

Elron Electronic Industries Ltd. (the “Company”)

Ballot in accordance with the Israel Companies Regulations (Voting in Writing and Position Statements), 5766-2005 (the "Regulations")

Part One

1. **Name of Company:** Elron Electronic Industries Ltd.
2. **Type of General Meeting, Time and Location for the Convening thereof:**
Special General Meeting of the Company's shareholders to be convened on March 12, 2020, at 15:30 (Israel time), at the Company's offices at ToHa Tower, 114 Yigal Alon St., 27th Floor, Tel Aviv.
3. **The Items on the Agenda that May Be Voted on with This Ballot and a Summary of the Proposed Resolutions:**

- 3.1. **Item no.1** – Approval of the Compensation Policy for the Officers of the Company, attached as **Annex A** to the immediate report published by the Company on February 3, 2020 regarding the convening of the Meeting (henceforth: the “**Compensation Policy**” and the “**Report**”, respectively), according to Section 267A of the Companies Law.

For further details regarding this resolution see Part B of the Report.

Form of Proposed Resolution: To approve the suggested Compensation Policy for the Officers of the Company in the form, attached as **Annex A** to the Report published by the Company on February 3, 2020 regarding the convening of the Meeting, according to Section 267A of the Companies Law, 5759-1999.

- 3.2. **Item no.2** – Approval of the re-granting of indemnification letters to the Directors and the Officers of the Company which they or their relatives are the Controlling Shareholders, as well as to Officers in the Company with respect to whom the Controlling Shareholders may be considered to have personal interest in the provision of indemnification letters, as attached as **Annex B** to the Report.

For further details regarding this resolution, including in accordance with the Transaction with a Controlling Shareholder Regulations, see Part C of the Report.

Form of Proposed Resolution: To approve the re-granting of indemnification letters to the Directors and the Officers of the Company, who are, and/or their relatives are, Controlling Shareholders, as they may be from time to time, serving or who will serve as Officers of the Company from time to time, as well as to Officers of the Company with respect to whom the Controlling Shareholders may be considered to have a personal interest in the provision of the indemnification letters, who are serving or who will serve as Officers of the Company from time to time, for their actions (even prior to the granting of the indemnification letter) in the capacity of their office at the Company and for their actions in the capacity of their office upon the Company's request, as the officers in another company, in which the Company holds shares, directly or indirectly, or that the Company has any interest in, under the identical terms of the current indemnification letter existing in the Company and attached as **Annex B** to the Report, for three years commencing from the date of approval of the shareholders meeting.

4. **Location and Hours for Inspecting the Proposed Resolutions in Full:**

Copies of the Report, the documents as specified in Regulation 5 of the Transaction with a Controlling Shareholder Regulations and the proposed resolutions on the Meeting's agenda are available for inspection at the Company's offices in ToHa Tower, 114 Yigal Alon St., 27th Floor, Tel-Aviv, Israel, after prior coordination with the Company's secretariat, at 972-3-6075555, Sunday through Thursday (excluding holidays and the eves of holidays) between 09:00 and 16:00, until the date of the Meeting, as well as on the distribution website of the Israel Securities Authority at <https://www.magna.isa.gov.il> and on the website of the Tel Aviv Stock Exchange Ltd. at <https://maya.tase.co.il>. In addition, this English translation of the Report will appear on the Company's website at <https://www.elron.com>.

5. **The Required Majority for Approval of the Resolutions on the Agenda:**

5.1. The required majority for the approval of the proposed resolution specified in Item No.1 on the Agenda (According to Section 3.1 above), is a simple majority of the shareholders who are entitled to vote and who voted at the meeting, in person or by proxy (including via ballot), without taking into account the abstaining votes, provided that one of the following is fulfilled:

(1) The count of the majority votes at the general meeting shall include a majority of all the votes of shareholders who are neither the controlling shareholders at the Company nor have a personal interest in the approval of the Compensation Policy, who voted at the meeting; In counting the votes of the said shareholders, abstaining votes shall not be taken into account; The provisions of Section 276 of the Companies Law, shall apply, mutatis mutandis, to a shareholder who has a personal interest.

(2) The total number of dissenting votes among the shareholders specified in Subsection (1) above shall not exceed a rate of two percent (2%) of the total voting rights in the Company.

