Elron Ventures Ltd.

English Translation of the Periodic Report for 2024

Elron Ventures Ltd.

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Elron Ventures Ltd.

Periodic Report for 2024

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English Translation of Description of Corporation's Business

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1. Introduction

1.1. The operations and developments in the business of Elron Ventures Ltd. ("**Elron**" or the "**Company**") as of December 31, 2024 are described below. This description was prepared pursuant to the Israeli Securities Regulations (Periodic and Immediate Reports) -1970 and the amendment to the Securities Regulations (Details of the Prospectus and Draft Prospectus – Structure and Form), 1969.

1.2. Glossary

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

Elron or **the Company-**	Elron Ventures Ltd.;
Edge-	Edge 226 Ltd (formerly Plymedia (2016) Ltd.;
Open Legacy-	Open Legacy Technologies Ltd.;
Atlantium-	Atlantium Technologies Ltd.;
IronScales-	IronScales Ltd.;
N-Drip-	N-Drip Ltd.;
RDC-	RDC Rafael Development Corporation Ltd.;
RDSeed-	RDSeed Ltd.;
Arieli-	Arieli. E.L. Ltd
Bark-	Bark AI Ltd.;
Breeze-	Breeze Security Ltd.
BrainsGate-	BrainsGate Ltd.;
Board of Directors Report-	Elron's Board of Directors Report, included in Part II of this Annual Report;
dollar or **USD or $-**	U.S. dollar;
DEP-	DEP Technology Holdings Ltd.;

DIC-	Discount Investment Corporation Ltd.;
TASE-	Tel Aviv Stock Exchange Ltd.;
Financial Statements-	Elron's Consolidated Financial Statements for 2024, included in Part III of this Annual Report;
FDA-	U.S. Food and Drug Administration;
group companies-	subsidiaries, associates, and other companies held by the Company;
Wonder Robotics-	Wonder Robotics Ltd.;
Zengo-	Zengo Ltd.
subsidiaries-	companies under the Company's control pursuant to IFRS 10, and whose financial statements are consolidated with the Company's Financial Statements;
associates-	companies over which the Company has significant influence and which are not subsidiaries;
other companies held by the Company-	companies held by the company which are neither subsidiaries nor associates;
Securities Law-	The Securities Law, 1968, and the regulations promulgated thereunder;
NASDAQ-	Nasdaq Global Select Market;
Nitinotes-	Nitinotes Ltd.;
Notal Vision-	Notal Vision Inc.;
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;
Cyvers-	CyVers.AI Ltd.;
Sayata-	Sayata Labs Ltd.;
Cynerio-	Cynerio Israel Ltd.;
Sixgill-	SixGill Ltd.;
Scribe-	Scribe Security Ltd.;
Creednz -	Creednz Ltd.
CartiHeal-	CartiHeal (2009) Ltd.;
Red Access-	RA Red Access Security Ltd.;
Rafael-	Rafael Advanced Defense Systems Ltd.;
reporting date-	December 31, 2024;
filing date-	signature date of this report;
Tamnoon-	Tamnoon, Inc.;

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, 2024, 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 main goal is to build and realize value for its shareholders through the sale of a portion or all of its holdings to third parties, or the issuance of shares by any of its group companies, while simultaneously pursuing the acquisition of, or investment opportunities in technology companies in Israel and globally, mainly in the fields of deep technologies (deep tech, including defense tech), cybersecurity, and software (SaaS) at different stages of development, and mainly in early growth stages, whereas in recent years, new investments were made primarily in cyber and SaaS companies, at seed stages.

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 corporation or company 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 potential 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 During September 2024, the transaction for the sale of the holdings of DIC (which until such date was considered the controlling shareholder of the Company) in the Company, to the Arieli group, was completed. For more details regarding the transaction, see Section 2.2 below.

i. Elron is an operational holding company that focuses on building technology companies. Elron's existing group companies include companies at different stages of development that are engaged in various technological fields, mainly in the fields of cyber, SaaS and also medical devices. Elron is focusing on seeking new investment and acquisition opportunities in technology companies in Israel and in the world, mainly in the fields of DeepTech (including defense tech), cyber and SaaS, in various stages of development, but mainly in early growth stages, compared to recent years in which the Company made new investments, mainly in cyber and SaaS, at the seed stages.

Elron's primary goal is to create value for its shareholders by building, enhancing and exiting its holdings in its group companies through their sale to third parties or through public offerings of their securities, while seeking new acquisition or investment opportunities in companies with the potential for significant returns. In order to achieve this goal, Elron is actively working to enhance the value of the group companies by being involved in their management and direction.

2.1.3 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.

2.1.3 Elron examines 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. 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.

2.1.3 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 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.

