consideration received by the Company and the carrying amount of the non-controlling interests in the subsidiary which has been added to the Company's equity, taking into consideration realization of goodwill attributed to the subsidiary, if any, and capital reserves resulting from other comprehensive income (loss), in accordance with the decrease in holdings in the subsidiary.

When the Group loses control over a company, it measures and recognizes its remaining investment at fair value. Any difference between the carrying amount of the former consolidated company as of the date on which control ceases and the fair value of any remaining investment and any consideration from disposal is recognized in profit or loss. If the remaining investment is subject to significant influence, it is treated as an investment in an associate.

E. Associates accounted for using the equity method of accounting

Associates are those entities in which the Group has significant influence or the ability to significantly influence the financial and operating policies, but control was not achieved. In assessing whether or not the Group has significant influence over an entity, the Group takes into consideration ownership of potential voting rights that are immediately exercisable, directly or through subsidiaries, and their impact. Associates are accounted for using the equity method of accounting. The Company's consolidated financial statements include the Group's share of the income and expenses of equity accounted investees from the date that significant influence commences until the date that significant influence ceases. In addition, the financial statements of the Company and of the associates are prepared as of the same periods and dates.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has a legal or implied obligation to support the investee or has made payments on behalf of the investee, or has granted it loans or guarantees.

In circumstances where the Group's ownership in an associate is in the form of a preferred security or other senior security, the distribution of profit or losses between the Group and the additional shareholders of the associate is based on the ownership level of the particular associate's security held by the Company that grants it the preferred rights, and to which the equity method is being applied, while considering the distribution order between the different types of securities.

Note 2- Significant Accounting Policies (Cont.)

E. Associates accounted for using the equity method of accounting (Cont.)

The distribution between the Group and the additional shareholders of the associate, is determined under the assumption that at the end of the reporting period, the associate company would sell or distribute its assets and repay its liabilities.

Excess cost of associates is presented as part of the investment. Goodwill relating to the acquisition of an associate is initially measured as the excess cost of an investment in an associate over the Company's proportional interest in the fair value of the identifiable assets and liabilities, net. Excess cost allocated in an associate to identifiable assets and identifiable liabilities having a finite useful life is amortized according to the said useful life. Goodwill or intangible assets with indefinite useful lives, are not systematically amortized, and evaluated for impairment as part of the investment in the associate as a whole.

When the Group loses its significant influence in an associate previously treated at equity, the remaining investment is revalued to its fair value on the date when significant influence is lost and is accounted for as an investment measured at fair value. The Group recognizes in profit or loss any difference between the fair value of any retained investment and any proceeds from disposing of the part interest in the associate, and the carrying amount of the investment at the date when significant influence is lost.

Upon purchase of shares of an associate while retaining significant influence in the associate, the Company applies the purchase method in respect of the interest acquired while the previous carrying amount of investment in the associate remains unchanged.

F. Functional currency, presentation currency and foreign currency

1. Functional currency and presentation currency

The consolidated financial statements are presented in U.S. dollars, the Group's functional currency, and are rounded to the nearest thousand, unless stated otherwise.

The functional currency, which is the currency that best reflects the economic environment in which the Company operates and conducts its transactions, is separately determined for the Company and for each of the investee companies. The functional currency of most of the investee companies is the U.S. dollar.

2. Transactions in foreign currency

Transactions denominated in foreign currency are recorded on initial recognition at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currency existing as of the reporting date are translated into the functional currency at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the Company's functional currency using the exchange rate on the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate on the date that the fair value was determined.

Note 2- Significant Accounting Policies (Cont.)

G. Financial instruments

Financial assets:

At the date of initial recognition, the Group classifies a financial asset into one of the following measurement categories: amortized cost, fair value through other comprehensive income or fair value through profit or loss.

A financial asset which is a debt instrument is measured at amortized cost, if both of the following conditions are met (and it is not designated to be measured at fair value):

- The asset is held within a business model whose objective is to hold assets in order to collect the contractual cash flows. and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets that are not classified at amortized cost or at fair value through other comprehensive income, and financial assets which were designated to be measured at fair value, will be measured at fair value through profit or loss. At initial recognition, the Group designates financial assts at fair value through profit or loss if doing so eliminates or significantly reduces accounting mismatch.

1. <u>Initial recognition</u>

   Financial assets are recognized initially at fair value. If a financial asset is not measured subsequently at fair value through profit or loss, its initial recognition includes any directly attributable transaction costs.

2. <u>Subsequent measurement</u>

   After the initial recognition, the Company measures its financial assets at amortized cost or at fair value, as follows:

   a) <u>Financial assets measured at amortized cost</u>

      In subsequent periods, these financial assets are measured at amortized cost, using the effective interest method while deducting any impairment losses. Interest income, exchange rate fluctuations and impairment loss are recorded at profit or loss.

   b) <u>Financial assets measured at fair value through profit or loss</u>

      In subsequent periods, these financial assets are measured at fair value. Gains and losses, including interest income or dividends, are recognized in profit or loss.

Cash and cash equivalents

Cash includes cash balances available for immediate use. Cash equivalents include short-term highly liquid deposits in banks (with original maturities of three months or less) that are readily convertible into known amounts of cash and are part of the Company's and the Consolidated Companies' cash management.

Note 2- Significant Accounting Policies (Cont.)

G. Financial instruments (Cont.)

Financial assets (Cont.):

Short term deposits

Short term deposits include deposits in banks with original maturities that exceeds three months from its deposit date.

Contingent Consideration

Fair value of contingent consideration from sale of group companies is initially recorded at fair value and is classified as a financial asset. The contingent consideration is measured at fair value at each reporting period and subsequent changes in the fair value are recorded at profit or loss.

Financial liabilities:

Financial liabilities are recognized initially on the trade date. Financial liabilities are derecognized when the obligation of the Group, as specified in the agreement, expires or when it is discharged or cancelled.

Financial liabilities, other than financial liabilities designated at fair value through profit or loss, are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortized cost using the effective interest method.

Offset between financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is an immediate right, which is legally enforceable, to set off the recognized amounts and there is an intention either to settle on a net basis or to realize the asset and settle the liability simultaneously.

H. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurement is based on the assumption that the transaction will take place in the asset's or the liability's principal market, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial assets measured at fair value is determined with reference to their quoted closing bid price as of the reporting date, and in the absence of such a quoted price, by other appropriate valuation methods.

Note 2- Significant Accounting Policies (Cont.)

I. Intangible assets

1. Intangible assets acquired in a business combination are included at the fair value at the acquisition date. After initial recognition, intangible assets are carried at the cost attributed to them, less any accumulated amortization (other than intangible assets having an indefinite useful life) and any accumulated impairment losses.

2. Separately acquired intangible assets are measured on initial recognition at cost with the addition of costs directly attributable to the acquisition.

3. Subsequent expenditures are capitalized as an intangible asset only when they increase the future economic benefits embodied in the specific asset for which they were expended. All other expenditures, including expenditures relating to goodwill and intangibles developed independently, are recognized in the statement of income as incurred.

The policies applied to the Group's intangible asset which was created as a result of the agreement with Rafael (see Note 3.A.3.a) below):

Useful lives	Indefinite
Amortization period	Not amortized
Internally generated or acquired	Acquired

Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or more if events or changes in circumstances indicate that the intangible asset may be impaired (see also Note 2.J below). The useful life of these assets is reviewed annually to determine whether their life assessment continues to be supportable.

J. Impairment

1. **Financial assets carried at amortized cost**

The Group recognizes a provision for loss in respect of expected credit losses on financial assets that are debt instruments carried at amortized cost.

On each reporting date, the Group examines if the credit risk of a financial assets has increased significantly since its initial recognition, on an individual basis or on a group basis. In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers information that is reasonable and supportable, including forward-looking information.

An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition. If the credit risk on a financial instrument has not increased significantly since initial recognition, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. An entity shall recognize in profit or loss the amount of expected credit losses (or reversal).

For financial instruments with low credit risk, the Group assumes that credit risk has not increased significantly from its initial recognition.

Note 2- Significant Accounting Policies (Cont.)

J. Impairment (Cont.)

2. Non-financial assets

The Group evaluates the need to record an impairment of the carrying amount of non-financial assets whenever events or changes in circumstances indicate that the carrying amount is not recoverable. If the carrying amount of non-financial assets exceeds their recoverable amount, the assets are reduced to their recoverable amount. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. Impairment losses are recognized in the statement of income.

An impairment loss of an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized.

The following criteria are applied in assessing impairment of an associate: after application of the equity method, the Group examines whether it is necessary to recognize any impairment loss with respect to the investment in associates. The Group examines at each reporting period whether there is objective evidence that the value of the investment in the associate is impaired. Such evidence may include general market data, the industry in which the investees operate, failure of research and development efforts, a significant deviation from the business plan, rounds of financing at an amount below the cost basis of the investment and other parameters. The test of impairment is carried out with reference to the entire investment, including excess cost and goodwill attributed to the associate.

K. Non-current assets held for sale

A non-current asset or disposal group (a group for which settlement is planned, including assets and liabilities) is classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. These assets are not depreciated and are presented separately as current assets in the statement of financial position, at the lower of their carrying amount and fair value less costs to sell. Simultaneously, liabilities associated with these assets are presented separately in the statement of financial position in a similar manner.

L. Short-term benefits

Short-term employee benefits are benefits that are expected to be settled wholly before twelve months after the end of the reporting period in which the employees render the related services. These benefits include salaries, paid annual leave, recreation and social security contributions and are recognized as expenses as the services are rendered. A liability in respect of a cash bonus is recognized when the Group has a legal or constructive obligation to make such payment as a result of past service rendered by an employee and a reliable estimate of the amount can be made.

M. Share-based payment transactions

The cost of equity-settled transactions with employees and others is measured at the fair value of the equity instruments granted at grant date.
The fair value of share-based payments on the grant date is recognized as an expense, with a corresponding increase in retained earnings, over the period in which the relevant employees become fully entitled to the award. The amount recognized as an expense, taking the vesting terms into account, consisting of service terms and performance terms other than market terms, is adjusted to reflect the actual number of share options that are expected to vest. Expense attributed to grants that do not eventually vest, is canceled at the time the options expire.

Note 2- Significant Accounting Policies (Cont.)

N. Provisions

A provision is recognized when there is a present obligation, legal or constructive, as a result of a past event and a reliable estimate can be made of the amount of the obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

O. Leases

Initial recognition:

At the date of initial recognition, the Group recognizes a lease liability at the present value of future lease payments, which includes, among other things, the exercise price of extension options that are reasonably certain to be exercised. At the same time, the Company recognizes the right of use asset at the same value the liability for a lease.

The interest rate used to discount the liability is the interest rate implicit in the lease if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the incremental borrowing rate.

Variable lease payments linked to the CPI are initially measured by using the prevailing index at the commencement date of the lease, and are included in the calculation of the lease liability. When there is a change in the cash flows of the lease as a result of a change in the index, the Group remeasures the lease liability based on the updated contractual flows, as adjustment to the right of use asset.

The term of the lease is the period during which the lease is non- cancellable, including periods covered by an option to extend the lease if it is reasonably certain that the Group will exercise that option and periods covered by an option to terminate the lease if it is reasonably certain that the Group will not exercise that option.

Subsequent measurement:

After the commencement date, the Group measures the right of use asset applying a cost model, less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. Right of use assets are depreciated, using the straight-line method, over the shorter period of the estimated useful life of the leased asset and the lease term. Interest on the lease liability is recognized in profit or loss in each period during the lease term, in an amount that produces a constant periodic rate on the remaining balance of the lease liability.

Payments for short-term leases of equipment and vehicles as well as payments for leases in which the base asset is of low value are recognized using the straight-line method over the lease period, as an expense in profit or loss. Short-term leases are leases in which the lease term is 12 months or less.

P. Taxes on income

Taxes on income in the statement of income comprise current and deferred taxes. The tax results in respect of current or deferred taxes are carried to the statement of income except to the extent that the tax arises from items which are recognized directly in equity or in other comprehensive income.

1. **Current taxes**

The current tax liability is measured using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date as well as adjustments required in connection with the tax liability in respect of previous years.

Note 2- Significant Accounting Policies (Cont.)

P. Taxes on income (Cont.)

A provision is recognized in respect to uncertain tax positions when it is more likely than not that the Group will be required to use its financial resources in order to recover the settlement.

2. **Deferred taxes**

Deferred taxes are computed in respect of temporary differences between the carrying amounts in the financial statements and the amounts attributed for tax purposes.

Deferred tax balances are measured at the tax rates that are expected to apply to the period when the taxes are recorded in the statement of income or in equity, based on tax laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is not probable that they will be utilized. Simultaneously, temporary differences (such as carryforward losses) for which deferred tax assets have not been recognized are reassessed and deferred tax assets are recognized to the extent that their recoverability is probable.

Taxes that would apply in the event of the sale of investments in investee companies have not been taken into account in computing the deferred taxes, as long as the sale of the investments in investee companies is not expected in the foreseeable future. Also, deferred taxes that would apply in the event of distribution of earnings by investee companies as dividend have not been taken into account in computing the deferred taxes, since the distribution of a dividend does not involve an additional tax liability or since it is the Company's policy not to initiate distribution of dividend that triggers an additional tax liability.

Deferred taxes are offset in the statement of financial position if there is a legally enforceable right to offset a current tax asset against a current tax liability and the deferred taxes relate to the same taxpayer and the same taxation authority.

Q. Earnings (loss) per share

Earnings (losses) per share are calculated by dividing the net income (loss) attributable to equity holders of the Company by the weighted number of ordinary shares outstanding during the period. Basic earnings (loss) per share only include shares that were actually outstanding during the period. Potential ordinary shares (convertible securities such as employee options) are only included in the computation of diluted earnings (loss) per share when their conversion has a dilutive effect on the earnings (loss) per share. Further, potential ordinary shares that are converted during the period are included in diluted earnings (loss) per share only until the conversion date and from that date in basic earnings (loss) per share.

R. Examination of the significance of evaluations of assets and obligations for disclosure or inclusion

The Company is reviewing the significance of the evaluations of assets and obligations, for the purposes of disclosing them or attaching them in the annual and interim financial statements, in accordance with Regulation 8b of the Securities Regulations (Periodic and Intermediate Reports), 1970 and according to the legal position number 105-23: parameters for fundamental valuations, as updated by the Israeli Security Authority in July 2014 (the "ISA's Position").

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

Note 2- Significant Accounting Policies (Cont.)

R. Examination of the significance of evaluations of assets and obligations for disclosure or inclusion (Cont.)

When an evaluation complies with the quantitative conditions for enclosure, the Company examines whether the evaluation does not qualify as very material for qualitative reasons, and therefore will not be enclosed. In accordance with the ISA's Position, the Company also applies as an additional test the "Representative Profit" test, representing an accepted measurement tool for examining the results of companies of the Company's category.

Note 3- Investments in investees

A. Subsidiary

1. **Additional information about a subsidiary that is held by the Company**

Subsidiary with material non-controlling interests

	Principal place of business	Equity interest and voting rights of non-controlling interests
As of December 31, 2023 and 2022:		
RDC	Israel	49.90%

2. **Summarized financial information of a subsidiary with material non-controlling interests (*)**

Balances in respect of RDC's statement of financial position:

	Current assets	Non-current assets	Current Liabilities	Non-current Liabilities	Equity attributable to the shareholders	Non-controlling interests
As of December 31, 2023	11,718	35,353	3,254	18,238	13,022	12,557
As of December 31, 2022	10,653	41,284	3,275	17,438	15,850	15,374

(*) The information presented does not include excess cost.

Results of operations in RDC's statements:

	Income (loss) for the year	Income (loss) attributable to non-controlling interests	Other comprehensive Income	Total comprehensive Income (loss)
For the year ended December 31, 2023	5,645	(2,817)	-	5,645
For the year ended December 31, 2022	(21,637)	(10,797)	-	(21,637)

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

Note 3- Investments in investees (Cont.)

A. Subsidiary (Cont.)

3. Significant changes in investments in a consolidated company during the reporting period

RDC's cash flows:

	For the year ended December 31	
	2023	2022
Operating activities	(2,188)	(2,360)
Investment activities	3,261	2,407
Financing activities	-	-
Increase (decrease) in cash and cash equivalents	1,073	47

a) **RDC**

RDC is a holding company consolidated by Elron. Elron holds 50.1% of RDC's outstanding shares, through DEP, a subsidiary fully owned by Elron.

RDC is engaged in the establishment of ventures and investment in early stage technology companies, mostly ventures that utilize technologies developed by 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.

In December 2007, Elron, DEP, RDC and Rafael signed an agreement amending the existing agreement between the parties pertaining to the rights granted to RDC to commercialize certain technologies of Rafael (the "Addendum"). Pursuant to the Addendum, RDC's rights to commercialize certain technologies of Rafael will continue without time restrictions. Pursuant to the terms of the Addendum, Elron made a one-time investment in RDC of $4,000 and is committed to make further investments of $750 in RDC for each company established by RDC based on Rafael's technologies.

The excess invested in RDC in respect of Elron's investment in RDC's equity was allocated to the agreement with Rafael as an intangible asset with indefinite useful life, and accordingly is not subject to amortization, but rather is reviewed for impairment at least annually or more frequently if indicators of impairment are identified. As of the reporting date, intangible assets include an amount of $3,051 in respect of this agreement (see Note 9 below).

In March 2021, Elron and Rafael granted a loan to RDC in an amount of $16,000 (in equal parts). The long-term loan balance in the statement of financial position includes the loan attributed to Rafael. The loan was granted for a five year period and bears 5% annual interest to be paid upon repayment of the loan.

In January 2024, subsequent to the reporting date, the Company's Board of Directors approved to act to effect the early repayment of half of the loan balance granted by Elron and Rafael in the total amount of approximately $9,200 (principal and accrued interest). Elron's share is approximately $4,600 (principal and accrued interest).

b) In the years 2023, 2022 and 2021, there were no companies that were previously consolidated and are not included in the consolidation at the reporting period or companies that were initially consolidated.

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

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting:

1. **Composition**

	December 31 2023	December 31 2022
Carrying amount of the investments in the statement of financial position	17,083	26,482
The carrying amount of the shares and loans includes:		
SAFE agreements (Simple Agreement for Future Equity) (*)	6,700	3,800

(*) Financial instruments measured at fair value through profit or loss and classified as part of the investment in an associate.

According to the Company's accounting policy as described in Note 2.E above, the aggregate equity in losses not recognized by the Group, amounted to a total of approximately $600 from the date of acquisition until December 31, 2023 (not including companies that as of the reporting date were not held by the Group) and for the year ended on December 31, 2023 a total amount of $340 (and for companies held by the Company as of December 31, 2022- approximately $260 from the date of acquisition through December 31, 2022). See Note 15.D for further details regarding losses in respect of associates for the years ended December 31, 2023, 2022 and 2021.

2. Significant changes in investments in associates during the reporting period:

a) **CartiHeal**

CartiHeal is developing an implant for repair of articular cartilage and osteochondral defects in loadbearing joints, such as the knee. Elron held approximately 30% of CartiHeal's outstanding shares (approximately 27% on a fully diluted basis) and the investment in CartiHeal was accounted for under the equity method of accounting, until its classification as held for sale in November 2023 (as detailed below).

<u>CartiHeal’s Cancelled Transaction</u>

In June 2022, a transaction was completed for the sale of CartiHeal to Bioventus LLC ("Bioventus") (the "Bioventus Transaction" or “CartiHeal’s Cancelled Transaction”).

The total consideration was up to $500,000 to all the CartiHeal shareholders, consisting of consideration in the amount of $350,000 (Elron's share was approximately $92,500) to be paid, partly, thorough interest bearing installments (in order to secure the consideration, certain collateral such as a lien held in favor of the sellers on CartiHeal’s shares was utilized) and contingent consideration in the amount of $150,000 (Elron's share was approximately $37,500).

In July 2022, the Transaction was completed, and the immediate consideration was received. Elron’s share in the immediate consideration, net of transaction costs was approximately $33,100. As a result of the said Transaction, during 2022, the Company recognized a gain in the total amount of approximately $92,500 recorded under line item Gain (loss) from sale, revaluation, realization of operation and changes in holdings, net.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

a) **CartiHeal (Cont.)**

CartiHeal's Cancelled Transaction (Cont.)

Accordingly, upon the completion of the Bioventus Transaction, Elron recorded a financial asset attributed to the Deferred Consideration in the amount of approximately $48,400 (part of which is presented in the Statement of Financial Position under line item Current Maturities Of Accounts Receivable From CartiHeal's Sale and part under line item Accounts Receivable From CartiHeal's Sale).In addition, Elron recorded a financial asset attributed to the contingent consideration in the amount of approximately $11,500 recorded under line item long term receivables. The fair value of the above-mentioned assets was determined with the assistance of an independent appraiser.