It should be noted that, according to Section 267A(c) of the Companies Law, the Company's Board of Directors may approve the resolution on Item No. 1 on the agenda, even if the general meeting opposes its approval, insofar as the Compensation Committee and the Board of Directors will decide, on the basis of detailed reasons and after they discuss anew the Compensation Policy for the Company's Officers, that its approval, notwithstanding the objection of the general meeting, is for the benefit of the Company.

5.2. The required majority for the approval of the proposed resolution specified in Item No.2 on the Agenda (According to Section 3.2 above) is a simple majority of the shareholders who are entitled to vote and who voted at the meeting, in person or by proxy (including via ballot) provided that one of the following is fulfilled:

(1) The count of the majority votes at the general meeting shall include a majority of all of the votes of shareholders who do not have a personal interest in the approval of the resolution, who voted at the meeting. In

counting the votes of the said shareholders, abstaining votes shall not be taken into account;

(2) The total number of dissenting votes among the shareholders specified in Subsection (1) above shall not exceed a rate of two percent (2%) of the total voting rights in the Company.

5.3. The Controlling Shareholder of the Company, Discount Investment Corporation Ltd (“**DIC**”) does not hold the majority required to pass the resolutions set forth in Sections 3.1 and 3.2 above.

6. Notice of personal interest

6.1. According to Section 276 of the Companies Law, a shareholder participating in a vote regarding the proposed resolutions on the agenda either in person or by proxy, will notify the Company before casting his vote at the meeting, or if the vote is by a ballot – on the ballot by an indication on Part B of the ballot in the space designated therefor, if he is considered a controlling shareholder of the Company and/or has personal interest in the approval of the resolutions on the meeting's agenda, or not, and the description of the relevant personal interest.

6.2. A shareholder who did not mark in Part Two of the ballot, in the space designated therefor, or marked “yes” and did not provide a description of the relevant personal interest, shall not vote regarding such resolution and his vote will not be counted.

6.3. According to the Voting Regulations and according to the directive of the Israel Securities Authority from November 30, 2011, on the issue of disclosure regarding the manner of voting of interested parties, senior office holders and institutional bodies in meetings (“**Directive**”), an interested party, a senior office holder and an institutional body (the “**Voters**”) as defined in the Regulations and in the Directive, who are voting at the Meeting on resolutions on the agenda, will provide the Company, within their vote, the details required according to the Regulations and Section 2(b) of the Directive, and if they voted by proxy, then the voter or the proxy shall also

provide the details regarding the proxy. In addition, specification shall be provided regarding any relationship between the Voter or the proxy (who does not have a personal interest) and the Company or any of the controlling shareholders or any of the senior office holders, including employment relations, business relations etc., while specifying their nature.

7. **Legal Quorum and Adjourned Meeting:**

7.1. A legal quorum shall be constituted upon the presence, either in person or by proxy, of at least two shareholders holding collectively at least 33.3% of the issued shares conferring voting rights in the Company, within half an hour of the time set for the the Meeting (the: “**Legal Quorum**”). If a Legal Quorum is not present within half an hour from the time set for the meeting, the meeting shall stand adjourned to the same day of the following week at the same time and place, or to a later date if indicated in the notice convening the meeting (“**Adjourned Meeting**”), that is, March 19, 2020 at 15:00. If a Legal Quorum is not present at the adjourned meeting within half an hour from the time set for the meeting, one shareholder, holding at least 25% of the voting rights, present in person or by proxy, shall constitute a Legal Quorum.

7.2. A General Meeting at which a Legal Quorum is present is entitled to resolve on the postponement of the meeting for another date and place that will be determined; The Adjourned Meeting will not discuss an item that was on the agenda for the original meeting and which no resolution was passed on.

8. **Record Date:**

The record date entitling a shareholder to participate in and vote at the general meeting and the Adjourned Meeting, in accordance with Section 182 of the Companies Law and Regulation 3 of the Voting Regulations, is the close of trading on the Tel Aviv Stock Exchange Ltd. (TASE) on February 13, 2020 (henceforth: the “**Record Date**”). If there is no trading on the Record Date, the record date will be the last trading day preceding such date.