2.1.3 The Investment Platform

2.2..1 One of the salient features of Elron's operations is its active involvement in the group companies. Elron 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, establishing a diverse and relevant management team, developing a product and making it suitable for the market, developing a market penetration strategy (go-to-market- "GTM"), creating strategic partnerships, and securing continued financing.

2.2..2 The platform has been built and optimized over the past years to obtain several main objectives: sourcing and validation of potential investments, providing various tools and services for research and development, accelerating market penetration, and back office for entrepreneurs, based on their unique needs.

2.2..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; CyberFuture, a club of Chief Information Security Officers ("CISOs") supported by Elron, whose purpose is to invest in companies operating in the cyber field; the networks of the Company and the Arieli group (the controlling shareholder of the Company as described in section 2.2 below) comprising hundreds of industry executives in Israel and around the world.

2.2..4 The first value circle is Elron's core team comprised of technology and business experts and leading investors with extensive experience in DeepTech (including defense tech), cybersecurity and SaaS, and a wealth of experience in venture capital investments. Investments in DeepTech require an in-depth capability at the scientific and technological level, since the implementation of innovative and complex technology is what mainly dictates the success of a DeepTech company in the industry in which it operates. Cyber and SaaS are growing and dynamic sectors driving continuous innovation in which strategic players struggle to remain competitive and seek opportunities to expand their product offering.

2.2..5 The second value circle is Elron’s strategic partnerships. Elron’s main significant strategic partner is Rafael.

(A) Cyber Investments: From the point when a new investment opportunity is being assessed, Rafael closely engages with the startup as part of the due diligence and appoints domain experts to examine the venture’s technology and at times its GTM as well. Among other things, the partnership with Rafael may enhance the support we provide the group companies by implementing the products in Rafael, which helps the startup find its product-market fit (PMF) and develop a GTM strategy for its product. The Rafael teams which implement the product in its early versions also assist in the product’s development so that it is suited to its target market, and in adapting the product to large scale customers like Rafael, which is often the product’s first significant customer. Rafael has vast experience in technological projects and implementing startups’ products.

(B) DeepTech Investments, including Defense Tech: The Company currently focuses on seeking investments in companies that develop DeepTech, i.e., groundbreaking scientific or technological developments that offer solutions to complex or deep global challenges, and on seeking investments in companies that offer innovative technological solutions for the defense sector that government customers are seeking outside of the traditional defense industry. In both cases, the products appeal to large markets with unmet demand for technologies. Rafael has a unique value proposition based on over 70 years of experience in DeepTech, as Rafael has extensive intellectual property, human resources, and a market footprint in a variety of DeepTech fields. The technological fields in which Rafael specializes are dominating both civilian and defense markets. At the stage of examining the investment opportunity, Rafael serves as a platform for technological and business validation for early-stage investments that have a high risk of technological failure. After making the investment, Rafael works closely with startups through open innovation, and serves as a design partner and often as the first customer.

2.2..6 The third value circle is collaborations with leading tech experts in the industry. In this regard, Elron established CyberFuture at the end of 2022. CyberFuture is an exclusive global team of senior CISOs from world leading organizations in various industries, whose goal is to source cyber startups for investment in various stages (and mainly in early growth companies), with Elron's financing and involvement. CyberFuture invests in and supports young and promising startups via a unique investment and operational model. Elron is the only partner that bears funding obligations, while there is an agreed-upon profit sharing mechanism between all partners.

Over the past two years, CyberFuture has become a well-known highly valued player in the cybersecurity space. The CyberFuture club receives many requests to join from CISO's at leading firms worldwide, and receives numerous collaboration and funding requests from young and mature startups. The club's investment in a certain startup only takes place following in-depth technological due diligence by the club members along with Elron's team. Since the club is highly valued, the startups that the club invests in benefit from prestige, a direct connection to the club members and to Elron's team whenever it requires business or technological advice, assistance in locating an initial customer base, and global market connections. CyberFuture provides Elron with another investment arm and is a source of unique deal flow. The club members collaborate often with Elron through deep involvement, and use their experience and expertise to assist in analyzing the market, connecting Elron and its group companies with other key industry figures, and building a general cyber strategy. Since its formation, CyberFuture invested in seven young startup companies, including Astrix Security Ltd., Entitle IO Ltd (the sale of which was completed during 2024), Prompt Security Ltd, Concentric Software, Inc. Aryon Security, Inc. Cyvers and Scribe (CyberFuture has minority interests in each company).

2.2..7 The fourth value circle is the rich network of Elron and its controlling shareholder, the Arieli group, which maintains 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, experienced entrepreneurs who have listed and/or sold companies in relevant domains, corporate development executives in international companies looking to invest in or acquire Israeli companies, as well as organizations supporting entrepreneurs in Israeli and international markets, such as accelerators, incubators, and more. In addition, Elron has an extensive database, which it uses to source opportunities for secondary investments.