As of December 31, 2022, the Deferred Consideration balance in the financial statements amounted to approximately $52,400 (gain of approximately $4,000 and $3,000 was recorded under line item financial income during 2022 in respect of the term commencing from the date in which the Bioventus Transaction was completed until December 31, 2022 and during 2023 until the return of CartiHeal's shares to the sellers as detailed below).

During the first quarter of 2023, the milestone was completed for the prepayment of the first payment which was to be received according to the Bioventus Transaction. Further thereto, Bioventus approached the Company as the Sellers' representative to discuss certain changes in the parameters of the Bioventus Transaction and as a result thereof, the parties reached understandings for the cancellation of the Bioventus Transaction as follows:

1. Ownership of all of CartiHeal shares has been returned to the Sellers.
2. Bioventus deposited in escrow an amount of $10,000 which, as a result of the cancellation of the Bioventus Transaction, was transferred to CartiHeal..
3. As a final and agreed compensation for the cancellation of the Bioventus Transaction, 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.
4. The parties have mutually released each other from any obligation in connection with the Bioventus Transaction or in general and neither party shall have any claim in connection with the Bioventus Transaction.

In light of the above and following the return of the CartiHeal shares, Elron held approximately 30% of CartiHeal's outstanding share capital and the investment in CartiHeal was accounted for under the equity method of accounting, until it's classification as held for sale in November 2023 (as detailed below). 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 approximately $55,200 and $11,500, respectively were deducted. As a result. Elron recorded 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.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

a) **CartiHeal (Cont.)**

<u>CartiHeal's Cancelled Transaction</u> (Cont.)

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 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.

<u>The sale of CartiHeal to Smith & Nephew</u>

In November 2023, a definitive agreement (the "Agreement") was signed by CartiHeal and its shareholders and Smith & Nephew USD Limited (the "Acquirer" or "Smith & Nephew"), a company wholly owned by Smith & Nephew, plc. for the acquisition of the entire share capital of CartiHeal by the Acquirer (the "Transaction").

The consideration for the Transaction amounts to up to $330,000 for all of CartiHeal's shareholders, subject to adjustments (Elron's share is approximately $88,000), and is comprised of an immediate consideration and a contingent consideration, detailed as follows:

1. Immediate consideration amounting to $180 million (Elron's share is approximately $48,000 net of transaction costs of which approximately $5 million will be held in escrow for 12 to 18 months, mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions); and
2. Contingent consideration amounting to $150 million, subject to adjustments, (Elron's share is approximately $40,000) payable at such time when, if during the 10-year period following Transaction closing, the sales of the Agili-C™ and certain other products specified in the Agreement shall generate at least $100 million in net revenues during a consecutive 12-month period.

The completion of the Transaction was dependent upon the satisfaction of conditions precedent as are customary in such transactions and upon the satisfaction of an operational condition, namely the completion by CartiHeal of the manufacture of a certain quantity of Agili-C implants within a period of three months, with the possibility of an additional one month extension, as well as the preservation of the ongoing operational ability of CartiHeal's manufacturing laboratory in Israel, all as detailed in the Agreement.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

a) **CartiHeal (Cont.)**

The sale of CartiHeal to Smith & Nephew (Cont.)

As a result of the Transaction, the investment in CartiHeal complied with the terms set in the International Financial Reporting Standard 5 (“IFRS 5”) for classification as a non-current asset held for sale, and accordingly, the investment was classified as an asset held for sale in the statement of financial position as of December 31, 2023. According to the provisions of IFRS 5, assets classified as held for sale shall be measured at the lower of carrying amount and fair value less costs to sell.

In order to estimate the fair value of the investment in CartiHeal, Elron used the inherent fair value deriving from CartiHeal’s Sale to Smith & Nephew which includes, the immediate consideration in the total amount of approximately $48,000, net of transaction costs and the fair value of the Contingent Consideration estimated with the assistance of an independent appraiser as detailed below. According to the valuation, the fair value of the investment in CartiHeal as of December 31, 2023 amounted to approximately $68,000 (which is higher than its carrying amount) and as such, the investment in CartiHeal was measured at its carrying amount once classified as held for sale.

In January 2024, subsequent to the reporting date, the conditions precedent to the Transaction were met and the Transaction was completed. As a result, Elron is expected to recognize a net gain in the amount of approximately $3,000 under line item gain from sale, revaluation, realization of operation and changes in holdings, net in the consolidated statement of income(loss). Such gain reflects the difference between the Company’s share in the immediate consideration and the fair value of the Company’s share in the contingent consideration estimated with the assistance of an external appraisal at approximately $19,900 (as detailed below) to the balance of the investment in CartiHeal which as of the date of the Transaction amounted to approximately $65,000.

As mentioned above, the fair value of the contingent consideration was estimated with the assistance of an external appraiser by using a Monte Carlo simulation. Significant assumptions included in the valuation are as follows:

- Number of iterations: 50,000.
- Weighted average cost of capital (WACC) attributed to the income projections– approximately 13.25%.
- volatility of income – 47.55%.
- Risk-free interest rate approximately 4.02%.
- Interest to capitalize the consideration - according to the “BB-“ rated debt in the Healthcare sector, changes according to the curve and the payment date in the same iteration when the range is between 5.6%-6.4%.

b) **Canonic**

Canonic Security Ltd. ("Canonic"), developed a security platform to detect and defeat SaaS-native threats. Prior to its sale (as detailed below), RDC held approximately 21% of Canonic’s outstanding shares and the investment in Canonic is accounted for under the equity method of accounting, until its classification as held for sale in December 2022.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

b) **Canonic (Cont.)**

In June 2022, an investment agreement (SAFE) was completed in Canonic, with the participation of its existing shareholders, in an amount of approximately $3,100, according to which, the investment sum will be converted into Canonic shares under certain conditions stipulated in the agreement (RDC's share in the investment was $2,000).

In February 2023, 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).

As a result, as of December 31, 2022, the investment in Canonic complied with the terms set in the International Financial Reporting Standard 5 ("IFRS 5") for classification as a non-current asset held for sale, and accordingly, the investment was classified as an asset held for sale in the statement of financial position as of December 31, 2022. According to the provisions of IFRS 5, after the date of classification as held for sale, the investment is no longer accounted for under the equity method of accounting and the investment in Canonic was presented according to its carrying amount at the date of classification as held for sale.

As a result of the sale Transaction of Canonic, Elron recognized 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 in the consolidated statement of income(loss).

c) **Pocared**

Pocared Diagnostics Ltd. ("Pocared"), developed a real-time and automated system for infectious diseases diagnosis using optical technology.

In November 2022, Pocared's board of directors decided to cease Pocared's activity and accordingly, commenced liquidation proceedings.

Consequently, the Company reduced the remaining investment balance during the third quarter of 2022, which was in the amount $4,600 before the reduction. As result, Elron recorded loss from impairment attributed to the Company's shareholders in the amount of approximately $3,400 under line item gain from sale, revaluation, realization of operation and changes in holdings, net (consolidated loss of approximately $4,600).

d) **SixGill**

SixGill Ltd. ("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. As of the reporting date, Elron holds approximately 23% of SixGill's outstanding shares and the investment in SixGill is accounted for under the equity method of accounting.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

d) **SixGill (Cont.)**

In March 2022, an investment was completed in SixGill in the amount of approximately $35,000, led by a new investor and with the participation of existing. Part of the Transaction amount is intended to be invested directly in SixGill in consideration for preferred shares and the remaining balance will be used to purchase ordinary shares from existing SixGill shareholders. Elron’s share in the total investment amounts to approximately $6,000.

In December 2023, SixGill signed investment agreements (SAFE) with its existing shareholders, in a total amount of approximately $7,200, according to which, the investment amount will be converted into SixGill shares under certain conditions stipulated in the agreements. Elron’s share in the total investment amounts to approximately $2,000.

e) **Cynerio**

Cynerio Israel Ltd. ("Cynerio") develops and markets a security platform to protect healthcare systems from cyber threats, in particular medical devices and medical information systems and infrastructures. Cynerio's platform combines learning the behavior of the medical equipment and systems with work process analysis to ensure the safety of patients and the protection of sensitive medical information. 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.

In April 2021, an investment agreement in Cynerio was signed in the amount of up to $25,800 led by a new investor and with the participation of its existing investors in consideration for Preferred shares. An amount of $13,250 was invested immediately and during the third quarter of 2021, the remaining investment amount of $12,550 was invested (RDC's share in the total amount was $700). In addition, the SAFE agreement from November 2019 in the amount of $3,000 was converted into preferred shares (RDC's share in the total amount was $750), and RDC also completed the purchase of ordinary shares from other shareholders of Cynerio for a total of $1,550. In accordance with the agreements, the ordinary shares purchased were upgraded to preferred shares.

In February and November 2023, Cynerio signed an investment agreements (SAFE) with the participation of its existing shareholders for an amount of $15,100, 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 $2,700.

f) **Sayata**

Sayata Labs Ltd. ("Sayata") Sayata is developing software that combines the expertise of insurance professionals, IT developers and data scientists to help insurance companies, in a variety of insurance product lines for small and medium businesses, to address their clients' risk and accordingly provide the right insurance quotes. As of the reporting date, RDC holds approximately 20% of Sayata's outstanding share capital and the investment in Sayata is accounted for under the equity method of accounting.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

f) **Sayata (Cont.)**

In June 2021, an investment agreement in Sayata was signed in the amount of $17,000 led by new investors and with the participation of the existing shareholders of Sayata (including RDC) in consideration for Preferred shares. An amount of $13,500 was invested immediately and in August 2021 the remaining amount of $3,500 was invested (RDC's share in the total investment was approximately $3,100). In addition, a SAFE balance from August 2020 in the amount of $1,350 was converted into Preferred shares (RDC's share in the SAFE investment was approximately $1,000).

In December 2021, an investment agreement in Sayata was signed in the amount of $35,000 with the participation new and existing shareholders of Sayata in consideration for Preferred shares (RDC's share in the total investment was approximately $6,000). In addition, part of Sayata's existing shareholders (including RDC) completed the purchase of ordinary shares from other shareholders in consideration for approximately $7,000 (RDC's share was $1,200). As part of the transaction, the ordinary shares purchased were upgraded to Preferred shares.

g) **Scribe**

Scribe Security Ltd. ("Scribe") is developing a software 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.

In May 2021, RDC completed its first investment (SAFE) in Scribe in an amount of $1,000, according to which, the investment sum will be converted into Scribe shares under certain conditions stipulated in the agreement.

In October 2021, an investment agreement was completed in Scribe with the participation of new and existing investors in the amount of approximately $7,000 (including the conversion of the SAFE balance described above) in consideration for Preferred shares (RDC's share in the investment was approximately $2,500 invested in October 2021 and $1,000 of the above mentioned SAFE investment).

In October 2023, an investment agreement (SAFE) was signed in Scribe, with the participation of new and existing investors, in the total amount of approximately $3,300 according to which the investment sum will be converted into Scribe's shares under certain conditions stipulated in the agreement (RDC's share was $2,000). An amount of $2,200 was immediately invested. In January 2024, subsequent to the reporting date, additional amount of $1,100 was invested.

h) **Red Access**

Ra Red Access Security Ltd. ("Red Access") provides cyber protection to organizations for safe internet browsing and access to cloud resources. As of the reporting date, RDC holds approximately 24% of Red Access's outstanding shares and the investment in Red Access is accounted for under the equity method of accounting.

In December 2021, RDC completed its first investment in Red Access in an amount of $3,000 in consideration for Preferred Shares.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

h) **Red Access (Cont.)**

In March 2022, the investment round in Red Access from December 2021 was increased by an additional $1,000 invested by a new investor, and at the same time, the new investor completed an additional investment of an additional $1,500 in Red Access in consideration for Preferred Shares.

i) **Cyvers**

CyVers.AI Ltd. (“Cyvers”) develops a platform to detect and prevent fraud in digital assets in the web3 zone, using advanced artificial intelligence. As of the reporting date, Elron holds approximately 26% of Cyvers's outstanding shares and the investment in Cyvers is accounted for under the equity method of accounting.

In April 2022, Elron completed its first investment in Cyvers in the amount of $3,250 in consideration for Preferred Shares as part of a $3,500 investment round. In August 2022, a new investment round was signed and later extended in November 2022. This round in total amount of $4,400 was with participation of new and existing shareholders in consideration for preferred shares (Elron’s share was approximately $900).

j) **Creednz**

Creednz Ltd. (“Creednz”) is developing a B2B solution that uses organizational data and financial transactions data to detect & 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).

In August 2022, RDC completed its initial investment in Creednz in a total amount of $2,500 in consideration for preferred shares as part of an investment round in the total amount of $5,750.

In April 2023, the investment agreement that mentioned above was extended, in the amount of approximately $1,300 in consideration. RDC did not participate in the aforementioned investment.

k) **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 13% of Breeze's outstanding shares and the investment in Breeze is 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).

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.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

k) **Breeze (Cont.)**

In August 2023, Breeze entered into an investment agreement with the participation of new and existing investors to invest an amount of up to approximately $6,650 in consideration for Preferred Shares (RDC's share in the total investment was approximately $2,000). Simultaneously, 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.

l) **Wonder Robotics**

Wonder Robotics Ltd. ("Wonder Robotics") develops autonomous vertical and horizontal awareness solutions for drones and has begun sales of the first product for autonomous landing in both the defense and civilian markets. As of the reporting date, RDC holds approximately 24% of Wonder Robotics's outstanding shares and the investment in Wonder Robotics is accounted for under the equity method of accounting.

In January 2022, RDC completed its first investment in Wonder Robotics in the amount of approximately $1,500 in consideration for Preferred Shares.

In May 2022, the aforementioned investment round was increased by an additional amount of approximately $1,500, with the participation of a new investor, in consideration for preferred shares (RDC's share was $500). As part of the investment, a SAFE balance in the amount of $750 was converted into Preferred shares (RDC had no part in the aforementioned SAFE balance).

In March 2023, a SAFE investment was completed in Wonder Robotics invested by new investor in the amount $250 according to which, the investment sum will be converted into Wonder Robotics shares under certain conditions stipulated in the agreement.

m) **Coramaze**

Coramaze Technologies Ltd. ("Coramaze") is developing a minimally invasive device to repair 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.

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).

n) **Alcide**

Alcide.IO Ltd. ("Alcide") developed and provided a security platform for Kubernetes deployments from code to production. Prior to its sale (as detailed below), Elron held approximately 30% of Alcide's outstanding shares and the investment in Alcide was accounted for under the equity method of accounting, until its classification as held for sale in December 2020.

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

n) **Alcide (Cont.)**

In January 2021, Alcide and its shareholders (including Elron) signed a definitive agreement with Rapid7 Inc. (the "Acquirer") for the sale of the entire outstanding share capital of Alcide (the "Transaction") and the Transaction was simultaneously completed.

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

As a result of the aforementioned, during 2021, Elron recorded an income before tax in the amount of approximately $11,300 with respect to the Transaction. In light of the aforementioned, the Company examined the expected utilization of carryforward losses and other temporary differences and recognized in 2020, a deferred tax asset of approximately $1,550, which was fully utilized during 2021. During 2022, Elron received the escrow deposit in the amount of approximately $1,300.

o) **SecuredTouch**

SecuredTouch Inc. ("SecuredTouch") develops and provides a solution that profiles users based on their physical behavior with mobile devices, allowing for seamless and persistent identity verification. Prior to its sale (as detailed below) RDC held approximately 28% of SecuredTouch's outstanding shares and the investment in SecuredTouch was accounted for under the equity method of accounting.

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

In June 2021, an agreement was completed for the sale of the entire shares of SecuredTouch (the "Transaction"). Pursuant to the Transaction, RDC's share of the consideration amounted to approximately $10,500 (of which approximately $500 was deposited in escrow for a period of 12 months, mainly in order to secure certain indemnification obligations of the selling security holders to the Acquirer). As a result of the Transaction, Elron recognized, in 2021 a consolidated gain of approximately $10,500 under line item gain from sale, revaluation, realization of operation and changes in holdings, net. During 2022, RDC received the escrow deposit described above.

p) **Kindite**

Kindite Ltd. ("Kindite") developed an encryption platform for cloud and other applications that enables search and retrieval of data while maintaining complete end to end encryption.

In March 2021, Kindite sold all its assets in consideration for approximately $8,200. RDC’s expected share in the sale consideration was approximately $3,700 and as a result, Elron recognized during 2021 a net gain attributable to the Company's shareholders in the amount of approximately $1,800 (a consolidated net gain in the amount of approximately $3,700)

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

p) **Kindite (Cont.)**

under line item gain from sale, revaluation, realization of operation and changes in holdings, net. in the statement of income (loss). In May 2021, RDC received an initial amount of approximately $2,500 from the said consideration and in December 2023, RDC received an additional amount of approximately $1,400. As a result, Elron recognized during 2023, a net gain attributable to the shareholders in the amount of about $100 (consolidated net gain in the amount of about $200) under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

q) **OzCode**

Oz Code Ltd. ("OzCode") developed and marketed a debugging platform for development and production environments that reduces time spent on debugging and shortens release cycles.

In October 2021, Ozcode sold all its assets in consideration for approximately $3,600 (of which an amount of approximately $360 was deposited in escrow for a period of 18 months, mainly in order to secure certain indemnification obligations of the sellers in the transaction to the acquirer). RDC's expected share in the sale is approximately $1,400 and as a result, Elron recognized during 2021 net gain attributable to the Company's shareholders in the amount of approximately $700 (a consolidated net gain in the amount of approximately $1,400) under line item gain from sale, revaluation, realization of operation and changes in holdings, net in the statement of income (loss). In October 2021, RDC received a total amount of approximately $900 of the said consideration and in November 2022, RDC received an additional amount of approximately $100 of the said consideration. During 2023, RDC received the final amount of the said consideration.

r) **Allero**

Allero Inc. (“Allero”) developed a platform for developers that provides governance and visibility to manage multiple CI/CD platforms. In December 2022, Allero’s board of directors decided on the voluntary dissolution of the company.

In February and March 2022, a first investment in Allero was completed in a total amount of approximately $4,000 in consideration for Preferred Shares, of which Elron invested $1,500 and RDC invested $2,500. In June 2022, the investment round was increased by additional amount of approximately $400 with the participation of new investors.

In December 2022, as mentioned above, Allero’s board of directors decided on the voluntary dissolution of the company and the distribution of its remaining assets to its shareholders. During 2023, Elron and RDC received total proceeds of approximately $3,100 (an amount of approximately $1,200 received by Elron and approximately $1,900 received by RDC).

s) **Keepy**

Keepy AI Ltd. ("Keepy") developed a software productivity solution that allows software development managers to increase work productivity while maintaining employee satisfaction. In September 2023, Keepy’s board of directors decided on the voluntary dissolution of the company.

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

Note 3- Investments in investees (Cont.)

B. Investments in associates accounted for using the equity method of accounting (Cont.):

2. Significant changes in investments in associates during the reporting period (Cont.):

s) **Keepy (Cont.)**

In July 2021, RDC completed its first investment in Keepy in an amount of $3,500 in consideration for Preferred Shares. Total amount of $3,000 was immediately invested and the remaining investment was invested in February 2023.

In September 2023, as mentioned above, Keepy’s board of directors decided on the voluntary dissolution of the company.

t) **Cyber Future**

El Ciso Club, Limited Partnership ("Cyber Future") is an exclusive global group of Chief Information Security Officer from the world's leading organizations in diverse industries, whose goal is to locate cyber ventures at various stages in order to invest in them, with Elron's funding and involvement. Since its incorporation, Elron invested in Cyber Future a total amount of approximately $700.

Note 4- Cash and cash equivalents

	December 31	
	2023	**2022**
Cash	9,601	21,734
Cash equivalents - short-term deposits (*)	30,535	8,662
	40,136	30,396

(*) The deposits bear interest rate, which is determined based on the deposit period and currency. The interest rate on deposits as of December 31, 2023, is between 4.24% to 6.35%

Note 5- Other investments in securities, net

As of December 31, 2023, this line item is comprised of investment in debentures denominated in USD, carrying a fixed interest rate. This investment is classified as a financial asset measured at fair value through profit or loss (see also Note 19 below).

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

Note 6- Other accounts receivable

	December 31	
	2023	**2022**
Escrow deposit (A)	767	-
Government institutions	199	186
Prepaid expenses	201	106
Other	249	167
	1,416	459

(A) Deposited in Escrow following the sale of Canonic (see Note 3.B.2.b) above).