9. **Manner of Voting and Validity of Ballot:**

- 9.1. A shareholder whose shares are registered with a TASE member (henceforth: “**Non-registered Shareholder**”) is entitled to receive confirmation of ownership from such TASE member, at the TASE member's branch or via post to his or her address for the cost of postage only, upon request, provided such request was made in advance for a specific securities account. A Non-registered Shareholder may request to have the ownership confirmation sent to the Company via the internet voting system.
 - 9.2. The ballot (if non-electronic) of a Non-registered Shareholder should be delivered to the Company along with the confirmation of ownership, such that the ballot will arrive at the Company's registered offices **no later than four hours prior to the time set for the meeting** (i.e. no later than March 12, 2020 at 11:00).
 - 9.3. A shareholder registered in the shareholders' register, should deliver the ballot to the Company, along with a photocopy of his or her identity card or passport or certificate of incorporation, such that the ballot will arrive at the Company's registered offices **up to six hours prior to the time set for the meeting** (i.e. – by March 12, 2020 at 09:00).
 - 9.4. A ballot in which a shareholder stated the manner of his voting, that was delivered to the company by the deadline set for it, as detailed above, shall be deemed to be present at the meeting for the purpose of holding the Legal Quorum.
 - 9.5. Voting in writing will be made through the second part of this ballot, in which the shareholder will indicate his voting on the items on the agenda, and deliver it to the company or send it by registered mail. For this purpose, the “delivery date” is the date on which the written ballot and the documents attached to it was received in the Company's offices as set out below.
10. **Voting via the Electronic Voting System:**
- 10.1. A Non-registered Shareholder may vote on a resolution that is on the agenda as described above, by submitting a ballot via the internet voting system, as defined under the Voting Regulations (henceforth: “**Electronic Ballot**”).

10.2. The Electronic Ballot will open for voting at the end of the Record Date. Voting via the electronic voting system will close **6 hours prior to the time set for the meeting** (i.e. by March 12, 2020 at 09:00), at which time the electronic voting system will be closed.

10.3. The Electronic Voting may be modified or cancelled up until the electronic voting system is locked and may not be modified through the Electronic Voting System after such time. Should a shareholder vote via more than one way, the later vote shall be counted. For this purpose, the vote of a shareholder in person or by proxy shall be deemed to have been cast later than a vote cast by Electronic Ballot.

11. **Address for Delivering Ballots and Position Statements:**

The Company's offices at ToHa Tower, 114 Yigal Alon St., 27th Floor, Tel-Aviv, Israel.

12. **Deadlines for Submitting Position Statements and the Board of Directors' Response:**

12.1. The deadline for submitting position statements to the Company is **up to ten days prior to the date set for the meeting**.

12.2. The deadline for submitting the board of directors' response to position statements, insofar as shareholders have submitted position statements to the board of directors and the board of directors has elected to submit a response to such position statements, is **no later than five days prior to the time set for the meeting**.

13. **Distribution Website and TASE Website Addresses for Accessing Ballots and Position Statements:**

The addresses of the Israel Securities Authority and TASE websites on which the ballot and position statements may be accessed are as follows: Israel Securities Authority distribution website: <https://www.magna.isa.gov.il> (the “**Distribution Website**”); TASE website: <https://maya.tase.co.il> (the “**TASE Website**”).

14. Receipt of Ballot and Position Statements:

A Non-registered Shareholder is entitled to receive via email (to the email address in the TASE member's possession), free of charge, a link to copies of the ballot and position statements on the distribution website from the TASE member with whom his or her shares are registered, unless such shareholder notified the TASE member that he or she does not wish to receive the link, or wishes to receive ballots by post for a fee. The notification regarding ballots will apply to position statements as well.

15. Inspection of Ballots:

One or more shareholders, who on the Record Date hold at least five percent (5%) of the voting rights in the Company, or who hold at least five percent (5%) of the voting rights in the Company that are not held by a controlling shareholder as defined in Section 268 of the Companies Law (“**Controlling Shareholder**”), is entitled following the general meeting, in person or by proxy, to inspect the ballots at the Company's offices (whose address appears in Section 4 above) during regular business hours, as detailed in Regulation 10(A) of the Regulations.

The number of shares constituting 5% of the voting rights in the Company is 2,153,273 ordinary shares of the Company.