2.2..8 In addition to its primary investment channel, Elron promotes several alternatives, including 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.

2.1.3 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.

2.1.3 For details about all of Elron's investments (direct and indirect through RDC) in 2024, see Section 1.4 of the Board of Directors Report, Notes 3 and 7 in the Financial Statements, and Sections 3 and 4 of Part IV of this Annual Report.

2.1.3 For details regarding the sale of CartiHeal, see Section 18.2 below.

2.1.3 For details regarding the sale of Sixgill, see Section 18.3 below.

2.1.3 For details regarding the sale of IronScales, see Section 7A to the Financial Statements.

2.2. Elron's Shareholders

2.1.4 On July 21, 2024, DIC notified Elron and published an immediate report that it had entered into an agreement with Arieli Capital LLC and Arieli for the sale of all of its holdings in Elron to Arieli, on an "As Is" basis, for a total of $53.2 million, reflecting a value of approximately $90 million for Elron.

2.1.5 On September 4, 2024, DIC notified Elron and published an immediate report stating that the transaction had been completed and that the consideration in the transaction, in accordance with the provisions of the agreement, amounted to a total of approximately NIS 196 million.

2.1.6 As of that date, Arieli became Elron's controlling shareholder and as of the filing date holds 59.01% of its outstanding share capital and voting rights 55.17% fully diluted). Arieli is a private company incorporated in Israel. The controlling shareholders of Arieli are Mrs. Lysia Bahar Manoach, Mr. Ariel Bentov and Mr. Even Yonatan Renov, who, according to information provided to the Company, hold 30%, 35% and 35%, respectively of the issued and outstanding share capital and voting rights of a related party.

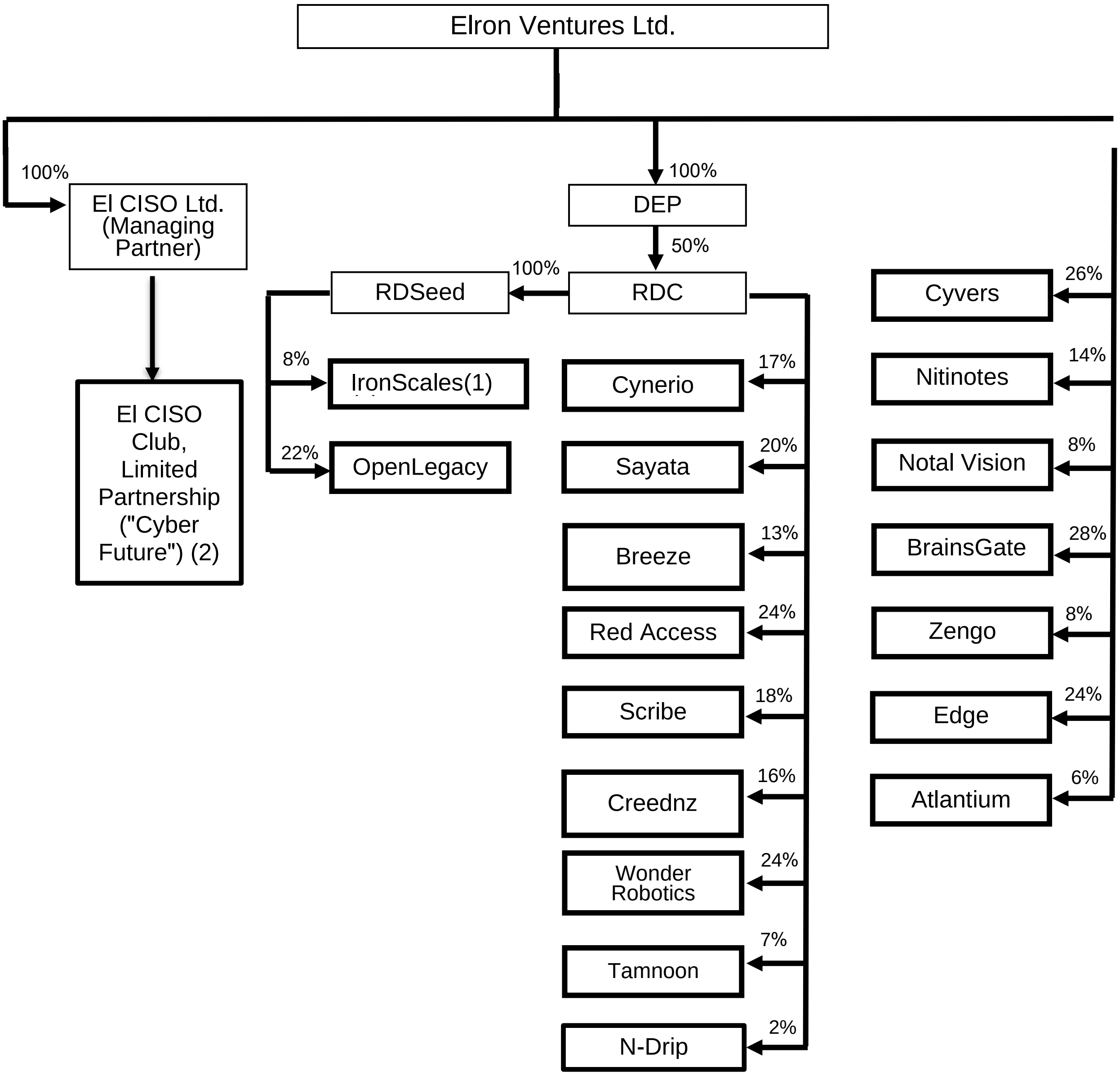
In this context, it was further noted that Arieli entered into an agreement with an unrelated third party (the "Other Party" and the "Agreement", respectively), according to which it undertook to pay the Other Party an amount equal to NIS 4.95 million (the "Amount Payable"), 12 months after September 4, 2024. In accordance with the provisions of the Agreement, the Other Party may elect that the Amount Payable be paid to it by way of the transfer of 1,140,286.7 Ordinary Shares of the Company (constituting, as the date thereof, 2% of the Company's fully diluted share capital) by Arieli. It should also be noted that the Amount Payable and the date of its repayment are subject to adjustments, as is customary in agreements of this nature