Note 7- Other investments measured at fair value

The Company holds interests in several private companies that do not confer it significant influence as well as warrants to be converted into shares of associates. The fair value of these holdings has been estimated mainly using:

1. Company Security Transaction Method ("CSTM") - According to the CSTM method, the value of each investee is estimated based upon recent transaction prices in the investee's securities or of companies comparable to the investee (similar companies). For these transactions to be relied upon to develop an estimate of fair value, they must be arm's length transactions. Additional factors considered in this analysis include: size, amount and type of shares sold; the timing of the transaction relative to the estimation date; differences in the rights, preferences, marketability; control of the transaction securities; participation of new investors and existing shareholders, volatility in the investee's projections. Compared to transactions made in similar companies, the comparison is made to similar transactions in terms of the field of activity, operational characteristics, marketability and financial data.

2. Discounted Future Earnings Method - This methodology is used when the investees undergoing evaluation are able to provide projections for their future cash flows. In addition, it was deemed not unreasonable that market participants or other investors would use this methodology to determine the fair value of their rights in these companies.

3. Option Pricing Model ("OPM") - After deriving the investee's fair value, it is generally accepted for market participants to allocate the value of the investee to the different classes of equity. OPM is an option pricing model based on the Black and Scholes formula or based on the Binomial (lattice) model. This model is based upon the concept that the securities of a firm's capital structure can be considered as call options on the value of the firm. The model uses a Black and Scholes option model or a Binomial (lattice) model to estimate the value of the investee between value ranges.

The valuations require management to make certain assumptions about certain parameters, including projections, credit risk and volatility.

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

Note 7- Other investments measured at fair value (Cont.)

Composition:

	December 31	
	2023	2022
IronScales (A)	5,924	5,673
Notal (C)	7,132	7,132
Zengo (D)	2,350	2,300
N-Drip (E)	2,167	1,530
Nitinotes (F)	1,900	-
Bark (G)	950	700
Sidetalk (H)	530	500
Tamnoon (I)	600	-
Other (*)	1,044	1,944
	22,597	19,779

A. IronScales

IronScales Ltd. ("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. Until the investment and partial sale Transaction from December 2021 (as detailed below) the investment in IronScales was accounted for under the equity method of accounting. Following the Transaction and as of the reporting date, RDC holds approximately 8% of IronScales's outstanding shares and the investment in IronScales is accounted for as a financial asset measured at fair value through profit or loss.

In December 2021, an investment agreement was signed in IronScales in the amount of approximately $64,000 with the participation of a new and existing investors (the "Transaction"). Part of the Transaction amount is intended to be invested directly in IronScales in consideration for Preferred shares (RDC did not participate in the investment) and the remaining balance will be used to purchase shares from existing IronScales shareholders (RDC's share in the proceeds from this sale was approximately $7,300).

Following the completion of the partial sale of shares, Elron recognized a gain attributable to the Company's shareholders in the amount of approximately $3,700 (a consolidated gain in the amount of approximately $7,300) under line item gain from sale, revaluation, realization of operation and changes in holdings, net. In addition, following the partial sale, the Company recorded tax expenses in the amount of $1,400.

Following the completion of the Transaction, RDC lost its significant influence over IronScales. Therefore, the investment in IronScales began to be accounted for as a financial asset measured at fair value through profit or loss.

The fair value of the investment in IronScales was determined with the assistance of an independent appraiser and was estimated at approximately $5,700 recorded as gain under line item gain from sale, revaluation, realization of operation and changes in holdings, net (as its balance was reset) (Elron recognized a gain attributable to the Company's shareholders in the amount of approximately $2,800). In addition, the company recorded tax expenses in the amount of approximately $1,000 against a deferred tax liability following the classification of the investment in IronScales as financial asset measured at fair value through profit or loss.

The fair value of the investment in IronScales as of December 31, 2023 was determined with the assistance of an independent appraiser. The fair value of the investment was estimated at approximately $5,900.

Note 7- Other investments measured at fair value (Cont.)

B. Imvision

Imvision Software Technologies Ltd. ("Imvision"), developed an AI-based API security threat detection solution. Prior to its sale (as detailed below), Imvision was held by RDC and the investment in was accounted for as a financial asset measured at fair value through profit or loss.

In December 2021, an agreement was completed for the sale of the entire shares of Imvision (the "Transaction"). Pursuant to the transaction, RDC's share of the consideration amounted to approximately $7,900 (of which an amount of approximately $670 was deposited in escrow for a period of 12 months, mainly in order to secure certain indemnification obligations of the selling security holders to the acquirer). As a result of the Transaction, Elron recognized an income of approximately $2,450 (a consolidated gain in the amount of approximately $4,900) under the line item gain from sale, revaluation, realization of operation and changes in holdings, net. During 2022, RDC received the abovementioned escrow deposit.

C. Notal

Notal Vision Inc. ("Notal") develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) from home and improving vision outcomes. As of the reporting date, Elron holds approximately 9% of Notal's outstanding shares. The investment in Notal is accounted for as a financial asset measured at fair value through profit or loss.

In May 2021, an investment agreement was signed with Notal in the amount of up to approximately $38,000 led by a new investor and with the participation of Notal's existing shareholders (including Elron). The investment was made in two installments in consideration for the issuance of Preferred shares (Elron's share in the total investment is approximately $1,200). The first installment in the amount of approximately $16,400 was invested immediately (Elron's share was approximately $600). In March 2022, the second installment was invested in the amount of approximately $15,000 was invested (Elron's share was approximately $600).

During 2023, the aforementioned investment agreement was extended and additional amount of approximately $20,000 additional was invested by existing investors. Elron did not participate in the aforementioned extension. The fair value of the investment was determined with the assistance of an independent appraiser and was estimated at approximately $7,100 as of December 31, 2023.

D. Zengo

Zengo Ltd. ("Zengo") develops and provides a secure crypto wallet that doesn't compromise between security and user experience. As of the reporting date, Elron holds approximately 9% of Zengo's outstanding shares and the investment in Zengo is accounted for as a financial asset measured at fair value through profit or loss.

In April 2021, an investment in the amount of approximately $20,000 was completed, led by a new investor, in consideration for Preferred shares (Elron’s share was approximately $1,300). As part of the investment agreement, a SAFE balance in amount of $3,750 was converted into Preferred shares (Elron’s share was approximately $350). In addition, some of Zengo’s shareholders, including Elron, completed purchase of ordinary shares from other Zengo’s shareholders in consideration for approximately $1,500 (Elron’s share was approximately $350).

In March 2022, some of Zengo's shareholders, including Elron, completed purchase of ordinary shares from other shareholders of Zengo in consideration for approximately $1,400 (Elron’s share was approximately $190).

Note 7- Other investments measured at fair value (Cont.)

D. Zengo (Cont.)

In July 2023, an investment agreement (SAFE) was completed in Zengo, in an amount of approximately $3,700 (Elron's share was approximately $50).

The fair value of the investment in Zengo as of December 31, 2023 was determined with the assistance of an independent appraiser and was estimated at approximately $2,400.

E. N-Drip

N-drip Ltd. ("N-drip") develops and supplies a dripper system that is operated without the need for energy, and provides precise irrigation that allows saving water and energy on the one hand and improving the crop and reducing costs on the other hand. 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.

During January 2021, investment round from December 2020 was extended in additional amount of $15,800 that was invested in N-drip.

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 and as a result, Elron recognized during 2023, a net gain attributable to the shareholders in the amount of about $300 (consolidated net gain in the amount of about $600) under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

F. 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 as a financial asset measured at fair value through profit or loss.

In July 2022, an investment agreement (SAFE) was completed in Nitinotes, with the participation of its existing shareholders, in an amount of approximately $4,200, according to which, the investment sum will be converted into Nitinotes shares under certain conditions stipulated in the agreement (Elron's share in the investment was $850).

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. In addition, the SAFE investment from July 2022 described above was converted into Preferred shares. 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 2023, Elron recognized income of approximately $1,900 under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

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

Note 7- Other investments measured at fair value (Cont.)

G. 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.

In July 2022, Elron completed its first investment in Bark in the amount of $700. In accordance with the investment agreement (SAFE) the investment sum will be converted into Bark shares under certain conditions stipulated in the agreement. In January 2023, the investment agreement (SAFE) from July 2022 was extended and an additional amount of approximately $400 was invested in Bark. Elron's share was $250.

H. Sidetalk

Sidetalk Ltd. ("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. The investment in Sidetalk is accounted for as a financial asset measured at fair value through profit or loss.

In July 2022, Elron completed its first investment in Sidetalk in the amount of $500. In accordance with the investment agreement (SAFE) the investment sum will be converted into Sidetalk shares under certain conditions stipulated in the agreement.

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. In December 2023, additional investment agreement (SAFE) was completed in the total amount of approximately $750 with the participation of a new investor (RDC did not participate in the investment).

Note 8- Long term receivables

	December 31	
	2023	**2022**
Contingent consideration (*)	-	11,515
Other	19	20
	19	11,535

*) In 2022, including contingent considerations from CartiHeal's Cancelled Transaction (see Note 3.B.2.a) above).

Note 9- Intangible Assets

	Agreement with Rafael (1),(2)
Balance as of December 31, 2023 and December 31, 2022	3,051

(1) The Company examines the need for impairment in regards with this asset at least once a year.

(2) Indefinite useful life, see Note 3.A.3.a. The Company estimated the recoverable amount of the agreement with Rafael as part of RDC as a whole. In accordance with this examination, it was concluded that there was no need to depreciate the carrying amount of the asset in the financial statements. The assets and liabilities of RDC were included in the recoverable amount estimate.

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

Note 10- Right-of-use assets and liabilities

A. Right-of-use assets:

	Cost					**Accumulated depreciation**						**Amortized balance**	
	Balance at the beginning of the year	**Additions**	**Other changes**	**Decreases**	**Balance at the end of the year**	**Balance at the beginning of the year**	**Depreciation**	**Impairment losses recognized (cancelled) in profit or loss**	**Other changes**	**Decreases**	**Balance at the end of the year**	**Balance at the beginning of the year**	**Balance at the end of the year**
2022													
Offices	1,677	-	808	-	2,485	(387)	(331)	-	387	-	(331)	1,290	2,154
2023													
Offices	2,485	894	-	(2,485)	894	(331)	(43)	-	-	(331)	(43)	2,154	851

B. Lease liability:

	Balance at the beginning of the year	**Additions**	**Interest expenses**	**Lease payments**	**Other changes**	**Decreases**	**Balance at the end of the year**	**Current maturities of leases**	**Long term lease liabilities**
2022									
Offices	1,562	-	116	(316)	634	-	1,996	366	1,630
2023									
Offices	1,996	894	9	(51)	89	(1,996)	941	310	631

C. During 2023, following a move of offices, the company deducted the right-of-use asset and leases liability that were in its reports as of December 31, 2022 and recognized a new right-of-use asset and lease liability. For more details, see note 18 below.

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

Note 11- Other accounts payable

	December 31	
	2023	**2022**
Liabilities in respect of payroll	720	698
Governmental institutions (A)	4,145	3,039
Accrued expenses	1,283	1,568
Other payables	641	648
	6,789	5,953

(A) Including short term taxes.

Note 12- Equity

A. Composition of share capital:

	December 31,			
	2023		**2022**	
	Registered	**Issued and outstanding**	**Registered**	**Issued and outstanding**
	Number of shares			
Ordinary shares of NIS 0.003 par value each	70,000,000	52,110,789	70,000,000	51,920,867

Elron's shares are Quoted on the Tel Aviv Stock Exchange.

On April 20, 2021, the Company issued 8,855,400 ordinary shares of NIS 0.003 par value on the Tel Aviv Stock Exchange, in consideration for (net, after issuance expenses) approximately NIS 109,500 thousand (approximately $33,700). DIC invested in this issuance a total of NIS 61,740 thousand (approximately $19,000), For details regarding exercise of options, see note 12.D below.

For further details regarding options exercises, see Note 12.D below.

B. Capital management in the Company

The Company and RDC’s capital management policy is to maintain a strong equity base in order to preserve their ability to ensure business continuity thereby creating a return for the shareholders, to uphold their commitments to other interested parties such as credit givers and employees, and in order to support future development activity.

The Company is not under any minimal equity requirements nor is it required to attain a certain level of capital return.

C. Dividend Distribution

On November 13, 2022, the Company’s Board of Directors approved the distribution of a dividend in the amount of $34,450 (value per share $0.66351). During December 2022 the dividend was distributed to the Company’s shareholders.

In January 11, 2024, subsequent to the reporting date, a cash dividend was announced in the amount of NIS 96,500 thousands (approximately $26,500) which constitute NIS 1.8461249 per share to the Company’s shareholders. In February 5, 2024, subsequent to the reporting date, the dividend was distributed to the Company’s shareholders.

Note 12- Equity (Cont.)

C. Dividend Distribution (Cont.)

On February 19, 2024, the Company's Board of Directors resolved to make an application to the Court for a dividend distribution in the amount of $35 million, of which a total amount of $34.6 million is not out of the Company's profits.

Such dividend distribution is subject to the Court approval pursuant to Section 303 of the Israeli Companies Law, 1999 (the "Companies Law") and the date for distribution will be determined accordingly. The Company intends to submit a request to the honorable court accordingly. This decision of the Board of Directors was taken after the directors determined that considering the Company's assets and liabilities, the solvency criterion pursuant to the Companies Law has been met, namely that there is no reasonable concern that such dividend distribution would prevent the Company from meeting its existing and expected obligations, as and when they fall due, and that such dividend distribution is for the benefit of the Company and its shareholders.

It should be clarified that the abovementioned decision of the Board of Directors does not constitute a decision to distribute a dividend, and that a dividend distribution in any amount, shall be subject, in addition to the Court approval as stated herein (which is not assured), to a further separate approval of the Board of Directors in relation to the dividend distribution itself, subject to the Board's full discretion. Accordingly, it should be clarified that as of the date of the publication of these reports, there is no certainty as to the distribution of a dividend or the timing or amount thereof.

D. Share based payments

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 January 2022, 1,261,164 options were granted to the Company's officers, other employees of the Company and its subsidiary, RDC and consultants of the Company. 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 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, January 19, 2022, namely NIS11.06 (NIS 6.933 as of the date of the report following the dividend adjustments, "Dividend Adjustments") (and in respect of the officers only, plus a 10% premium, namely NIS12.166 (NIS 8.039 as of the date of the report following the Dividend Adjustments). 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 optionees will be calculated. The fair value of the aforementioned options was estimated at approximately $1,200.

In parallel to the aforementioned approval, the Company's Board of Directors also approved the grant of 467,508 options to the Company's CEO in accordance with the Company's compensation policy. In addition, On March 10, 2022, the Board of Directors of the Company approved, following receipt of the approval and recommendation of the Compensation Committee, the terms of tenure of Mr. Dan Hoz as an active chairman of the Company's Board of Directors. According to the Compensation Policy, the Board of Directors of the Company approved that Mr. Hoz will be granted 646,100 options. The issuance of options to the CEO and the chairman of the Company's Board of Directors was approved by the General Meeting of the shareholders of the company in April 2022.

Note 12- Equity (Cont.)

D. Share based payments (Cont.)

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 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 plus a 10% premium- accordingly NIS 11.51 (NIS 7.383 as of the date of the report following the Dividend Adjustments) to the Chairman of the Board and NIS12.166 (NIS 8.039 as of the date of the report following the Dividend Adjustments) to the CEO of the Company.

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 $400 to Chairman of the Board and $350 to the CEO of the Company.

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.

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 NIS 4.525 (NIS 2.679 as of the date of the report following the Dividend Adjustments) (and in respect of the CEO and the officers only, plus a 10% premium, namely NIS 4.978, NIS 3.131 as of the date of the report following the Dividend Adjustments). 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 (mentioned above) and re-granting them exactly the same amount of options. The exercise price of each option is NIS 4.525 (NIS 2.679 as of the date of the report following the Dividend Adjustments). 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.

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

Note 12- Equity (Cont.)

D. Share based payments (Cont.)

According to the Option Plan, the grant of the Options which was conducted by the Company, is subject to the rules stipulated in Section 102 of the Israel Income Tax Act. According to the track selected by the Company and according to these rules, the Company is not entitled to claim as a tax expense the amounts reflected as a benefit to the employees, including amounts that are registered as a salary benefit in the Company's accounts, for the Options that the employees received in the framework of the Option Plan.

The movement in the number of stock options and the weighted averages of their exercise prices is as follows:

	2023		2022		2021	
	Number of options	**Weighted average of exercise price ***	**Number of options**	**Weighted average of exercise price***	**Number of options**	**Weighted average of exercise price***
Outstanding options at the beginning of year	7,423,335	5.80	5,108,563	5.01	5,023,582	4.94
Granted	2,369,004	2.96	2,374,772	7.24	84,981	9.14
Realized	(908,591)	2.71	-	-	-	-
Forfeited	(561,667)	6.93	(60,000)	6.93	-	-
Expired	-	-	-	-	-	-
Outstanding options at end of year	8,322,081	5.26	7,423,335	5.80	5,108,563	5.01
Exercisable at end of year	4,756,014	5.79	5,051,909	4.97	5,023,582	4.94

*) Subsequent to the abovementioned Dividend distributions in December 2022 and February 2024, subsequent to the reporting date, the exercise price of the Options was adjusted.

In January 2024, subsequent to the reporting date, 2,664,288 options that were granted in 2018 expired.

Note 13- Operating Segment

The Company operates in one segment, namely "Holdings and Corporate Operations". This segment includes corporate headquarters and reflects the operations of the investments in investee companies and their sale.

Note 14- Contingent liabilities, pledges and commitments

A. Legal claims

As of the reporting and signing dates of these reports, there is no legal proceeding against the Company and its subsidiaries.

B. Commitments

1. The Group has commitments in regards with possible indemnification for presentations given in transactions for sale of investee companies, such as Medingo Ltd., which was sold in 2010 and CartiHeal whose Sale was completed in January 2024, subsequent to the reporting date. For details regarding sale of Group companies during the reporting periods, see Notes 3 and 7 above.
2. For details about other transactions with related parties, see Note 18 below.

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

Note 15- Supplementary statement of income data

A. Gain (loss) from disposal and revaluation of investee companies and changes in holdings, net

	For the year ended December 31		
	2023	2022	2021
Sale of CartiHeal's Cancelled Transaction (Note 3.B.2.a)	2,314	92,478	-
Sale of Canonic (Note 3.B.2.b)	6,878	-	-
Sale of Alcide (Note 3.B.2.n)	-	-	11,300
Sale of SecuredTouch (Note 3.B.2.o)	-	-	10,470
Sale of ImVision (Note 7.b)	-	225	4,908
Sale of the assets of Kindite (Note 3.B.2.p)	209	-	3,700
Sale of the assets of OzCode (Note 3.B.2.q)	97	-	1,400
Partial sale of IronScales and revaluation of the remaining investment (Note 7.a)	251	-	12,962
Gain (loss) from change of holding percentage in Pocared (Note 3.B.2.c)	-	1,329	(3,326)
Impairment loss attributed to the investment in Pocared (Note 3.B.2.c)	-	(4,603)	-
Revaluation of the investment in Zengo (Note 7.d)	-	(4,150)	2,793
Revaluation of the investment in Ndrip (Note 7.e)	637	-	-
Revaluation of the investment in AudioBurst	(1,000)	-	(2,300)
Revaluation of Kyma contingent consideration (1)	-	(646)	-
Revaluation of the investment in Notal (Note 7.c)	-	-	(1,750)
Revaluation of the investment in Nitinots (Note 7.f)	1,900	-	-
Revaluation of the investment in Aqwise– Wise Water Technologies Ltd and contingent consideration from its sale	-	(350)	(2,500)
Other (2)	71	(71)	(254)
	11,357	84,212	37,403

(1) Value reduction of contingent consideration, as a result of the sale of Kyma Medical Technologies Ltd during 2015.

B. General and administrative expenses

	For the year ended December 31		
	2023	2022	2021
Salaries, wages and related expenses (1)	3,533	4,337	3,520
Rent and building maintenance	235	499	482
Professional services	734	890	878
Other	1,405	2,080	2,017
	5,907	7,806	6,897

(1) Including share-based payment expenses

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

Note 15- Supplementary statement of income data (Cont.)

C. Financial income and expenses

1. Financial income

	For the year ended December 31		
	2023	2022	2021
Interest income from CartiHeal's Cancelled Transaction (see Note 3.B.2.a)	2,781	4,026	-
Interest income from deposits and securities	1,823	1,270	401
Gain from exchange rate differences, net	-	1,078	-
Gain from change in fair value of financial assets and liabilities in profit or loss	123	-	-
Other	1	6	18
Total financial income	4,728	6,380	419

2. Financial expenses

	For the year ended December 31		
	2023	2022	2021
Loss from decrease in value of financial assets and liabilities measured at fair value through profit or loss	-	667	155
Interest expenses from financial liabilities measured at amortized cost	565	519	425
Loss from foreign currency exchange rate changes, net	38	-	86
Commissions	7	33	20
Other	127	72	-
Total financial expenses	737	1,291	686

D. Equity in losses of associates, net

	For the year ended December 31		
	2023	2022	2021
Company's share in net losses of associates (1) (2)	15,822	21,172	12,096
Amortization of excess cost in respect of associates	3,353	704	246
Total loss on equity basis	19,175	21,876	12,342

(1) Including also the Company's share in the losses of former associates until the date they were sold or ceased to be associated companies.
(2) See also Note 3.B above.