The number of shares constituting 5% of the voting rights in the Company that are not held by a Controlling Shareholder, including through institutional parties under the control thereof, is 830,628 ordinary shares of the Company.

16. Changes in Meeting Agenda:

After the proxy is issued, there may be changes in the agenda, including the addition of an item to the agenda, and position statements may be released; the updated agenda and the position statements released in the Company's filings will be available on the Distribution Website, whose address appears in Section 13 above.

17. Deadline for Submitting Amended Ballot:

A shareholder's request, according to Section 66(b) of the Companies Law to add an item to the meeting agenda, will be delivered to the Company **up to seven (7) days after the general meeting is convened**. If such a request is made, the item issue may be added to the agenda and its details will appear on the Distribution Website. In such a case, the Company will issue an updated meeting agenda **no later than seven (7) days after the deadline for the submission of a shareholder's request to include an item on the agenda**, as stated above. The Company will issue an updated ballot at the time the updated meeting agenda is released.

Shareholders should mark their votes on the items on the agenda in Part Two of the ballot.

Ballot – Part Two

Company name: Elron Electronic Industries Ltd., Corporation Number 520028036.

Company address (for submitting and delivering ballots): The Company's offices in ToHa Tower, 114 Yigal Alon St., 27th Floor, Tel-Aviv, Israel.

Time of meeting: March 12, 2020, at 15:00.

Type of meeting: Special General Meeting.

Record date for entitling a shareholder to vote at the general meeting: The close of trading on the Tel Aviv Stock Exchange Ltd. (TASE) on February 13, 2020 (henceforth: the “**Record Date**”). If there is no trading on the Record Date, the record date will be the last trading day preceding such date.

Shareholder Information

Name of shareholder: _____

I.D. No.: _____

If the shareholder does not have an Israeli identity card:

Passport No.: _____

Country of issue: _____

Valid until: _____

If the shareholder is a corporation:

Corporation No.: _____

Country of incorporation: _____

Mark Vote:

	Yes*	No
An interested Party (as defined under Section 1 of the Securities Law, 5728-1968)		
Senior Officer (as defined in Section 37(d) under Section 1 of the Securities Law, 5728-1968)		
An institutional investor (as defined under Section 1 of the Control of Financial Services (Provident Funds) (Participation of Management Company at the General Meeting) Regulations, 5769-2009, and a joint investment trust fund manager as defined under the Joint Investment Trust Law, 5754-1994.		

***if the answer is Yes:**

Please provide details of any relationship between the Voter or the proxy (who does not have a personal interest) and the Company or any of the controlling shareholders or any of the senior office holders, including employment relations, business relations etc., while specifying their nature:

Mark Vote:

Issues on the Agenda	Mark Vote ¹			The approval of a transaction pursuant to sections 255 and 272 to 275 of the Companies Law, the required majority for its approval is not a regular majority or, as to the Compensation Policy, under section 267a - Are you a controlling shareholder or have personal interest in the resolution? ²	
	FOR	ABSTAIN	AGAINST	Yes**	No
Item no (1): Approval of the Compensation Policy for the Officers of the Company, attached as <u>Annex A</u> to the Report, according to Section 267A of the Companies Law, as detailed in Section 3.1 above.					
Item no (2): Approval of the re-granting of indemnification letters to the Directors and the Officers of the Company which they or their relatives are the Controlling Shareholders, as well as					

¹ If no vote is marked, the item will be considered to have been voted ABSTAIN.

² A shareholder who will not mark this column or mark “yes” and will not provide a description of the relevant personal interest, his vote will not be counted.

<p>to Officers in the Company with respect to whom the Controlling Shareholders may be considered to have personal interest in the provision of indemnification letters, for three years commencing from the date of approval of the shareholders meeting, as detailed in Part C of the Report and as detailed in Section 3.2 above.</p>		
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**** If the answer is Yes - please specify by virtue of what you are considered to be a controlling shareholder or any person on his behalf or with a personal interest in the resolution:**

Date

Signature

For shareholders who hold shares through a TASE member (according to Section 177(1) of the Israel Companies Law, 5759-1999) – this ballot is valid only if confirmation of ownership is attached.

For shareholders registered in the Company's shareholders register – this ballot is valid only if a photocopy of identity card / passport / certificate of incorporation is attached.

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