Note 16- Taxes on Income

A. Tax rates applicable to the Group

The corporate tax rate in Israel in 2023, 2022 and 2021 is 23%.

Elron and RDC received final, or considered final tax assessments until and through 2016 and 2017 respectively.

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

Note 16- Taxes on Income (Cont.)

B. Taxes on income included in the statements of income

	Year ended December 31,		
	2023	2022	2021
Current taxes	1,009	892	1,387
Current tax of a previous periods	149	-	-
Deferred taxes	99	-	2,567
	1,257	892	3,954

C. Deferred taxes

As of December 2023 and 2022, the deferred tax liability balance amounts to $1,100 attributed to a temporary difference in an investment measured in fair value. Such temporary difference is expected be reversed following a period of over 12 months from the balance sheet date.

As of December 31, 2023, the Company had Carryforward operating tax losses for tax purposes of approximately $235,000 and capital losses for tax purposes of approximately $15,000. Carryforward tax losses in Israel may be set against future taxable income. The Company did not recognize deferred tax assets relating to carryforward losses in the amount of approximately $58,000 because their utilization in the foreseeable future is not probable.

As of December 31, 2023, the Consolidated Companies had Carryforward operating tax losses for tax purposes of approximately $58,000 and capital losses for tax purposes of approximately $1,400. The Consolidated Companies did not recognize deferred tax assets relating to carryforward losses in the amount of approximately $14,000 because their utilization in the foreseeable future is not probable.

Deferred tax assets in the amount of approximately $24,000 (approximately $22,800 as of December 31, 2022) have not been recognized in respect of temporary differences associated with investments in the amount of approximately $105,000 (approximately $99,000 as of December 31, 2022), because the realization of these investments in the foreseeable future is not expected which realization is at the Company's discretion, and because the distribution of dividends by these companies is not liable for tax or because of the Company's policy not to initiate dividend distribution which will lead to tax liability.

The Company and its Consolidated Companies do not have tax results carried to other comprehensive income.

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

Note 16- Taxes on Income (Cont.)

D. Theoretical tax:

The reconciliation between the tax expense, assuming that all the income, expenses, gains and losses in profit or loss were taxed at the statutory tax rate and the taxes on income recorded in profit or loss is as follows:

	Year ended December 31,		
	2023	**2022**	**2021**
Gain (loss) before taxes on income	(9,734)	59,619	17,897
Statutory tax rate	23%	23%	23%
Taxes on income (tax benefit) computed at the statutory tax rate	(2,239)	13,712	4,116
Increase (decrease) in taxes on income (tax benefit) resulting from the following factors:			
Company's share of losses of associates, net	4,410	5,031	2,839
Changes in temporary differences with respect to which deferred taxes were not recognized	2,280	(12,378)	(3,547)
Increase in unrecognized tax losses for which deferred taxes were not recognized	(4,191)	(5,261)	554
Differences in basis of measurement	643	-	-
Other	354	(212)	(8)
Taxes on income	1,257	892	3,954

Note 17- Net earnings (loss) per share

Basic and diluted net earnings per share

The basic net earnings (loss) per share is calculated by division of the net earnings (loss) attributed to ordinary shareholders by the weighted average of the number of ordinary shares issued as follows:

	2023	**2022**	**2021**
Gain (loss) attributable to the Company's shareholders	(8,174)	69,524	5,484
Weighted average number of common shares issued	51,932,712	51,920,867	49,215,050
Basic gain (loss) per share (USD)	(0.16)	1.34	0.11

The diluted net earnings (loss) per share is calculated by adjusting the weighted average of the number of the outstanding ordinary shares while including all potential ordinary shares with a diluting effect (options). In relation to options, a calculation is made to determine the number of shares that could be purchased at fair value (determined as an annual average of the market price of the Company's shares) using the monetary value of the options, in accordance with the unexercised option terms. The number of shares calculated as aforesaid is compared to the number of shares that were issued on the assumption of the exercise of the options.

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

Note 17- Net earnings (loss) per share (Cont.)

Basic and diluted net earnings per share (Cont.)

	2023	2022	2021
Gain (loss) attributable to the Company's shareholders	(8,174)	69,524	5,484
Weighted average number of common shares issued	51,932,712	51,920,867	49,215,050
Adjustment attributed to additional shares due to option exercise	-	2,359,294	3,558,887
Weighted average number of shares used in the calculation of the diluted net earnings (loss) per share	51,932,712	54,280,161	52,773,937
Diluted gain (loss) per share (USD)	(0.16)	1.28	0.10

Note 18- Balances and transactions with related and interested parties

A. Related parties

The related parties of the Company are DIC and related parties of DIC, associates and subsidiaries, directors and key management personnel of the Company or DIC and a close member of the family of any of the persons mentioned above. For details regarding holdings in investee companies, see Note 3 and Note 7 above.

B. Details of transactions with related and interested parties

Classification of transactions as negligible transactions

The Board of Directors of the Company adopted a policy determining guidelines and rules for the classification of a transaction by the Company or by a consolidated company with a related party in which the controlling shareholder in the Company has a personal interest as a negligible transaction as set in regulation 41(3A)(1) to the Israeli Securities Regulations (Preparation of Annual Financial Statements), 2010 (“Negligble Transaction Policy”). The following is a summary of these guidelines.

In the absence of any special qualitative considerations given the specific circumstances, a transaction that is not extraordinary (in other words - it is conducted in the ordinary course of its business, under market conditions, and does not have a material impact on the Company), it will be considered a negligible transaction, if the relevant criteria calculated for the transaction (one or more, as set out below) is less than one percent (1%) of the Company's equity (including non-controlling interests) according to the Company's last consolidated financial statements, and if the transaction amount does not exceed $1,200.

In any related party transaction that is evaluated as to whether it is a negligible transaction, the relevant criteria shall be calculated as follows: (A) In the purchase of a fixed asset ("asset that is not a current asset") - the size of the transaction; (B) In the sale of a fixed asset ("asset that is not a current asset") - the profit/loss from the transaction; (C) In the incurrence of a monetary liability - the size of the transaction; (D) In the purchase/sale of products (with the exception of a fixed asset) or services - the size of the transaction.

The Company or its subsidiaries may enter, from time to time, into agreements with the controlling shareholder of the Company or with a person to whom the controlling shareholder has a personal interest in transactions, which are defined by the Company as negligible and therefore not detailed below.

Loans To a Subsidiary

Regarding a loan granted by the Company to RDC, see Note 3.A.3.a above.

Note 18- Balances and transactions with related and interested parties (Cont.)

B. Details of transactions with related and interested parties (Cont.)

Shared Office Use and Expenses Agreement

On September 23, 2019, the Company's Audit Committee and Board of Directors approved the Company's engagement (as a non-extraordinary transaction in which the controlling party has a personal interest) with DIC, other companies from the DIC group, in an agreement to share office uses and expenses in joint offices, into which the Company has moved in the ToHa project on Yigal Alon Street, in 27th floor, Tel Aviv (hereinafter: "ToHa") (hereinafter: the "Allocation of Expenses Agreement").

The Allocation of Expenses Agreement regulated the manner of rent allocation in ToHa, and binded the Company for a five-year period beginning July 1, 2019 and included an option, in the Company's sole discretion, to extend the agreement period by two additional periods of 5 years each. Furthermore, there were two additional 5-year option periods, which had to be exercised subject to the prior agreement of all parties to the Allocation of Expenses Agreement, each party in respect of its share. The Allocation of Expenses Agreement regulated the manner of allocation of the leased space's costs, as mentioned above, pursuant to a lease agreement that DIC has signed with Gav-Yam Property and Building Corp Ltd. (“Gav-Yam”) and Amot Investments Ltd. to lease offices and parking spaces in ToHa, and also regulated the manner of allocation of related costs (such as: cleaning, logistics services, computer services, kitchen services and regular maintenance services) and adjustment costs of the offices in ToHa, in a manner that reflects the relative share of each of the parties to the Allocation of Expenses Agreement in the leased areas.

In March 2022, 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 Allocation Expenses Agreement according to which the Company increased the space it leased and accordingly the costs of the lease were updated. The other main terms of the agreement remained unchanged, including the lease period and the options for its extension as described above.

As a result of the update of the said agreement, and in accordance with the provisions of IFRS 16, the Company updated in 2022, its Right-of-Use Asset and Lease Liability, that reflectd a lease period of 10 years from the commencment of the Allocation of Expenses Agreement and as of December 31, 2021 amounted to $1290 and 1,562, respecively, to an amount of $2,485.

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 Allocation Expenses Agreement (hereinafter: the "Updated Agreement"), according to which Elron will cease to use the abovementioned offices and the expenses allocation and move to separate offices on the 22nd floor in the ToHa, which were rented to Gav-Yam (Company controlled by DIC). In addition, lease period were updated until mid April 2027. As a result of the mentioned, Elron deducted the right-of-use asset and the Lease liability in the company's financial statements as of December 31, 2022 and recognized in its reports a new right-of-use asset (and on the other hand a lease liability) in the amount of approximately $900.

RDC's engagement with the Company and Rafael in an agreement to pay directors fees

In 2017, RDC signed an agreement with its shareholders (Elron and Rafael) whereby RDC will pay its shareholders directors' remuneration. The total remuneration paid by RDC, pursuant to the said agreement, to the Company in 2023, 2022 and 2021 was $500 per-year.

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

Note 18- Balances and transactions with related and interested parties (Cont.)

C. Composition of balances with interested and related parties

As of December 31, 2023

	DIC	Other related parties and interested parties	Associates	Key management personnel
Trade and other accounts payable	175	2	-	89
Highest balance during the year of receivables	-	-	103	-

As of December 31, 2022

	DIC	Other related parties and interested parties	Associates	Key management personnel
Other accounts receivable	-	-	18	-
Trade and other accounts payable	208	4	-	251
Highest balance during the year of receivables	-	-	18	-

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

Note 18- Balances and transactions with related and interested parties (Cont.)

D. Transactions with related and interested parties

Year ended December 31, 2023

	For terms see Note	DIC	Sister companies	Associates	Key management personnel (*)	Other related parties and interested party
Income		-	-	147	-	-
Expenses						
Shared Office Use and Expenses Agreement		(158)	-	-	-	-
Directors' remuneration	18.D	(34)	-	-	(375)	-
Other		-	(6)	-	-	-
		(192)	(6)	147	(375)	-

(*) Not including the CEO's salary, as detailed below.

Year ended December 31, 2022

	For terms see Note	DIC	Sister companies	Associates	Key management personnel (*)	Other related parties and interested party
Income		-	-	113	-	-
Expenses						
Shared Office Use and Expenses Agreement		(594)	-	-	-	-
Directors' remuneration (*)	18.D	(40)	-	-	(415)	-
Other		-	(7)	-	-	-
		(634)	(7)	113	(415)	-

(*) Not including the CEO's salary, as detailed below.

Year ended December 31, 2021

	For terms see Note	DIC	Sister companies	Associates	Key management personnel (*)	Other related parties and interested party
Income		-	-	262	-	-
Expenses						
Shared Office Use and Expenses Agreement		(554)	-	-	-	-
Directors' remuneration (*)	18.D	(51)	-	-	(327)	-
Other		-	(10)	-	-	-
		(605)	(10)	262	(327)	-

(*) Not including the CEO's salary.

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

Note 18- Balances and transactions with related and interested parties (Cont.)

D. Transactions with related and interested parties (Cont.)

Compensation of key management personnel employed by the Company (including directors)

The employment cost of Mr. Elad, the CEO of the Company, for 2023 amounted to $454. In addition, in accordance with the terms of the Company's compensation policy, and the decision taken to apply to him the provisions regarding bonuses, the Board of Directors of the Company, following receipt of the approval of the Compensation Committee, decided to approve Mr. Elad an annual bonus for 2023 of $235, representing approximately 9 times his monthly salary. The employment cost of Mr. Elad, the CEO of the Company, for 2022 amounted to $469, in addition to an annual bonus of approximately $65.

During December 2023 and January 2024, the Company's compensation committee and Board of Directors resolved to approve the employment of the Company's CEO as manager of RDC, in addition to his employment by Elron, such that RDC will pay most of his monthly salary, all with effect from 2024. The Company is in contact with RDC and Rafael regarding this matter. Insofar as this matter will be executed, the CEO will remain Company's officers, and there shall be no change in his obligations and duties towards the Company or in his current overall terms of employment (by Elron and by RDC).

See Note 12.D above, for details regarding options grant to Mr. Elad.

Compensation of key management personnel not employed by the Company (including directors)

	For the year ended December 31,					
	2023		2022		2021	
	No. of personnel	Amount	No. of personnel	Amount	No. of personnel	Amount
Short-term employee benefits	7	409	9	455	15	378

The amounts disclosed in the table above are the amounts recognized as an expense during the reporting period relating to key management personnel. These amounts also include management fees to Chairman of the Board of Directors as detailed below.

In April 10, 2022, the General Meeting of the Shareholders of the Company approved, following receipt of the approval and recommendation of the Compensation Committee and the Board of Directors, the terms of tenure of Mr. Dan Hoz as an active chairman of the Company's Board of Directors. According to the Compensation Policy, the Board of Directors of the Company and the general meeting approved that in return for its services as a service provider without employee-employer relations, with a position scope of 35%, Mr. Hoz will be entitled to monthly management fees of NIS 40 thousand (linked to the consumer price index). To this sum, VAT will be duly added. In addition, and in accordance with the Compensation Policy, Mr. Hoz was granted 646,100 non-tradable options which are exercisable for ordinary shares of the Company of NIS 0.003 par value each. For further details, see Note 12.D above.

In February 2024, subsequent to the reporting date, the Compensation Committee and Board of Directors of the Company approved the payment of a grant in the amount of approximately $27 thousand to Mr. Dan Hoz, the chairman of the company's Board of Directors for the year 2023. The approval of the aforementioned grant is subject to the approval of the Company's Shareholders' Meeting.

In June 2023, the General Meeting of the Shareholders of the Company approved, following receipt of the approval and recommendation of the Compensation Committee and Board of Directors of the Company the payment of a grant in the amount of approximately $23 to Mr. Hoz, the chairman of the Company's Board of Directors, for the year 2022.

Note 18- Balances and transactions with related and interested parties (Cont.)

D. Transactions with related and interested parties (Cont.)

Directors' compensation (Cont.)

Compensation for directors of the Company is paid in accordance with the provisions set forth in the Companies Regulations (Rules on Compensation and Expenses of an External Director), 5760-2000, (hereinafter: “Compensation Regulations”).

In accordance with the decision of the Company’s Board of Directors from January 31, 2018, commencing October 29, 2020, the compensation paid to independent directors of the Company (i.e. those that are not connected to controlling shareholders of the Company and/or their relatives and/or that the controlling shareholders have a personal interest in them, including when the compensation for their tenure is paid to a controlling shareholder of the Company), including external directors, includes the maximum amounts determined in the Compensation Regulations regarding the compensation payable to an external director in a company with equity of the Company’s type (a level D company), including the maximum amounts payable to an expert external director, to the extent that such definition applies in relation to a candidate for office (hereafter: the Maximum Amounts)

On March 18, 2019, the Company’s Board of Directors, following the approval of the Company’s Compensation Committee, approved to pay to directors who are controlling shareholders and/or their relatives and/or with respect to whom the controlling shareholders have a personal interest, including where the compensation for their tenure is paid to the controlling shareholder of the Company, serving at the time of the resolution and as will serve from time to time, the Maximum Amounts (including a supplement for expertise). Accordingly, for resolutions without meeting in person and for resolutions through media, participation compensation is paid at the rate specified in the Compensation Regulations. In addition, these directors are entitled to reimbursement of expenses as set forth in Regulation 6 to the Compensation Regulations. These amounts will be linked to the consumer price index in accordance with Regulation 8 of the Compensation Regulations. As of the reporting date, the annual compensation is NIS 92,460 and the participation compensation per meeting is NIS 3,562 (and for a director with expertise, the annual compensation is approximately NIS 123,155 and participation compensation per meeting is NIS4,735). VAT in accordance with law will be added to these amounts. The Company is entitled to pay director compensation as above for the service of some of the directors serving in the Company as above, to a controlling shareholder of the Company. This resolution is in effect for three years commencing from March 10, 2019. On March 10, 2022, the Company’s Board of Directors, following the approval of the Company’s Compensation Committee, approved to continue the payment of the Director compensation detailed above to the aforementioned Directors for an additional 3 year period commencing from March 10, 2022.

Directors' compensation which does not exceed the customary compensation that was paid by the Company or that the Company is to pay but has not yet paid for the year 2023 to the directors of the Company during that period, for 7 such directors in total amounted to approximately $409 (which also includes the management fees of the Chairman of the Board of Directors as detailed above). Of such amount, an amount of approximately $34 was paid to DIC, for the service of a director on its behalf in the Company.

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

Note 19- Financial instruments

A. Classification of financial assets and financial liabilities

The financial assets and financial liabilities in the statement of financial position are classified by groups of financial instruments pursuant to IFRS 9:

	December 31,	
	2023	**2022**
Financial assets:		
Financial assets measured at amortized cost:		
Accounts receivable from CartiHeal's Cancelled Transaction	-	52,390
Other accounts receivable	1,114	251
Bank deposits	3,729	16,562
Financial assets measured at fair value through profit or loss:		
Other investments measured at fair value	22,597	19,779
Other investments in securities	6,002	6,385
Other accounts receivable	-	11,515
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Long-term loans	9,222	8,719
Lease liability	941	1,996
Trade payables and other current liabilities	3,430	3,147

B. Management of financial risks

The Company is exposed to various risks resulting from the use of financial instruments, such as:

- Market risk (including currency risk, CPI risk, interest rate risk and other price risk).
- Credit risk.
- Liquidity risk.

The officer responsible for management of the Company's risks until June 9, 2023 was Mr. Niv Levy, who served as the company's CFO until that date. In May 2023, the Company's Board of Directors appointed Mrs. Rony Gur Arie, the Company's VP finance and as the officer responsible for management of the Company's risks staring June 9, 2023.

The handling of financial exposures, formulation of hedging strategy, supervision over, execution and provision of an immediate response to extraordinary developments in the various markets, is under the responsibility of the officer responsible for the Company's risk management, who acts in consultation with the Company's CEO, audit and investment committee members. The audit committee is updated as to the implementation of the Company's policy at least on a quarterly basis.

The Company's and the Consolidated Company's financial assets include other receivables (current and non-current) and to the date of December 31. 2022 – including Deferred Consideration and contingent consideration from CartiHeal's Cancelled Transaction (see Note 3.B.2.a) above, investment in other securities, cash and bank deposits that derive directly from its operations. The Company also holds investments measured at fair value.

Note 19- Financial instruments (Cont.)

B. Management of financial risks (Cont.)

Market risk (Cont.)

Market risk comprise four types of risk: currency risk, CPI risk, other price risk and interest rate risk. Financial instruments affected by market risk include deposits, investment in debentures and marketable securities, contingent consideration and investments measured at fair value.

1. **Currency risk**

Since most of the investee companies operate in Israel, there is an exposure results from changes in the exchange rate between the New Israeli Shekel ("NIS") and the dollar. Elron's functional currency, as well as that of most of its investee companies, is the dollar. Elron's policy is to reduce exposure to exchange rate fluctuations by having, to the extent possible, most of its and its investee companies' assets and liabilities, as well as most of their revenues and expenditures in dollars, or dollar linked. However, the Company and its investee companies are subject to an exposure resulting from their corporate expenses and other expenses denominated in NIS. It is the Company's and its investee companies' policy to use derivative financial instruments to protect from changes in the exchange rate between the NIS and the dollar and to keep a portion of the Company's and its investee companies' resources in NIS against a portion of their future NIS expenses and against liabilities denominated in NIS. If the NIS should strengthen against the dollar, it may harm the Company's and its investee companies' results of operations.

The Group holds a material portion of its liquid resources in dollars, however, in the future, changes may take place from time to time in the amounts of these balances, in how the Company maintains its cash, and the portion of cash it holds in each currency, based on business developments and future decisions.

2. **CPI risk**

The Company and several Investee companies are engaged in a number of lease agreements that are linked to the CPI for various time periods, which are also impacted by changes in the CPI.

3. **Other price risk**

The Company has investments in unquoted financial instruments and in quoted financial instruments that are classified as financial assets measured at fair value, which expose the Company to risk stemming from fluctuations in the security price determined based, among other things, on the stock market prices.

4. **Interest risk**

The Company and several Investee companies are exposed to market risks resulting from changes in interest rates, relating primarily to Elron's and RDC's fixed interest bearing deposits in banks, and from the balance of fixed interest bearing debentures, denominated in USD. As part of its risk management, the Company invests a portion of its liquid resources in short term deposits with fixed interest. As of the approval date of the financial statements, Elron and RDC do not use derivative financial instruments to limit exposure to interest rate risk.

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

Note 19- Financial instruments (Cont.)

B. Management of financial risks (Cont.)

Market risk (Cont.)

4. **Interest risk (Cont.)**

The following table details the interest of the Group's interest-bearing financial instruments:

	December 31,	
	2023	**2022**
Fixed rate instruments:		
Financial assets (A)	40,266	31,609

(A) As of December 31, 2023, comprised of deposits denominated in USD and in NIS classified as cash equivalents in the amount of $21,600 and approximately $9,000, respectively, short term bank deposits denominated in USD in the amount of $3,700, which bear interest of 6.10% - 6.12%. In addition, the balance also includes investments in debentures, denominated in USD in the amount of approximately $6,002 which bear fixed interest at an weighted average rate of approximately 3.4%.

Credit risk

The Group is exposed to credit risk from its operating activities and from its financing activities, including deposits with banks and financial institutions, other investments in securities, foreign exchange transactions and other financial instruments.

The Group invests its liquid resources in low-risk vehicles, with the object of earning sufficient returns, while maintaining a good risk-reward ratio. The Company's policy is to spread out its cash investments among various institutions. Most of its cash and cash equivalents, bank deposits and escrow deposits are held in various financial institutions with high credit ratings. In addition, as of December 31, 2023 the Company has approximately $6,002 invested in investment-grade debentures (mostly with a rating of at least A-).

Liquidity risks

The Group's policy for managing its liquidity is to assure, to the extent possible, that it will have sufficient liquidity to settle its liabilities in a timely manner and to ascertain the existence of the cash balances it requires to meet its financial obligations.

C. Sensitivity tests relating to changes in market factors

In regards with the Company's and the Consolidated Companies' sensitivity to changes in the exchange rate and price index as of December 31, 2023 and 2022, see section H below regarding linkage terms of assets and liabilities on a consolidated basis.

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

Note 19- Financial instruments (Cont.)

C. Sensitivity tests relating to changes in market factors (Cont.)

Sensitivity analysis - interest rate risk

A change in the USD interest rate would have increased (decreased) equity and income (loss) by the following theoretical amounts:

	Profit (loss) from changes in the USD interest rate					
	Increase			Decrease		
	1%	10%	5%	1%	10%	5%
Fixed-rate debentures as of December 31, 2023(*)	(104)	(35)	(18)	104	35	18
Fixed-rate debentures as of December 31, 2022(*)	(151)	(53)	(26)	151	53	26

*) Debentures measured in fair value

D. Sensitivity tests relating to price risk

A change in the fair value of financial assets measured at fair value through profit or loss would increase (decrease) the Company's equity and income (loss) in the theoretical amounts presented below:

	2023	2022	2021
5% increase	1,430	1,884	1,594
10% increase	2,860	3,768	3,189
5% decrease	(1,430)	(1,884)	(1,594)
10% decrease	(2,860)	(3,768)	(3,189)

E. Fair value of financial instruments

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

F. 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).

According to the Company's policy, transfers between the fair value hierarchy are considered to have occurred in the date of the event or change in circumstances that caused the transfer.

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

Note 19- Financial instruments (Cont.)

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

Financial instruments measured at fair value:

December 31, 2023:

	Level 1	Level 2	Level 3
Financial assets measured at fair value:			
Other investments measured at fair value (1)	-	-	22,597
Other investments in securities (2)	-	6,002	-
	-	6,002	22,597

December 31, 2022:

	Level 1	Level 2	Level 3
Financial assets measured at fair value:			
Other investments measured at fair value (1)	-	-	19,779
Other investments in securities (2)	-	6,385	-
Other receivables(3)	-	-	11,515
	-	6,385	31,294

1) See Note 7 above.
2) Comprised of investment in debentures denominated in USD. These debentures are measured at fair value using fair value quotes from several information resources.
3) In 2022 included the contingent consideration due to the CartiHeal's Cancelled Transaction to Bioventus. for further details see Note 3.B.2.a above.
4) Regarding investments in associates through convertible loans or SAFE agreements, see Note 3.B.1 above.

Changes in financial assets classified in Level 3:

	Financial assets measured at fair value
Balance as of January 1, 2023	31,294
Total recognized loss in profit or loss, net (*)	(112)
Fair value asset measured for the first time (see note 7.f)	1,900
Investment (see Notes 7.d, 7.g and 7.i)	1,230
Deduction of the contingent consideration from CartiHeal's Cancelled Transaction (See Note 3.B.2.a)	(11,515)
Reclassification Breeze investment to associate company (see Note 3.B.2.k)	(200)
Balance as of December 31, 2023	22,597
Balance as of January 1, 2022	22,664
Total recognized income in profit or loss, net	(5,311)
Investment	2,475
Contingent consideration from CartiHeal's Cancelled Transaction (See Note 3.B.2.a)	11,466
Balance as of December 31, 2022	31,294

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

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

Note 19- Financial instruments (Cont.)

G. Liquidity risk

Set forth below are the contractual repayment dates of financial liabilities in uncapitalized amounts, including an estimate of the interest payments:

	Less than one year	Between 1-2 years	Between 2-5 years	More that 5 years
December 31, 2023:				
Lease liability	310	313	405	-
Long-term loan	-	-	10,002	-
Trade payables	188	-	-	-
Other accounts payable	3,242	-	-	-
	3,740	**313**	**10,407**	**-**
December 31, 2022:				
Lease liability	366	366	1,098	548
Long-term loan	-	-	10,002	-
Trade payables	215	-	-	-
Other accounts payable	2,932	-	-	-
	3,513	**366**	**11,100**	**548**

H. Linkage terms of assets and liabilities on a consolidated basis

December 31, 2023:

	NIS (CPI linked)	USD (or USD linked)	NIS (not linked)	Non-monetary item**	Total
Assets *					
Cash and cash equivalents	-	29,888	10,248	-	40,136
Other investments in securities	-	6,002	-	-	6,002
Bank deposits	-	3,729	-	-	3,729
Other accounts receivable	-	823	389	204	1,416
Right-of-use assets	-	-	-	851	851
Investments in associates	-	-	-	17,083	17,083
Other investments measured at fair value	-	-	-	22,597	22,597
Property, plant and equipment, net	-	-	-	11	11
Intangible assets	-	-	-	3,051	3,051
Long-term receivables	-	-	19	-	19
Investment in associate classified as held for sale	-	-	-	64,926	64,926
	-	40,442	10,656	108,723	159,821
Liabilities *					
Trade payables	-	-	188	-	188
Lease liability	941	-	-	-	941
Long-term loan	-	9,222	-	-	9,222
Other accounts payable	3,863	19	2,643	574	7,099
Deferred taxes	-	-	-	1,116	1,116
	4,804	9,241	2,831	1,690	18,566

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

Note 19- Financial instruments (Cont.)

H. Linkage terms of assets and liabilities on a consolidated basis (Cont.)

December 31, 2022:

	NIS (CPI linked)	USD (or USD linked)	NIS (not linked)	Non-monetary item**	Total
Assets *					
Cash and cash equivalents	-	26,072	4,324	-	30,396
Other investments in securities	-	6,385	-	-	6,385
Bank deposits	-	15,133	1,429	-	16,562
Current maturities of accounts receivable from CartiHeal's transaction	-	29,390	-	-	29,390
Other accounts receivable	-	166	182	111	459
Right-of-use assets	-	-	-	2,154	2,154
Investments in associates	-	-	-	26,482	26,482
Other investments measured at fair value	-	-	-	19,779	19,779
Property, plant and equipment, net	-	-	-	10	10
Intangible assets	-	-	-	3,051	3,051
Long-term receivables	-	34,515	20	-	34,535
Investment in associate classified as held for sale	-	-	-	362	362
	-	111,661	5,955	51,949	169,565
Liabilities *					
Trade payables	-	-	215	-	215
Lease liability	1,996	-	-	-	1,996
Long-term loan	-	8,719	-	-	8,719
Other accounts payable	3,021	28	2,889	15	5,953
Deferred taxes	-	-	-	1,017	1,017
	5,017	8,747	3,104	1,032	17,900

*) Non-current assets and liabilities in this table include their current maturities.

**) Including non-financial items.

ANNEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands

Details Relating to Investments as of December 31, 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 December 31, 2023
	Elron (1)	RDC (2)					
	%						$ thousands
Investments in investee companies							
Associates:							
CartiHeal (2009) Ltd. (4)	30.37	-	30.37	30.37	27.13	27.13	64,926
Coramaze technologies Ltd (5)	22.81	-	22.81	22.81	21.17	21.17	392
SixGill Ltd.	22.67	-	22.67	22.67	19.72	19.72	3,298
Open Legacy Technologies Ltd.	-	22.20	22.20	11.12	18.28	9.16	-
Cynerio Israel Ltd.	-	17.17	17.17	8.60	14.79	7.41	1,035
BrainsGate Ltd.	27.84	-	27.84	27.84	24.93	24.93	-
Sayata Labs Ltd.	-	20.36	20.36	10.20	17.69	8.86	3,846
Edge 226 Ltd.	20.20	-	20.20	20.20	13.88	13.88	-
Scribe Security Ltd.	-	18.49	18.49	9.26	16.73	8.38	1,441
Ra Red Access Security Ltd.	-	23.83	23.83	11.94	21.70	10.87	509
Wonder Robotics Ltd.	-	24.15	24.15	12.10	20.00	10.02	158
Creednz Ltd.	-	15.57	15.57	7.80	13.89	6.96	1,418
CyVers.AI Ltd.	26.09	-	26.09	26.09	23.98	23.98	2,189
Breeze Security Ltd.	-	13.23	13.23	6.63	11.90	5.96	2,100
Other investments (6), (7):							
IronScales Ltd.	-	8.10	8.10	4.06	7.47	3.74	5,924
Notal Vision Inc.	8.83	-	8.83	8.83	6.47	6.47	7,132
Nitiniotes Ltd.	13.62	-	13.62	13.62	12.36	12.36	1,900
AudioBurst Ltd.	15.73	-	15.73	15.73	11.35	11.35	100
N-Drip Ltd.	-	2.66	2.66	1.33	2.34	1.17	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.	1.77	-	1.77	1.77	1.67	1.67	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) Sold in January 2024, subsequent to the reporting date (see Note 3.B.2.a), classified as an investment held for sale
(5) Includes indirect holdings through Coramaze Technologies GmbH.
(6) Bark A.I. Ltd. is held by Elron through SAFE investment, its book value is $950 (see Note 3.G above).
(7) Sidetalk Ltd. is held by Elron through SAFE investment, its book value is $530 (see Note 3.H above).
(8) Cyber Future, El Ciso Club, a limited partnership, established by Elron, its book value is $665 (see Note 3.T above).

ELRON VENTURES LTD.

Periodic report for 2023

Part IV

Additional Information about the Company

Part D of the Periodic Report
Additional Details about the Company

TABLE OF CONTENTS

Identifying information

Company Name: Elron Ventures Ltd.

Company number at the Registrar of Companies: 52-002803-6

In this section of the report, the following names and terms will have the meanings specified beside them

"The Company" or "Elron" - Elron Ventures Ltd.

"Affiliated companies" or "Associates" - companies over which the Company has significant influence and which are not consolidated companies.

"Companies Law" - the Companies Law, 5759-1999

"Consolidated Financial Statements" – the consolidated financial statements of Elron as of December 31, 2023.

"DIC" - Discount Investment Corporation Ltd.

"Dollar" - US dollar

"RDC" - RDC Development Company Ltd.

"Securities Law" - the Securities Law, 5728-1968

"Subsidiaries" - companies that are controlled by the Company according to IFRS 10, and whose financial statements are consolidated with the financial statements of the Company.

1. Not presenting a Separate financial statement of the Company in accordance with Regulation 9C

The company did not include a separate financial statement, since the separate financial statement does not contain additional material information compared to the information included in the consolidated financial statement.

2. Summary of Quarterly Statements of Income (Loss) and Quarterly Statements of Total Comprehensive Income (Loss), on a Consolidated Basis

[Regulation 10A]

Quarterly Statements of Income (Loss) on a Consolidated Basis (in $ thousands)

	For the three months ended				
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	
	Q1	Q2	Q3	Q4	Total
Income					
Gain (loss) from sale, revaluation, realization of operation and changes in holdings	9,898	(1,001)	1,900	560	11,357
Financial income	3,181	521	563	732	4,728
	13,079	(480)	2,463	1,292	16,085
Expenses					
General and administrative expenses	1,364	1,316	1,264	1,963	5,907
Equity in losses of associates, net	4,022	5,254	5,352	4,547	19,175
Financial expenses	330	185	283	208	737
	5,716	6,755	6,899	6,718	25,819
Gain (loss) before taxes on income	7,363	(7,235)	(4,436)	(5,426)	(9,734)
Taxes on income	(72)	-	-	(1,185)	(1,257)
Net income (loss)	7,291	(7,235)	(4,436)	(6,611)	(10,991)
Attributable to:					
The Company's shareholders	5,319	(5,555)	(2,906)	(5,032)	(8,174)
Non-controlling interests	1,972	(1,680)	(1,530)	(1,579)	(2,817)

2. Summary of Quarterly Statements of Income (Loss) and Quarterly Statements of Total Comprehensive Income (Loss) on a Consolidated Basis (Cont.)
[Regulation 10A]

Quarterly Statements of Comprehensive Income (Loss) on a Consolidated Basis (in $ thousands)

	For the three months ended				
	March 31, 2023	June 30, 2023	September 30, 2023	December 31, 2023	
	Q1	Q2	Q3	Q4	Total
Net income (loss)	7,291	(7,235)	(4,436)	(6,611)	(10,991)
Other comprehensive income (loss):					
Amounts that are classified or may be reclassified to profit or loss under certain conditions:					
Foreign currency translation differences for foreign operation	10	-	(13)	16	13
Total gain (loss) that would be reclassified to profit or loss	10	-	(13)	16	13
Total other comprehensive income (loss)	10	-	(13)	16	13
Total comprehensive income (loss)	7,301	(7,235)	(4,449)	(6,595)	(10,978)
Attributable to:					
The Company's shareholders	5,329	(5,555)	(2,919)	(5,016)	(8,161)
Non-controlling interests	1,972	(1,680)	(1,530)	(1,579)	(2,817)

3A. Investments in subsidiaries and associates as of December 31, 2023
[Regulation 11 (1) and (2)]

A. Investments of the Company in subsidiaries (directly or through fully-owned corporate companies):

					Holding share in %			
Company name	**Type of share and par value**	**Number of shares**	**Total par value**	**Amount in seperate report in accordance with regulation 9(C) $thousands**	**From the same type of issued securities**	**In voting**	**In the right to appoint directors**	**Remarks**
RDC	Common NIS 0.01	50,100	NIS 501	16,073	50.10	50.10	55.56	(1)

(1) Held through DEP Holding Technology Ltd., a fully-owned corporate company of Elron. including Elron's direct investment in the amount of approximately $20,000 thousand. In addition, there is a loan balance (including interest) in the amount of approximately $9,100 thousand granted by Elron (see section 3.B below).

3A Investments in subsidiaries and affiliated companies as of December 31, 2023 (Cont.)

[Regulation 11 (1) and (2)]

B. Investments in associates of the Company:

Company name	Type of share and par value	Number of shares	Total par value	Amount in seperate report in accordance with regulation 9(C) $thousands	Holding share in % From the same type of issued securities	Holding share in % In voting	Holding share in % In the right to appoint directors	Remarks
BrainsGate Ltd.	Common NIS 0.01	16,327,242	NIS 163,272		29.50			(1)
	Preferred NIS 0.01	9,753,026	NIS 97,530		25.45			
			NIS 260,802	-		28.51	16.67	
Coramaze Technologies Ltd.	Preferred NIS 0.01	3,462	NIS 35	392	10.35	22.81	40	(2)
SixGill Ltd.	Common NIS 0.01	221,164	NIS 2,212		11.11			
	Preferred NIS 0.01	1,079,010	NIS 10,790		28.82			
			NIS 13,002	3,298		22.69	14.29	
Cyvers.AI Ltd.	Preferred – no Par Value	65,585	-	2,189	55.57	26.09	20	

(1) Additionally, Elron holds an amount of 2,315,786 warrants for ordinary shares representing 35.31% of the total warrants for ordinary shares and an amount of 1,971,859 warrants for preferred shares representing 29.86% of the total warrants for preferred shares. Elron's holding on a fully diluted basis is 24.93%.

(2) In addition to the direct holding, Elron holds also indirectly in Coramaze Technologies Ltd., via Coramaze Technologies GmbH, the parent company of Coramaze Technologies Ltd., See Note 3.B.2.m) to the Consolidated Financial Statements. In the table above, the type of share, the number of shares and the par value represent the direct holding in Coramaze Technologies Ltd., while the share in voting and the amount in the financial report represent the investment including the indirect rights.

3A. Investments in subsidiaries and affiliated companies as of December 31, 2023 (Cont.)
[Regulation 11 (1) and (2)]

C. Investments in associates of RDC:

					Holding share in %			
Company name	Type of share and par value	Number of shares	Total par value	Amount in separate report in accordance with regulation 9(C) $thousands	From the same type of issued securities	In voting	In the right to appoint directors	Remarks
Open Legacy Technologies Ltd.	Preferred NIS 0.01	474,321	NIS 4,743	-	25.52	22.20	22.22	(1)
Ra Red Access Security Ltd.	Preferred – no Par Value	4,137,931	-	509	56.31	23.83	20.00	
Cynerio Israel Ltd.	Preferred NIS 0.01	1,825,217	NIS 18,252	1,035	20.63	17.17	14.29	
Sayata Labs Ltd.	Preferred NIS 0.01	12,003,710	NIS 120,037	3,846	23.49	20.36	14.29	
Wonder Robotics Ltd.	Preferred NIS 0.01	555,106	NIS 5,551	158	50.79	24.15	40.00	
Scribe Security Ltd.	Preferred NIS 0.01	1,466,700	NIS 14,667	1,441	50.00	18.49	20.00	

(1) Held by RDSeed Ltd., a fully owned subsidiary of RDC.

3B. Loans granted to subsidiary as of December 31, 2023

[Regulation 11(3)]

A. Loan granted by the Company to its subsidiary:

Borrower	Balance type	Balance (including accrued interest) in $ thousands	Interest rate %	Linkage	Repayment year	Terms of conversion
RDC	Loan	9,119	5%	No	2026	The loan can be converted if certain conditions are met

4A. Changes in investments in subsidiaries and associates in 2023

[Regulation 12]

A. Changes in investments of the Company in associates in 2023:

Date of change	Nature of change	Company name	Type of share and par value	Total par value	Cost paid in $thousands	Note in the Consolidated Financial Statements
February 2023	Purchase of shares	Coramaze Technologies Ltd.	Preferred NIS 0.01	NIS 33	398	3.B.2.m)
December 2023	SAFE*	SixGill Ltd.	-	-	2,000	3.B.2.d)

* Simple Agreement for Future Equity

** In January 2024, subsequent to the reporting date, the sale of CartiHeal was completed. For details see also Note 3.B.2.a) in the Consolidated Financial Statements.

B. Changes in investments of RDC in its associates in 2023:

Date of change	Nature of change	Company name	Type of share and par value	Total par value	Cost paid (received) in $thousands	Note in the Consolidated Financial Statements
February and November 2023	SAFE *	Cynerio Israel .Ltd.	-	-	2,682	3.B.2.e)
February 2023	Sale of shares	Canonic Technologies Security Ltd.	Preferred NIS 0.01	7,010	(7,293)	3.B.2.b)
October 2023	SAFE*	Scribe Security Ltd.	-	-	2,000	3.B.2.g)

* Simple Agreement for Future Equity

5. Losses of subsidiaries and associates and income from them for the year ended December 31, 2023

[Regulation 13]

A. Losses of a subsidiary and associates of the Company and income from them for the year ended December 31, 2023:

	Total comprehensive loss				Interest	
	Income (loss)	Other comprehensive loss	Dividend income	Management and directors' fee	Income	Date received
			$ thousands			
Subsidiary:						
RDC	(5,645)	-	-	500	400	-
Associates:						
BrainsGate Ltd.	(2,407)	-	-	-	-	-
Coramaze technologies Ltd.(*)	(2,338)	-	-	33	-	-
SixGill Ltd.	(11,953)	-	-	-	-	-
Cyvers.AI Ltd.	(2,411)	-	-	-	-	-

(*) The loss presented is the loss in the consolidated financial statements of Coramaze Technologies GmbH, which includes the results of operations of Coramaze Technologies Ltd. as mentioned above.

5. Losses of subsidiaries and associates and income from them for the year ended December 31, 2023 (Cont.)
[Regulation 13]

B. Losses of associates of RDC and revenues from them for the year ended December 31, 2023:

	Total comprehensive loss				**Interest**	
	Income (loss)	**Other comprehensive loss**	**Dividend income**	**Management and directors' fee**	**Income**	**Date received**
			$ thousands			
Associates :						
Open Legacy Technologies Ltd.	(910)	-	-	-	-	-
Ra Red Access Security Ltd.	(2,701)	-	-	36*	-	-
Cynerio Israel Ltd.	(11,641)	-	-	-	-	-
Sayata Labs Ltd	(14,916)	-	-	-	-	-
Wonder Robotic Ltd.	(1,554)	-	-	-	-	-
Scribe Security Ltd.	(3,462)	-	-	-	-	-

(*) Red Access pays management fees directly to Elron. Subsequent to the reporting date and until the filing date of these reports, the company is entitled to additional income in the amount of approximately $6 thousand.

Trading on the stock exchange - securities listed for trading in the reporting year and dates and reasons for suspension of trading
[Regulation 20]

To the best of the Company's knowledge, during the reporting period there was no suspension of trading in the Company's securities, except for regular trading breaks, initiated by the Tel Aviv Stock Exchange Ltd., which are customary when publishing financial statements or when publishing material immediate reports. In addition, during the reporting period 189,922 shares were registered for trading resulting from the exercise of options granted.

6. A. Compensation paid, during the Report Period, to the Below are the required details pursuant to Regulation 21(a)(1) regarding compensation paid, to the best of the Company's knowledge, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers:

Information on recipient				Compensation for services * $ thousands					
Name	**Position**	**Date of Commencement of employment**	**Extent of Position**	**Shareholdings (Fully diluted)**[1]	**Salary**	**Bonus**	**Share-based payments**	**Man't Fee**	**Total**
Mr. Yaron Elad(1)	CEO of the Company	July 2007	100%	3.61%	454 (2)	235 (3)	179(4)	-	868
Mr. Elik Etzion (6)	Vice- President of the Company	July 2021	100%	1.77%	322 (7)	139(8)	172 (9)	-	633
Mrs. Rony Gur-Arie (10)	Vice- President of the Company	September 2016[2]	100%	0.62 %	196(11)	83(12)	75 (13)	-	354
Mr. Lior Levinsky (14)	Vice- President of RDC	August 2009	100%	0.38 %	229(15)	31(16)	54 (17)	-	314
Mr. Dan Hoz (18)	Chairman of the Board of Directors	November 2021	35%	1.12 %	-	27 (19)	142(19)	140 (18)	309

* Details recognized in the financial statements for the reporting year. No other compensation except as set forth in table.

[1] It should be clarified, with respect to the shareholdings on a fully diluted basis, that it is based on full exercisability of all options held by the officer and maximum holding in equity and voting rights, deriving from the underlying shares as aforementioned. In practice, the shareholdings may be lower in light of the net exercise mechanism (cashless). The CEO's shareholdings percentage on a fully diluted basis does not include a n amount of 635,712 options which expired on January 6, 2024, following the reporting date.

[2] Commencing June 9, 2023, Mrs. Gur-Arie serves as the Company's VP Finance. Before that Mrs. Gur-Arie served in various positions in the Company. For further details see Section 14 below.

6. Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]

[Regulation 21(a)]

B. Notes to data in tables:

Yaron Elad- CEO

1) On July 2, 2020, the Company's shareholders meeting approved, following receipt of the approval of the Compensation Committee and the Board of Directors, the terms of employment of Mr. Elad as the Company's CEO as of March 1, 2020. Until such date, Mr. Elad served as the Company's CFO.

2) The amount includes all of the following components that were paid for the entire year of 2023, namely, salary (linked to the consumer price index), social benefits and related benefits as customary, car allowance (including gross-up) and loss of earning capacity insurance. The engagement with Mr. Elad will end three months after the date on which either party will give the other party written notice of its desire to terminate the engagement under the employment agreement.

3) Variable compensation – annual bonus: According to the Company's compensation policy (the "Compensation Policy"), Mr. Elad, as CEO of the Company, is entitled to receive an annual bonus which shall not exceed 9 monthly gross salaries ("Bonus Cap") where in accordance with the Compensation Policy, the annual bonus is composed of a component based on measurable goals connected with the performance of the Company and its group companies (the "Measurable Goal") (the Measurable Goal will not exceed 6 monthly gross salaries) and a discretionary bonus component based on an evaluation with respect to the performance of his role and his performance during the bonus year (in any case, the discretionary annual bonus component will not exceed 3 monthly gross salaries and its grant will be subject to the Bonus Cap). Furthermore, the Company grants to Mr. Elad additional equity compensation or a bonus in respect of the increase in the share price not exceeding 9 monthly gross salaries, in accordance with principles set forth in the Compensation Policy.

6. <u>Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]</u>

[Regulation 21(a)]

B. <u>Notes to data in tables [Continued]:</u>

The Board of Directors of the Company, after receiving the Compensation Committee's recommendation, is entitled to determine near the beginning of the compensation year that yearly cash compensation for the Measurable Goal component will not be granted for such year to an Officer or to all Officers in general, that goals will not be determined for an Officer or for all Officers in general, and that instead of a cash compensation for the Measurable Goal component, the Officer may be able to receive equity compensation.

For further details regarding the Company's compensation policy, see Part B to the report convening a meeting that the Company published on November 22, 2021, incorporated herein by reference. For further details regarding Mr. Elad's terms of employment as CEO of the Company as of March 1, 2020, and regarding their approval, see Part B to the Report Convening a Meeting that the Company published on June 29, 2020, and Part C to the report convening a meeting that the Company published on February 4, 2022 as amended on March 6, 2022, which are incorporated herein by reference.

Regarding the component based on measurable targets, targets for the CEO and other Company executives were determined for 2023 based on the performance of the group companies and adherence to the threshold for corporate expenses as determined. It was further determined that the sale of CartiHeal, based on parameters approved by the Board of Directors, would serve as a substitute for meeting the performance targets of the companies. In light of the completion of CartiHeal's sale (see Note 3.B.2.a) of the Consolidated Financial Statements), the Company's management met the targets related to the group companies. Additionally, the management met almost the entire target related to corporate expenses.

Accordingly, and according to the Company's compensation policy and also considering the implementation of discretional component which is afforded to the Compensation Committee and the Board of Directors in accordance with the compensation Policy, Mr. Elad, is entitled to a bonus for 2023 in the amount of NIS853 thousand constituting 9 monthly gross salaries.

6. <u>Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]</u>

[Regulation 21(a)]

B. <u>Notes to data in tables [Continued]:</u>

4) Equity Compensation: On March 13, 2022, the general meeting of shareholders approved to grant to the CEO of the Company 467,508 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each. For details see immediate report of the Company of February 4, 2022, March 6, 2022, March 13, 2022 and May 10, 2022, incorporated herein by reference. On June 27, 2023, the general meeting of shareholders approved to grant to the CEO of the Company, 593,631 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each. For details see immediate reports of the Company of May 23, 2023 (ref. no. 2023-01-047233), June 22, 2023 (ref. no. 2023-01-058756) and June 27, 2023 (ref. no. 2023-01-060142), incorporated herein by reference.

5) In the framework of Elron's focusing on its cyber and enterprise software portfolio mainly through RDC as set forth in section 2.1.2 of Part A of the periodic report, during December 2023 and January 2024, the Company's compensation committee and Board of Directors resolved to approve the employment of the Company's CEO of the Company and VP Cyber of the Company, Mr. Elik Etzion, as managers of RDC, in addition to their employment by Elron, such that RDC will pay most of their monthly salaries, all with effect from 2024. The Company is in contact with RDC and Rafael regarding this matter. Insofar as this matter will be executed, the CEO and VP Cyber will remain Company's officers, and there shall be no change in their obligations towards the Company or in their current overall terms of employment (by Elron and by RDC). In this framework, it was decided that the CEO and Cyber VP will remain in their positions in the Company, and there would be no change in the CEO's and Cyber VP's obligations and commitments to the Company. RDC will bear approximately 85% of the CEO's ongoing salary costs and approximately 95% of the Cyber VP's ongoing salary costs. Bonuses and stock-based payment expenses, according to the Company's compensation policy, will be granted by Elron, which will bear their cost.

6. Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued] [Regulation 21(a)]

B. Notes to data in tables [Continued]:

As a result of the aforementioned changes, there will be no change in their employment terms (with Elron and RDC) as they were before this decision (except for their partial engagement by RDC), including regarding the variable compensation, and they will continue to be subject to relevant Elron's decisions as applicable. The Compensation Committee, regarding the CEO, considered the change in the engagement as a non-material change since it conforms to a specific provision in the compensation policy, does not alter the CEO's compensation, and does not increase (and indirectly decreases) the Company's costs.

Elik Etzion – Vice -President

6) On May 20, 2021, the Compensation Committee and the Board of Directors of the Company approved the appointment and terms of employment of Mr. Etzion as an officer and Vice President in the Company in force as of July 1, 2021. See section (5) above regarding the employment of Mr. Etzion also as manager of RDC.

7) The amount includes all the following components that were paid for 2023: salary, social and ancillary provisions as customary, car expenses and loss of earning capacity insurance. The engagement with Mr. Etzion will terminate after three months from the date either of the parties sends the other written notice regarding its desire to terminate the engagement in accordance with the employment agreement.

8) In accordance with the Compensation Policy, the Company is entitled to grant Mr. Etzion an annual grant in an amount not to exceed 7.5 monthly gross salaries (where the annual bonus for the Measurable Goal component will not exceed 4.5 monthly gross salaries and a discretionary bonus component will not exceed 3 monthly gross salaries and its grant will be subject to the Bonus Cap) in accordance with principles set forth in the Compensation Policy. Furthermore, the Company is entitled to grant Mr. Etzion additional equity compensation or a bonus in respect of the increase of the share price not exceeding 9 monthly gross salaries, in accordance with principles set forth in the Compensation Policy.

6. Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]

[Regulation 21(a)]

B. Notes to data in tables [Continued]:

Accordingly, and according to the Company's compensation policy, and since the Company has met the threshold conditions set forth in the Compensation Policy and the performance targets established by the Compensation Committee and the Company's Board of Directors, Mr. Etzion is entitled to an annual bonus for 2023 in the amount of NIS 503 thousand constituting 7.5 monthly salaries.

9) On May 20, 2021, the Board of Directors of the Company approved, following receipt of the approval and recommendation of the Compensation Committee, an issuance to Mr. Etzion of 84,981 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each. In January 2022, following the approval of the Compensation Committee and the Board of Directors of the Company, Mr. Etzion was granted 290,635 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each. In May 2023, following the approval of the Compensation Committee and the Company's Board of Directors, 642,847 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each, were granted to Mr. Etzion. For details, see the Company's immediate report dated May 17, 2023 and a supplementary immediate report published by the Company on July 18, 2023, incorporated herein by reference.

Rony Gur-Arie – Vice President

10) in May 2023, the Compensation Committee and the Company's Board of Directors approved the terms of employment of Mrs. Gur-Arie as VP in the Company effective as of June 9, 2023. Prior to her appointment as a Company officer, Mr. Gur-Arie served in various positions in the Company's finance department.

11) The amount includes all the following components that were paid for the entire 2023 year: salary, social and ancillary provisions as customary, car expenses and loss of earning capacity insurance. The engagement with Mrs. Gur-Arie will terminate three months after the date on which either party will give the other a written notice of its desire to terminate the engagement under the employment agreement.

6. <u>Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]</u>

[Regulation 21(a)]

B. <u>Notes to data in tables [Continued]</u>:

12) In accordance with the Compensation Policy, the Company is entitled to grant Mrs. Gur-Arie an annual grant in an amount not to exceed 7.5 monthly gross salaries (where the annual bonus for the Measurable Goal component will not exceed 4.5 monthly gross salaries and a discretionary bonus component will not exceed 3 monthly gross salaries and its grant will be subject to the Bonus Cap) in accordance with principles set forth in the Compensation Policy. Furthermore, the Company is entitled to grant Mrs. Gur-Arie additional equity compensation or a bonus in respect of the increase in the share price not exceeding 9 monthly gross salaries, in accordance with principles set forth in the Compensation Policy. Accordingly, and according to the provisions of the Company's Compensation Policy, and since the Company has met the threshold conditions set forth in the Compensation Policy and the performance targets established by the Compensation Committee and the Company's Board of Directors Mrs. Gur-Arie is entitled to an annual bonus for 2023 in the amount of NIS300 thousand constituting 7.5 monthly salaries.

13) In January 2022, prior to Mrs. Gur-Arie's appointment as Vice-President, she was granted 100,000 non- tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each, which options were cancelled and re-granted in May 2023. In May 2023, following the approval of the Compensation Committee and the Company's Board of Directors, 255,859 non-tradeable options exercisable into ordinary shares of the Company of NIS 0.003 par value each, were granted to Mrs. Gur-Arie. For details, see the immediate report published by the Company on May 17, 2023 and the supplementary immediate report published by the Company on July 18, 2023, which are incorporated herein by reference.

Lior Levinsky, Vice President of RDC

14) Mr. Levinsky serves as CFO of the Company's subsidiary RDC and receives his salary therefrom.

6. Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]

[Regulation 21(a)]

B. Notes to data in tables [Continued]:

15) The amount includes all the following components that were paid for the year 2023: salary, social and ancillary provisions as customary, car expenses and loss of earning capacity insurance. The engagement with Mr. Levinsky will terminate after thirty days from the date either of the parties sends the other written notice regarding its desire to terminate the engagement in accordance with the employment agreement.

16) Bonus which was paid to Mr. Levinsky in 2023 for 2022.

17) In January 2022, following the approval of the Compensation Committee and the Board of Directors of the Company, Mr. Levinsky was granted 100,000 non-tradable options which are exercisable into ordinary shares of the Company of NIS 0.003 par value each. These options were cancelled and re-granted in May 2023. In May 2023, following the approval of the Compensation Committee and the Company's Board of Directors, additional 100,000 non-tradeable options exercisable into ordinary shares of the Company of NIS 0.003 par value each, were granted to Mr. Levinsky.

Dan Hoz, Chairman of the Board

18) On November 14, 2021, Mr. Dan Hoz commenced serving as chairman of the Company's Board of Directors. Prior to his appointment as chairman of the Company's Board of Directors, Mr. Hoz served as an alternate director of the Company commencing June 2021. In April 2022, the shareholders' meeting of the Company, after receiving the approval and recommendation of the Compensation Committee and the Board of Directors, approved the terms of office of Mr. Dan Hoz as active chairman of the Board of Directors. In accordance with the Compensation Policy, the Company's Board of Directors and the shareholders' meeting confirmed that in exchange for his services as a service provider without an employer-employee relationship in the scope of a 35% position, Mr. Hoz will be entitled to monthly management fees in the amount of approximately NIS 40 thousand plus applicable VAT. The management fees are linked to the Consumer Price Index.

6. Compensation paid, during the Reporting Period, to the five highest salary recipients amongst the Company's and its subsidiaries' senior officers [Continued]

[Regulation 21(a)]

B. Notes to data in tables [Continued]:

For details, see the Company's immediate reports dated March 17, 2022, April 24, 2022 and May 10, 2022 ("Reports for the Approval of the Chairman's Terms"), incorporated herein by reference.

19) In April 2022, following the recommendation of the Compensation Committee and the Company's Board of Directors, the Company's shareholders' meeting approved the allocation of 646,100 non-tradable warrants exercisable for the Company's ordinary shares of 0.003 NIS each. For details, see the Reports for the Approval of the Chairman's Terms which are incorporated herein by reference. The options to the Chairman were granted in respect of the equity compensation according to the Compensation Policy and instead of the grant conditional on the Measurable Goals, which is possible according to the Compensation Policy, where this amount is for three years multiplied by the scope of the Chairman's position (i.e., 35% position). Accordingly, and according to the provisions of the Compensation Policy and considering the implementation of discretionary component which is afforded to the Compensation Committee and the Board of Directors in accordance with the Compensation Policy, Mr. Hoz is entitled to a discretionary-only bonus for 2023 in the amount of NIS 99 thousand. The bonus is subject to the approval of the general meeting of shareholders of the Company.

C. Below are details of the compensation granted to each of the interested parties in the Company, who is not above-listed in this Section 6, whether such compensation was granted to him by the Company or by any of its subsidiaries:

1. For details regarding the directors' compensation, see Note 18.D to the Consolidated Financial Statements.
2. For details regarding the consideration paid to DIC in the framework of the Expenses Allocation Agreement, see Note 18.B to the Consolidated Financial Statements.

7. <u>The Company's Controlling Shareholder</u>

[Regulation 21a]

DIC is deemed a controlling shareholder of the Company by virtue of its holdings, as of the date of this report, of 59.68% of the Company's issued share capital and of the voting rights at the Company (as of the date of this report, 54.30% on a fully diluted basis). For further details see section 2.2 to Part A to the periodic report. DIC is a company whose shares are listed on TASE and the information in respect of which is publicly published.

8. <u>Transactions with the Company's Controlling Shareholder</u>

<u>[Regulation 22]</u>

Below are the details, to the Company's best knowledge, regarding every transaction (except for certain negligible transactions, in accordance with Note 18.B to the Consolidated Financial Statements) with the Company's controlling shareholder or in which the controlling shareholder has personal interest in its approval ("**Controlling Shareholder Transaction**"), engaged by the Company, its subsidiaries or affiliates (the"**Group**") during the reporting year or at a later date until the date of this report, or which is in effect at the date of this report.

8.1. <u>Transactions listed in Section 270(4) to the Companies Law, including transactions approved in accordance with theCompanies Regulations (Reliefs in Interested Party Transactions), 5760-2000 (the "Reliefs Regulations")</u>

A. <u>Directors and Officers Insurance Policy</u>

For details regarding the Company's Board of Directors approval of the Company's engagement in an agreement to purchase directors and officers insurance policy, for those who serve and who will serve from time to time in the Company, and in its subsidiaries and serve as directors on behalf of the Company in its affiliate companies, including directors and officers who are controlling shareholders of the Company or their relatives, for a period of 12 months commencing as of January 1, 2024, see section 20 [Regulation 29A] below.

B. <u>Exemption and Indemnification to Officers and Directors</u>

In accordance with the provisions of the Companies Law and the Company's compensation policy, the Company shall be entitled to grant the officers, subject to the provisions of any law, an exemption from liability for any damage caused to it due to a breach of the officer's duty of care towards the Company in his actions as an officer, subject to the law and the Company's articles of association. Such exemption shall not apply in relation to an act or omission of an officer with respect to a decision or transaction in which the controlling shareholder or any officer has a personal interest.

8. Transactions with the Company's Controlling Shareholder [Continued]
[Regulation 22]

8.1. Transactions listed in Section 270(4) to the Companies Law, including transactions approved in accordance with theCompanies Regulations (Reliefs in Interested Party Transactions), 5760-2000 (the "Reliefs Regulations") [Continued]

B. Exemption and Indemnification to Officers and Directors [Continued]

On March 12, 2020, following the approval of the Compensation Committee and the Board of Directors of the Company, the general meeting of the Company's shareholders re-approved the grant of indemnification letters to the Company's directors and officers, in a form identical to the form of the current indemnification letter of all of the Company's officers, who themselves and/or their relatives are controlling shareholders in the Company, as shall be from time to time, who serve and/or will serve in the Company from time to time, and to Company's officers that the controlling shareholders in the Company may have personal interest in the grant of indemnification letters to them, who serve and/or shall serve in the Company from time to time, due to their actions in the framework of their service in the Company and due to their actions while serving, upon the Company's request, as officers in another company, in which the Company holds shares, directly or indirectly, or in which the Company has an interest, all for a period of three years, commencing from the date of the approval of the general meeting of shareholders of the Company (meaning until March 11, 2023). For additional details see the Company's immediate report from February 3, 2020, with regard to convening a special general meeting, that on its agenda, among others, is a transaction between the Company and its controlling shareholder (ref. no. 2020-01-010882) which is incorporated herein by reference. To date, there are no directors and officers who are considered controlling shareholders or in respect of whom indemnification letters are required to be approved as a controlling shareholders' transaction.

The Company's obligation in accordance with the indemnification letter will benefit its other directors and officers even after the end of the term of their service, provided that the actions with respect to which the indemnification is given were and/will be performed during the term of service.

The Company's officers serving as directors of the Company's subsidiaries and/or affiliates receive letters of indemnification from certain companies and their responsibility is assured, as customary in the same companies.

C. Directors' Compensation

On March 10, 2022, the Compensation Committee and the Board of Directors of the Company approved to continue to pay directors of the Company, who are controlling shareholders of the Company and/or their relatives and/or in which the controlling shareholders have a personal interest in the compensation paid to them, the maximum rates set forth in the Companies Regulations (Rules regarding Compensation and Expenses of External Directors), 5760-2000 (the "Compensation Regulations") (including supplements for expertise).

8. Transactions with the Company's Controlling Shareholder [Continued]

[Regulation 22]

8.1. Transactions listed in Section 270(4) to the Companies Law, including transactions approved in accordance with theCompanies Regulations (Reliefs in Interested Party Transactions), 5760-2000 (the "Reliefs Regulations") [Continued]

C. Directors' Compensation [Continued]

In addition, said directors will be entitled to expense reimbursement as set forth in regulation 6 of the Compensation Regulations.

To these sums VAT will be duly added. The Company will be entitled to pay the said director's compensation for the tenure of some of the serving directors to the Company's controlling shareholders, DIC and/or to companies which are interested parties in it, in which the directors are employed and/or serve as officers. The decision will be valid for a period of three years commencing on March 10, 2022, and will be applicable to any directors that serve and/or that will serve from time to time during said period, which he and/or his relative is a controlling shareholder of the Company or in which the controlling shareholder has a personal interest in the compensation paid to him, including if the compensation for his tenure is paid to the controlling shareholder of the Company. For additional details see immediate report from March 10, 2022, which is incorporated herein by reference. For additional details regarding director compensation, including about compensation of directors who are not related to the controlling shareholder of the Company see Note 18.D to the Consolidated Financial Statements.

8.2 Other Transactions with a Controlling Shareholder

A. Uses and Office Expenses Allocation Agreement

On September 23, 2019, the Audit Committee and the Board of Directors of the Company approved (as a non-extraordinary transaction in which the controlling shareholder has a personal interest) the Company's engagement with DIC and other companies of the DIC group, in a Uses and Office Expenses Allocation Agreement in the joint offices to which the Company relocated, in the ToHa project, Yigal Alon st., Tel Aviv (the "**Expenses Allocation Agreement**").

During March 2022, the Audit Committee and the Board of Directors of the Company approved (as a non-exceptional transaction in which the controlling shareholder has a personal interest) to update the Company's engagement in an expenditure distribution agreement (the "**Updated Agreement**"). Under the Updated Agreement, the Company increased the area it rents and accordingly the property costs have risen relatively. The other main points of the agreement remain unchanged.

8. Transactions with the Company's Controlling Shareholder [Continued]

[Regulation 22]

8.2 Other Transactions with a Controlling Shareholder [Continued]

A. Uses and Office Expenses Allocation Agreement [Continued]

In February 2023, following the approval of the Audit Committee, the Board of Directors approved a further amendment to the Agreement, pursuant to which the Company will exchange the premises leased on the 27th Floor with another separate premises on the 22nd Floor in the same building with an area of 530 sqm, which until such date was leased by Gev-Yam Ltd. (a company controlled by DIC). As part of the amendment to the Agreement, the lease period was extended until May 2024, and the Company was granted with an option to extend the lease period by additional three years period, subject to the lessor's consent. Such engagement was classified by the Audit Committee as a non-extraordinary transaction in which the controlling shareholder has a personal interest.

In November 2023, a lease assignment agreement with respect to the assignment of the 22^{nd} Floor lease from Gev-Yam to Elron, was signed, in which framework Elron's lease period was extended until mid-April 2027. This said engagement was classified by the Audit Committee as a non-extraordinary transaction in which the controlling shareholder has a personal interest.

For details see Note 18.B to the Consolidated Financial Statements.

9. Holdings by Related Parties and Senior Officers of shares and other securities of the Company or any company held by the Company whose activities are material to the Companies operations –all as of December 31, 2023.

[Regulation 24]

(The provisions of this Section 9 do not include: indirect holdings through related parties, who are reporting entities, of the Company and its subsidiary companies and associates who are also reporting entities. For the purposes hereof, "reporting entities" are entities whose securities are traded on the Tel Aviv stock exchange).

For details, see Immediate Report dated January 7, 2024 regarding the holdings of related parties and officers.

On May 17, 2023, the Board of Directors of the Company approved, after receiving approval and recommendation from the Compensation Committee, an issuance to employees of the Company, to other employees of the Company and its subsidiary, RDC, and to permanent service providers of the Company, in lieu of the options granted in January 2022, and a grant of additional options to officers who are Vice-Presidents and other employees of the Company and RDC, in an aggregate amount of 1,775,373 options to purchase ordinary shares of the Company of NIS0.003 par value each.

9. Holdings by Related Parties and Senior Officers of shares and other securities of the Company or any company held by the Company whose activities are materialto the Companies operations –all as of December 31, 2023 [Continued]
[Regulation 24]

For details, see Company's immediate report dated July 18, 2023, incorporated herein by reference.

On June 27, 2023, following approval and recommendation of the Compensation Committee and the approval of the Board of Directors, the general meeting of shareholders approved the grant to the Company's CEO of 593,631 non-tradable options which are exercisable for ordinary shares of the Company of NIS0.003 par value each. For details see Section 6 above.

10. Authorized Share Capital, Issued Share Capital and Convertible Securities ofthe Company as of the date of the Report.
[Regulation 24a]

For details with respect to the Company's share capital composition (authorized share capital, issued share capital and convertible securities), see Note 12 to the Consolidated Financial Statements.

For details with respect to expiry, exercise and grant of options to the CEO, to officers who are VPs and employees of the Company, to other employees of the Company and its subsidiary, RDC, and to permanent service providers of the Company, see Sections 6 and 9 above and also Note 12 of the Consolidated Financial Statements.

11. Shareholder register
[Regulation 24b]

See Company's immediate report dated January 7, 2024.

12. Registered Address of the Company
[Regulation 25a]

The registered Address of the Company is:

TOHA Tower, Tel Aviv 6744320, Tel: (03) 6075555, fax (03) 6075556.

Email addresses of the Company: info@elron.com and elron@elron.com

13. Directors of the Company as of the date of the Publication of the Report [Regulation 26]

Name, Identity No., Date of Birth citizenship	Address for service of process	Membership of Director committees ; Is he an independent /external director as defined in the Companies Law- yes/no	Is he/she an employee of the Company, any subsidiary, associate company of the Company or of a related party- the position/s he /she fulfills as aforesaid	Date of Commencement of term as director of the Company	Education and occupation over the last 5 years with details of the professions or fields in which education was acquired, the institution from which the academic degree or professional qualification was obtained and the companies in which he/she serves as a director	Is he/she to the best knowledge of the company and its other directors, a family member of a related party in the Company Yes/no specifying details	Is he/she a director who sees himself/herself as having accounting and financial expertise or as professional competence.
Dan Hoz 027860824 10.07.1970 Israeli	8 Hahita, Bnei Atarot	Chairman of the Company's Board of Directors	Chairman of the Company's Board of Directors	8.6.2021 commencement of service as chairman of the board of Directors) 14.11.2021	Graduate of accounting and economics, Ben Gurion University. Certified – business management, Ben Gurion University. VP of Siemens Industries Software, as of 2017. CEO of Graphics Israel Ltd., as of 2017. Director at AlphaVee.	No	Accounting and financial expertise
Nataly Mishan Zakai 031781180 08.09.1974	ToHa Tower, Yigal Alon 114, Tel Aviv	No	Serves as CEO of DIC, controlling shareholder of the Company and as CEO of Property & Building Ltd (as of July 1, 2022)	09.08.2022	LLB, Tel Aviv University LLM, in Commercial Law, Tel Aviv University. CEO of Discount Investment Corporation Ltd. and CEO of Property and Building Corporation Ltd. (since July 2022). Chairman, Cellcom Israel Ltd. Director, Gav-Yam Lands Corporation Ltd. Director, Epsilon Underwriting & Issuing Ltd. Director in additional private companies held by Property and Building Corporation Ltd., Epsilon Investments House Ltd. Director (until February 2023) and Mehadrin Ltd. (chairman) until August 2023. Deputy-CEO and Legal Counsel, Harel Investments in Insurance and Financial Services Ltd (August 2014 to May 2022) Chairman, Harel's Pension and Provident Funds group companies (until May 2022).	No	No

Name, Identity No., Date of Birth citizenship	Address for service of process	Membership of Director committees ; Is he an independent /external director as defined in the Companies Law- yes/no	Is he/she an employee of the Company, any subsidiary, associate company of the Company or of a related party- the position/s he /she fulfills as aforesaid	Date of Commencementof term as director of the Company	Education and occupation over the last 5years with details of the professions or fields in which education was acquired, the institution from which the academicdegree or professional qualification was obtained and the companies in which he/she serves as a director	Is he/she to the best knowledge of the company and its other directors, a family member of a related party in the Company Yes/no specifying details	Is he/she a director who sees himself/herself as having accounting and financial expertise or as professional competence.
Shalom Turgeman 059214452 28.05.1965 Israeli	ToHA Building, 114Yigal Alon, Tel Aviv	Audit Committee, Compensation Committee, Investment Committee Independent Director	No	07.12.2020	Master of Business Administration (EMBA), Tel Aviv University. Graduate of Political Science, and Islamic studies and the Middle East, the Hebrew University. Managing Partner in an Israeli-Chinese investment fund GEOC (from 2013 until today); Consultant in Israeli consulting company EOC (from 2009 until today). Serves also as a consultant at the Foreign Ministry Office as of 2018.	No	No
Barak Mashraki 029714086 28.01.1973 Israeli	Giv'ati 4 Ramat Gan	Audit Committee, Compensation Committee and Investment Committee. External Director	No	02.03.2021	Graduate of Economics and Accounting, Bar-Ilan University. Until October 2020, Deputy CEO and Chief Financial Officer, Delek Group Ltd.; Director at Delek Drilling – Limited Partnership; Delek Energy Systems Ltd.; Delek the Israeli Fuel Corp Ltd.; The Phoenix Insura nce Company Ltd.; Phoenix Holdings Ltd.; CEO and Director at Cohen Gas & Oil Development Ltd. Serves as CEO and director of Tamar Petrolium Ltd., and as director of the following companies: Space-Communication Ltd., Quick Online Ltd. and director of private companies in the field of loans to oil and gas companies in USA and in the field of e-commerce.	No	Accounting and financial expertise

Name, Identity No., Date of Birth citizenship	Address for service of process	Membership of Director committees ; Is he an independent /external director as defined in the Companies Law- yes/no	Is he/she an employee of the Company, any subsidiary, associate company of the Company or of a related party- the position/s he /she fulfills as aforesaid	Date of Commencement of term as director of the Company	Education and occupation over the last 5 years with details of the professions or fields in which education was acquired, the institution from which the academic degree or professional qualification was obtained and the companies in which he/she serves as a director	Is he/she to the best knowledge of the company and its other directors, a family member of a related party in the Company Yes/no society, specifying details	Is he/she a director who sees himself/herself as having accounting and financial expertise or as professional competence.
Eyal Eshed 024641185 02.01.1970 Israeli	Hatamar 18 Bnei Atarot	No	No	05.04.2022	BA Computer Science, Reichmann University (IDC), Herzliya. EMBA by Northwestern University of Chicago and Tel Aviv University Co-Founder & CEO, SpeakingPal (since 2009) Co-Founder& Chairman, Indusify (2017 until 2021) Serves as director of SpeakingPal	No	Accounting and financial expertise
Ronit Ritz-Bueno 1.05.1976 038649547 Israeli	4 Kerem HaZeitim Alley, Savion	Audit Committee, Compensation Committee , Investment Committee External Director	No	10.10.2023	BSC – Industrial and management Engineering, Ben-Gurion University MBA- Zicklin Business School, Baruch College, NY Member of Neome Investment committee; Consultant for organizations acceleration, business initiatives, managers and work plans – Bueno Thinking, Y.Bueno Holdings Ltd. Partner at Strauss Strategy Consulting and Systems Ltd. for digital strategy, entrepreneurship, and business and technological innovation.	No	Professional competence

(*) On October 28, 2023, the term of service of Mrs. Lee-Bath Nelson as an external director in the Company ended. For further details see immediate report dated November 2, 2023.

14. Officers of the Company as of the date of the Publication of the Report

[Regulation 26a]

Name, Identity No., Date of Birth	**Date of Commencement of Service**	**The position held in the Company, its subsidiary or its associate or its related party; if he/she was a senior officer, independent signatory in the Company – indicate this fact**	**If he/she is a related party or a family member of another senior officer or related party of the Company**	**Education and occupation over the last 5 years with details of the professions or fields in which education was acquired, the institution from which the academic degree or professional qualification was obtained**
Yaron Elad 034147223 17.07.1977	01.01.2010	Company's Chief Executive Officer. Director of the following companies: RDC Rafael Development Corporation Ltd., Open Legacy Technologies Ltd., Sixgill Ltd., Brainsgate Ltd., and Atlantium Technologies Ltd..	No	Bachelor of Arts degree in Accounting and Economics from Tel Aviv University. Master of Science degree in Finance in research track from Tel Aviv University. Licensed CPA in Israel since 2004. CEO of the Company from March 1st 2020. Chief Financial Officer And responsible for management of the Company's market risks from January 2010 until end of February 2020. Controller of the Company between July 2007 and December 2009. Manager in the auditing and professional practice department in BDO Ziv Haft Israel from 2001 to 2007. Director of the following companies: RDC Rafael Development Corporation Ltd., Open Legacy Technologies Ltd., Sixgill Ltd., Brainsgate Ltd., CartiHeal (2009) Ltd. and Atlantium Technologies Ltd.
Elik Isarel Etzion 027450626 09.02.1974	01.07.2021	VP in the Company. Director of the following companies: Cynerio Israel Ltd., Keepy AI Ltd. Creednz Ltd., R.A Red Access Security Ltd. Cyvers.AI Ltd. and Breeze Security Ltd.	No	Graduate of Computer Science (BSC) Tel Aviv University. Certified Business Management (MBA), Tel Aviv University. VP in the Company as of July 2021. Manager of Cyber Defence at Bank Hapoalim between 2017-2020, Chairman of Masav company (2018-2019). Director of Shva company (2018-2020), commander of technology and operational cyber units in 8200 unit (2009-2016). Director of the following companies: Cynerio Isarel Ltd., Keepy AI Ltd., Creednz Ltd., R.A Red Access Security Ltd. Cyvers.AI Ltd. and Breeze Security Ltd.

Name, Identity No., Date of Birth	Date of Commencement of Service	The position held in the Company, its subsidiary or its associate or its relatedparty; if he/she was a senior officer, independent signatoryin the Company – indicate this fact	If he/she is a related party or a family member of another senior officer or related party of the Company	Education and occupation over the last 5 years with details of the professions or fields in which education was acquired, the institution from whichthe academic degree or professional qualification was obtained
Rony Gur-Arie 301894366 14.8.1988	9.6.2023	VP Finance; Director in Coramaze Technologies ltd.	No	BA in Accounting and Economics and an MBA in Business, TelAviv University. VP Finance from June 2023. Prior thereto served in various positions in the Company's finance department since September 2016. Director of Coramaze Technologies Ltd..
Meital Eliyahu Levitan 15.2.1983 39026612	9.6.2023	Director of Finance Director of El-CISO Ltd.	No	BA in Accounting and business administration, The College of Management Director of Finance from June 2023, Company's controller between 2020-2023. Reporting and tax manager in the Company between 2016-2020. Prior thereto, served in various positions in the Company's finance department since April 2010. Director of El-CISO Ltd.
Itzhak Ravid 052761384 24.8.1954	1.10.2020	Internal auditor	No	Accountant- Senior partner in the accounting firm Raveh Ravid & Co. Certified internal auditor. BA in Accounting and Economics, Tel AvivUniversity. Internal Auditor of, among others, Cellcom Israel Ltd. and DIC.

15. Auditors of the Company
[Regulation 27]

Kesselman and Kesselman (PWC), auditors – Azrieli Town, Derech Menachem Begin 146, Tel Aviv serve as the Company's auditors.

16. Changes in the Memorandum and Articles of the Company
[Regulation 28]

None.

17. N/A Recommendations and Decisions of the Board of Directors
[Regulation 29a]

Below are the directors' recommendations to the general meeting of shareholders, and their resolutions which are not subject to the approval of the general meeting of shareholders:

Dividend payment or distribution, as defined under the Companies Law, by other means, or distribution of bonus shares:

On January 11, 2024, subsequent to the reporting date, the Company declared the distribution of a dividend to the shareholders of the Company in an aggregate amount of NIS96,500,000. For additional details, see the immediate report published by the Company on January 11, 2024, incorporated herein by reference as well as Note 12.c of the Consolidated Financial Statements.

On February 19, 2024, subsequent to the reporting date, the Company's Board of Directors resolved to make an application to the Court for an additional dividend distribution of $35 million, of which a total of approximately $34.6 million is not out of its profits (the "distribution of the additional dividend"). The distribution of the additional dividend is subject to the Court approval pursuant to Section 303 of the Companies Law, 1999 and the record date will be determined accordingly.. For more details, see section 5.2 in part A of the Periodic Report.

For decisions on the following topics: (1) Engagement in a Directors & Officers insurance policy and its renewal, see section 20 below; (2) Indemnification of Officers, see Section 8.1 B. above; (3) Compensation to directors of the Controlling shareholder or his relatives, see section 8.1 C. above; (4) Amendment to the Company's engagement with DIC and additional companies of DIC group in a Uses and Office Expenses Allocation Agreement, see section 8.2 A. above; (5) grant of options to the CEO, see sections 6 and 9 above; (6) grant of options to officers who are VPs and employees of the Company, to other employees of the Company and its subsidiary, RDC, and to permanent service providers of the Company, see sections 6 and 9 above.

18. Decisions taken by the general meeting of shareholders not in accordance withthe Recommendations of the Board of Directors

[Regulation 29b]

None

19. Decisions of the General Meeting of Shareholders

[Regulation 29c]

For decisions on additional matters: (1) Indemnification of Officers, see Section 8.1 B. above and (2) Approval of the linkage of the management fees of the Chairman of the Board of Directors, as well as approval to grant a discretionary grant to the Chairman of the Board of Directors and further to grant options to the CEO, see sections 6 and 9 above.

20. Decisions of the Company

[Regulation 29A]

During December 2023, according to the Compensation Committee's approval, the Company engaged in the purchase of directors and officers insurance policy, who serve and who will serve from time to time in the Company, and usually in its subsidiaries and serve as directors on behalf of the Company in its affiliate companies, including directors and officers who are controlling shareholders of the Company or their relatives (in this section, the "**Insurance Policy**"), in accordance with regulation 1B1 of the Reliefs Regulations and the instructions of the Compensation Policy of the Company. The Insurance Policy will be in force as of January 1, 2024, until December 31, 2024 (in this section, the "**Insurance Period**"). The limit of the insurer's liability under the Insurance Policy is $20 million per claim and in total for the Insurance Period. The terms of the insurance under the Insurance Policy are the same for all directors and officers. The cost of the premium to be paid in respect of the Insurance Policy for the Insurance Period is in the amount of approximately $155 thousand. The deductible for each claim under the policy will be $200 thousand for a securities law related claim or $100 thousand for any other claim (except for a claim filed in the U.S. or Canada in which case the deductible willbe $1 million for securities law related claim or $100 thousand for any otherclaim).
In its decision, the Compensation Committee noted, among others, that the engagement in the Insurance Policy for directors and officers liability serves the good of the Company. It was also confirmed that the terms of the Insurance Policy comply with the framework set out in the Company's Compensation Policy, and that the engagement may not materially affect the Company's profitability, property or liabilities. The committee determined that the engagement is on market terms, among other things in light of information and advice received from the Company's insurance consultants.
Accordingly, the Company entered into the Insurance Policy, in accordance with the approval of the Compensation Committee, the Compensation Policy and regulation 1B1 of the Reliefs Regulations.

20. Decisions of the Company [Continued]

[Regulation 29A]

For decisions on the following issues: (1) indemnification of officers, see section 8.1B above; (2) engagement in 'Directors' and Officers' insurance policy and its renewal, see section 20 above; (3) The amendment to the Company's engagement with DIC and other companies from the DIC group in an agreement for the distribution of uses and office expenses, see section 8.2A above; (4) Approval of the linkage of the management fees of the Chairman of the Board of Directors, as well as approval to grant a discretionary grant to the Chairman of the Board of Directors, and approval of the grant of options to the CEO and the two other officers in the Company who are not directors or the CEO of the Company, see sections 6 and 9 above.

21. Other Details

None

Corporate Governance Questionnaire[3] – Informal English Translation

Corporate Governance Questionnaire[4] – Informal English Translation

Independence of the Board of Directors				
			Yes	**No**
1.		In every report year, two or more external directors served in the corporation. *In this questionnaire, "Yes" can be answered if the period of time in which two external directors did not serve does not exceed 90 days, as specified in Section 363a(b)(10) of the Companies Law, and pursuant to every answer that is (Yes / No) include mention of the period of time (in days) in which two or more external directors did not serve in the report year (including the period of incumbency approved retroactively, and distinguishing between the various external directors):* Director A: Lee-Bath Nelson (until October 2023) / Ronit Ritz-Bueno (as of October 2023) Director B: Barak Mashraki. The number of external directors serving in the corporation as of the publication date of this questionnaire: 2	√	
2.		Percentage[5] of independent[6] directors serving on the Board of Directors as of the date of publication of this questionnaire: 3/6		

[3] Published in the framework of legislation proposals to improve the reports on 16/03/2014.
[4] Published in the framework of legislation proposals to improve the reports on 16/03/2014.
[5] In this questionnaire, “Percentage” – a certain number out of total
[6] Including the “external directors”, as defined under the Companies Law.

Independence of the Board of Directors				
		Percentage of independent directors determined in the Corporation's[7] Articles of Association[8]________. ☒Not relevant (not determined in the Corporation's Articles of Association)		
3.		In the reporting year, a review was conducted with the external directors (and independent directors) that revealed that in the report year, they complied with the provision of Section 240(b) and (f) of the Companies Law with regards to the absence of a connection of external (and independent) directors serving in the Corporation and that include the stipulations required for serving as external (or independent) director.	√	
4.		All directors who served in the Corporation during the report year <u>are not</u> subordinate to the General Manager, directly or indirectly (with the exception of a director who is an employee's representative, if the corporation has an employee representation). If your answer is "No" (i.e. the director is subordinate to the General Manager, as specified) – the number of directors <u>who do not</u> comply with said limitation will be noted: _________.	√	
5.		All directors who announced a personal interest in approval of a transaction on the meeting's agenda were not present during the discussion and did not participate in the vote as specified (with the exception of a discussion and/or vote under the circumstances listed in Section 278(b) of the Companies Law). If your answer is "No" - a. Was it for the sake of presenting a certain issue by him in compliance with the provisions at the end of Section 278(a) ☐ Yes ☐No The percentage of meetings in which said directors were present during the discussion and/or	√	

[7] A debenture company is not required to answer this section
[8] In this respect – "articles of association", including pursuant to a specific legislation applicable to the company (for example, a banking entity – the directives of the banks' supervisor)

Independence of the Board of Directors				
		participated in the vote with the exception of the circumstances specified in sub-section a:_____.		
6.		The controlling party (including relative and/or agent), who is not a director or other senior officer in the corporation, was not present during the Board of Directors meeting that took place in the reporting year. If your answer is "No" (in other words, the controlling party and/or his relative and/or his agent who is not a member of the Board of Directors and/or senior officer in the corporation attended said Board of Directors meeting) – the following details will be listed regarding the presence of another person in said Board of Directors meetings: Identity:. Position in the corporation (if any): Details on the affiliation with the controlling party (if the party who was present is not a controlling party himself): Was this for the sake of presenting a certain issue by him: Yes ☐, No ☐ *(Mark X in the appropriate box)* The percentage[9] of Board of Directors meetings he attended that took place during thereporting year for the sake of presentation of a certain issue by him:, Other presence:. 1. Not relevant (there is no controlling party)	√	

[9] While distinguishing between the controlling shareholder, its relative and/or anyone on its behalf.

Competency and Skills of the Directors

			Yes	No
7.		The corporation's regulations do not include a provision that limits the option of immediately terminating the positions of all directors in the corporation who are not external directors (*For these purposes – a regular majority decision* **is not** *considered a limitation)*[10]. If the answer is "No" (i.e. there is a limitation as specified), note -	√	
	a.	Length of time established in the regulations for a director's position: ________.		
	b.	The required majority established in the Regulations to terminate the position of the directors: _________.		
	c.	The quorum established in the Regulations in the General Assembly in order to terminate the positions of the directors: _________.		
	d.	The majority required for changing these provisions in the Regulations: _________.		
8.		The Corporation has a training program for new directors in the corporation's businesses and in the law applicable to the corporation and directors, and an extension program for training serving directors that is adapted, inter alia, to the position filled by the director in the corporation[11]. If your answer is "Yes" – list whether the program was operated during the report year. Yes		√

[10] A debenture company is not required to answer this section.

[11] Overviews on the Company's business and on the Company's governing law and directors are regularly presented in the framework of the Board of Directors and itscommittees' meeting

Competency and Skills of the Directors					
		☐ No *(Mark X in the appropriate box)*			
9.		a.	The Corporation established the minimum number of directors required for the Board of Directors who possess accounting and financial expertise. If your answer is "Yes" – list the minimum number established: 2.	√	
		b.	Number of directors who served in the corporation during the reporting year: Who possess accounting and financial skills[12]: 3[13] Who possess professional competency[14]: 1 *If changes are made to the number of directors as specified in the reporting year, the data on the lowest number will be given (with the exception of a period of time of 60 daysfrom the occurrence of the change) of directors of every type who served during the reporting year.*	_____	_____
10.		a.	In the entire reporting year, the Board of Directors included members of both genders. If your answer is "No" – list the amount of time (in days) in which the specified was not the case:____________. *In this question, "Yes" can be answered if the period of time in which no additional directors with accounting and financial expertise serve does not exceed 60 days, but with*	√	

[12] Following the evaluation of the Board of Directors, in accordance with the provisions of the Companies Regulations (Conditions and tests for directors with financial andaccounting expertise and directors with professional qualifications)5766 – 2005.

[13] During 2023, the maximum number of directors with financial and accounting expertise on the Board of Directors of the Company stands at 3 directors.

[14] See footnote 12.

Competency and Skills of the Directors					
			regards to any answer (Yes/No), the period of time (in days) in which directors of both genders did not serve: __________.		
		b.	Number of directors of each gender who serve on the corporation's Board of Directors as of the date of publication of this questionnaire: Men: 4, Women: 2.	_____	_____

Board of Directors Meetings (and Convening of Shareholders Meetings)					**Yes**	**No**
11.		a.	Number of Board of Directors meetings that took place during every quarter of the reporting year: First Quarter (2023) 3 Second Quarter 1 Third Quarter 1 Fourth Quarter 1		___	_____
		b.	Next to each of the names of the directors who served in the corporation during the reporting year, list the attendance rate[15] in Board of Directors meetings (in this sub- section – including the Board of Directors committee meetings in which the director is a member, as noted below) that took place during the reporting year (and referencing period of term of services):		___	_____

[15] See footnote 4.

Director's Name	Attendance Rate in Board of Directors meetings	Attendance Rate in Audit Committee Meetings [16]	Intentionally Deleted	Compensation Committee[17]	Attendance Rate in Other Board of Directors Committee Meetings in which the Director is a Member (noting the name of the committee)
Dan Hoz	6/6	-		-	-
Nataly Mishan Zakai	6/6	-		-	-
Ronit Ritz-Bueno[18]	1/1	1/1		1/1	-
Lee-Bath Nelson[19]	5/5	5/5		4/4	Investment Committee: 1/1

[16] In respect of a director serving in this committee
[17] In respect of a director serving in this committee.
[18] Commencing October 10, 2023.
[19] Ceased to serve as a director on October 28, 2023.

		Barak Mashraki	6/6	6/6		5/5	Investment Committee: 1/1		
		Eyal Eshed	6/6	-		-	-		
		Shalom Turgeman	6/6	6/6		5/5	Investment Committee: 1/1		

Separation of duties of the GENERAL MANAGER and the Chairman of the Board of Directors				
			Yes	**No**
12.		In reporting year, there was at least one discussion by the Board of Directors relating to the business management of the Corporation by the CEO and the officers subordinate to him without their presence and they were given an opportunity to express their position.	√	
13.		*Throughout the reporting year, a Chairman of the Board of Directors served in the corporation.* *In this question, "Yes" can be answered if the period of time in which no Chairman of the Board of Directors served does not exceed 60 days as specified in Section 363a(2) of the Companies Law), but in any answer (Yes/No), the period of time (in days) must be listed in which no Chairman of the Board of Directors was serving*	√	
14.		Throughout the reporting year, a General Manager served in the corporation. *In this question, "Yes" can be answered if the period of time in which no General Manager served does not exceed 90 days as specified in Section 363A(b)(6) of the Companies Law), but in any answer (Yes/No), the period of time (in days) must be listed in which no General Manager was serving in the corporation:*______________	√	
15.		In a corporation in which the Chairman of the Board of Directors also serves as General Manager and/or wields its authorities, the double position was approved in accordance with the provisions of Section 121(c) of the Companies Law[20]. ☒ Not relevant (if no dual position exists in the corporation).		

[20] In a debenture company – an approval in accordance with section 121(d) of the Companies Law

				Yes	No
16.		The General Manager is not a relative of the Chairman of the Board of Directors. If your answer is "No" (i.e. the General Manager is a relative of the Chairman of the Board)-		√	
		a.	The family relation between the parties will be noted_______.	_____	_____
		b.	The position was approved in accordance with Section 121 (c) of the Companies Law[21]: ☐ Yes ☐ No (*Mark X in the appropriate box)*	_____	_____
17.		The controlling shareholder or its relative does not serve as General Manager or senior officer in the corporation, except as a director. 1. Not relevant (the corporation has no controlling interest)		√	

[21] In a debenture company – an approval in accordance with section 121(d) of the Companies Law.

The Audit Committee				
			Yes	**No**
18.	In the Audit Committee, the following parties did not serve in the reporting year -		_____	_____
	a.	Controlling party or relative of controlling party. ☐ Not relevant (corporation has no controlling interest)	√	
	b.	Chairman of the Board of Directors.	√	
	c.	Director employed by the corporation or by a controlling party in the corporation or by a corporation that it controls.	√	
	d.	Director who provides the corporation or controlling party in the corporation or a corporation that it controls with services on a regular basis.	√	
	e.	Director whose main livelihood depends on the controlling party. ☐ Not relevant (corporation has no controlling interest).	√	
19.	Any party who is not entitled to be a member of the Audit Committee, including a controlling party or his relative, did not attend in the reporting year the Audit Committee meetings with the exception of the provisions of Section 115(e) of the Companies Law and the Companies Regulations (Provisions and Terms regarding the process of approving the Financial Statements), 5770-2010[22].			√
20.	The quorum for a discussion and decisions in every Audit Committee meeting that convened during the reporting year included a majority of Committee members, with the majority present being independent directors and at least one external director. If your answer is "No" – list the percentage of meetings in which said requirement was not met as specified: _______		√	
21.	The Audit Committee convened during the reporting year at least one meeting attended by the internal auditor and independent auditor, as the case may be, and that was not attended by the offices in the		√	

[22] The CFO of DIC attended the audit committee's discussion regarding the financial statements.

The Audit Committee			
	corporation who are not Committee members, on the matter of deficiencies in management of the corporation's businesses.		
22.	Every Audit Committee meeting attended by a party who is not entitled to be a Committee member was approved by the Committee Chairman and/or at the Committee's request (with regards to the legal advisor and Corporate Secretary who is not a controlling party or his relative).	√	
23.	During the reporting year, arrangements were in effect, as determined by the audit committee, with respect to the handling of complaints raised by the corporation's employees regarding malfunctions in the management of its business and to the protection that shall be extended to such complaining employees.	√	
24.	The audit committee (and/or the financial statements review committee) is satisfied that the scope of the auditor's work and his fee relative to the financial statements during the reporting year, were appropriate for the purpose of performing adequate audit and review.	√	

Functions of the Financial Statement Review Committee (hereinafter – The Committee) in its Work Prior to Approval of the Financial Statements				
			Yes	**No**
25.				
	a.	The length of time (in days) established by the Board of Directors as a reasonable amount of time for the delivery of the committee's recommendations ahead of the Board of Directors for approval of the financial statements will be noted: 2	_____	_____
	b.	Number of days that actually passed between the date of delivery of the recommendations to the Board of Directors and the date of approval of the financial statements: First Quarter report (2023) 2 Second Quarter report 3 Third Quarter report 4 Annual Report 6	_____	_____
	c.	Number of days that passed between the date of transfer of the draft Financial Statements to Directors and the date of approval of the Financial Statements: First Quarter report (2023) 2 Second Quarter report 3 Third Quarter report 4 Annual Report 6		
26.	The auditor of the corporation participated in all Committee and Board of Director meetings in which the corporation's financial statements were discussed with regards to the periods included in the reporting year. If your answer is "No" – list the percentage of his participation: _______		√	

27.	In the Committee, throughout the reporting year and until publication of the annual report, all of the terms listed below were met:		_____	_____
	a	The number of members on the committee is not less than three (on the date of discussion in the committee and approval of statements, as specified).	√	
	b	All of the terms set forth in Section 115 (b) and (c) of the Companies Law (with regards to the tenure of the Audit Committee members) were met.	√	
	c	The Committee chairman is an external director.	√	
	d	All of its members are directors and the majority of its members are independent directors.	√	
	e	All of its members can read and understand financial statements and at least one of the independent directors has accounting and financial expertise.	√	
	f	Committee members issued a declaration prior to their appointment.	√	
	g	The quorum for a discussion and to make decisions in the Committee was a majority of its members, provided that the majority of those present were independent directors, including at least one external director.	√	
	If your answer is "No" for one or more of these sub-sections of this question, list with regards to which report (periodic/ quarterly), the said conditions were note met:_________.		_____	_____

Compensation Committee

28.		During the reporting year, the committee was comprised of no less than three members, and the external directors constituted a majority therein (at the time in which the discussion was held by the committee) ☐ Irrelevant (no discussion was held)	√	
29.		The terms of office and employment of all members of the compensation committee during the reporting year are in accordance with the Companies Regulations (Rules regarding Compensation and Expenses of External Directors), 5760-2000.	√	
30.		The following were not members of the compensation committee during the reporting year:	____	_____
	a.	The controlling party or his relative. ☐ Irrelevant (the corporation has no controlling party).	√	
	b.	The chairman of the board of directors.	√	
	c.	A director who is employed by the corporation or by the controlling party thereof or by a corporation controlled by him.	√	
	d.	A director who regularly provides services to the corporation or to the controlling party thereof or to a corporation controlled by him.	√	
	e.	A director whose main livelihood depends on the controlling party. ☐ Irrelevant (the corporation has no controlling party).	√	

31.	The controlling party or his relative were not present, during the reporting year, in meetings of the compensation committee, unless if the chairman determined that the presence of any of them is required to present a certain issue.	√	
32.	The compensation committee and the board of directors did not make use of their authority in accordance with sections 267A(C), 272(C)(3) and 272(C1)(1)(C) to approve a transaction or compensation policy, despite the opposition of the general meeting. If your answer is "No" it will be noted – The type of transaction that was so approved: __________ The number of times in which their authority was used during the reporting year: ____________	√	

Internal Auditor

33.	The Chairman of the Board of Directors or Chief Executive Officer of the corporation is the supervising organ of the internal auditor of the corporation.	√	
34.	The Chairman of the Board of Directors or the Audit Committee approved the work plan in the reporting year. In addition, the audit subjects which the internal auditor handled in the reporting year will be detailed: business continuation and disaster recovery, an examination as part of the program for prevention of embezzlements.	√	
35.	The amount of work of the internal auditor of the corporation in the reporting year (in hours[23]): 260	____	_____
	In the reporting year, a discussion took place (in the audit committee or Board of Directors) regarding the findings of the internal auditor.	√	
36.	The internal auditor is not an interested party in the corporation, relative, auditor or his representative and does not maintain a significant business relationship with the Corporation, its controlling shareholder, relative or companies controlled by them.	√	

[23] Includes hours spent on held corporations or audits abroad, as applicable.

Transactions with Interested Parties			
		Yes	**No**
37.	The controlling party or his relative (including a Corporation it controls) <u>is not</u> employed by the corporation or provides it management services. If your answer is "No" (i.e. the controlling party or his relative is employed by the corporation or provides management services to it) – list - the number of relatives (including controlling party) employed by the corporation (including companies that are controlled by them and/or through management companies): -Were the transaction agreements and/or management services approved by the organs prescribed by law: Yes No (*Mark X in the appropriate box)* Not relevant (the corporation has no controlling party)	√	
38.	To the best of the corporation's knowledge, the controlling party <u>has no</u> other business in the area of the corporation's activity (in one or more segments). If your answer is "No" – list whether an arrangement has been made for demarcation of activities between the corporation and its controlling party. Yes No *(Mark X in the appropriate box)* Not relevant (the corporation has no controlling interest)	√	

Chairman of the Board of Directors:____________

Date: February 19, 2024

Chairman of the Audit Committee: ___________________

Date: February 19, 2024

<u>Comments</u>

Comment to Question 11b: The Audit Committee operates also as the Financial Statements committee.

Elron Ventures Ltd.

Part V

English Translation of the Annual Report regarding the Effectiveness of the Internal Control over Financial Reporting and Disclosure pursuant to Regulation 9b:

As of December 31, 2023

Attached herein is an annual report regarding the effectiveness of internal control over financial reporting and disclosure, pursuant to Regulation 9b of the Israel Securities Regulations (Periodic and Immediate Reports), 5730-1970:

Annual report regarding the effectiveness of the internal control over financial reporting and disclosure, pursuant to Regulation 9b(a):

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

In this regard, the members of management are:

1. Mr. Yaron Elad, CEO;
2. Mrs. Rony Gur Arie, VP Finance.

The Company's internal control over financial reporting and disclosure is a process designed by, or under the supervision of, the Company'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 Company 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 Company is required to disclose as aforesaid, is recorded and made available to the Company'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.

The management, under the supervision of the board of directors, examined and assessed the Company's internal control over financial reporting and disclosure in the cooperation and its effectiveness; The assessment of the effectiveness of the internal control over financial reporting and disclosure conducted by the management under the board’s supervision included:

1) Preparing a scoping document for 2023, to assure the procedures and the significant locations which ought to be included in the current mapping, on which basis the scope of the effectiveness assessment was determined.
2) Examination of the highly significant procedures and controls in the Company and in the Company’s group companies, including: Entity Level Controls, controls over the Financial Closing and Reporting process, General Controls over the Information Technology (ITGC) and controls over procedures which are highly significant to the financial reporting, which included the process of investment in companies and Treasury.

Based on the aforementioned assessment of the effectiveness conducted by the management under the board of directors’ supervision, the Company's board of directors and management deemed the internal control over the financial reporting and disclosure as of December 31, 2023 effective.

Declaration of the Principal Executive Officer pursuant to Regulation 9b(d)(1):

Managers' Declaration

Declaration of the Chief Executive Officer

I, Yaron Elad, declare that:

(1) I have examined the annual report of Elron Ventures Ltd. (the "**Company**") for the year 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 Company, as of, and for the periods presented in the Reports;

(4) I have disclosed to the Company's independent auditors, board of directors and audit committee of the Company'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 Company'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 Company, 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 Company, 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 Company 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) Evaluated the effectiveness of the internal control over financial reporting and disclosure, and presented in this report the conclusions of the board of directors and management regarding the aforesaid effectiveness of the internal control to the date of the reports.

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

February 19, 2024

____

Yaron Elad, CEO

Declaration of the Principal Financial Officer pursuant to Regulation 9b(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 "**Company**") for 2023 (the "**Reports**");

(2) Based on my knowledge, the 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 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 Company, as of, and for the periods presented in the Reports;

(4) I have disclosed to the Company's independent auditor, board of directors and the audit committee of the Company'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 financial statements and other financial information which is included in the Reports, which are reasonably likely to adversely affect the Company'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 Company, 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 Company, 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 Company 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 our 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) Evaluated the effectiveness of the internal control over financial reporting and disclosure, insofar as the same refers to the financial statements and other financial information which is included in the Reports for the period presented in the Reports; my conclusions regarding my aforesaid evaluation were presented to the board of directors and management and are included in this report.

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

February 19, 2024

Rony Gur Arie, VP Finance

February 19, 2024

To:

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

Dear Sirs,

Re: Auditors' Consent in connection with the self prospectus of the Company published in 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) Auditor's report from February 19, 2024 regarding the consolidated financial statements of the Company as of December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023.

(2) Auditor's report from February 19, 2024 regarding the audit of internal control over financial reporting of the Company as of December 31, 2023.

Kind Regards,

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

English Translation of Liabilities report of the Company by repayment date

Section 36a to the Israel Securities Law (1968)

Report as of December 31, 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 December 31, 2023 (1 USD = 3.627 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	363	0	53	416
Total	0	0	0	363	0	53	416

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	363	0	53	416
Total	0	0	0	363	0	53	416

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

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

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

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

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

	Principle repayment					Gross interest payments (excluding deduction of tax)	Total by years
	NIS (CPI linked)	NIS (Not linked)	Euro	USD	Other		
First year	0	0	0	0	0	0	0
Second year	0	0	0	0	0	0	0
Third year	0	0	0	29,016	0	7,258	36,274
Fourth Year	0	0	0	0	0	0	0
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	29,016	0	7,258	36,274

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

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

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

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

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

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

180,867