As of the filing date, Arieli's holdings in the Company's shares are pledged in favor of a third party.

2.1.7 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), whose holdings 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 2024, and during 2025, subsequent to the reporting date and until the publication of this report see Section 1.2.1 of the Board of Directors Report.



(1) In January 2025, subsequent to the reporting date, the sale of Ironscales was completed and the consideration was received in full.

(2) For details regarding CyberFuture, see Section 2.1.7.6 above. The above chart does not include holdings in CyberFuture Companies including Companies which Elron directly invests in.

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
Edge	2006	2008	Develops and markets an online advertising exchange	Equity method	One director (out of five directors)	23.58%	15.94%	Elron: 2.5 Total: 8.5
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
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: 13.6 Total: 68.7

[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)
IronScales[2]	2014	2015	Development and marketing of a solution against spear phishing attacks	Fair Value	No right of representation on the Board of Directors	8.07% (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	1.58% (held by RDC)	1.36% (held by RDC)	RDC: 1.8 Total: 100
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)	11.89% (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

[2] In January 2025, subsequent to the reporting date, the sale of Ironscales was completed and the consideration was received in full.

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)	26.54% (held by RDC)	22.17% (held by RDC)	RDC: 2.3 Total: 4.6
Zengo	2018	2018	Secured crypto wallet without compromising between security and user experience	Fair value	No right of representation on Board of Directors	7.97%	7.39%	Elron:3.5 Total: 36.3
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 eleven directors)	8.10%	5.87%	Elron: 15.0 Total: 186.5
Nitinotes	2014	2016	Developing a minimally invasive endoscopic procedure for treatment of obesity	Fair Value	No right of representation on Board of Directors	13.61%	11.62%	Elron: 4.1 Total: 33.0

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)	26.03%	23.98%	Elron: 4.2 Total: 7.9
Scribe	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: 6.0 Total: 11.6

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[3]	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)	17.15% (held by RDC)	14.79% (held by RDC)	RDC: 8.7 Total: 51.5
Sayata	2016	2019	AI based platform connecting between brokers and insurance companies and small businesses	Equity method	One director (out of seven directors)	20.14% (held by RDC)	17.69% (held by RDC)	RDC: 14.1 Total: 62.2

[3]In January, 2025, subsequent to the reporting date, a SAFE investment was signed and additional extension of $1M was invested by existing shareholders. For more details, see Note 3.B.2.e 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)
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)	15.55% (held by RDC)	13.89% (held by RDC)	RDC: 2.5 Total: 7.0
Red Access[4]	2021	2021	Provides cyber protection to organizations for safe internet browsing and access to cloud resources	Equity method	One director (out of five directors)	23.77% (held by RDC)	21.70% (held by RDC)	RDC: 3.7 Total: 6.9

[4] In January 2025, an investment round in Red Access was completed. RDC's share was approximately $2 million. For more details, see Note 3.B.2.g) of 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)
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	6.56% (held by RDC)	4.81% (held by RDC)	RDC: 1.8 Total: 17. 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. On March 28, 2024, the Israel Securities Authority approved the extension of the validity of the Company's shelf prospectus until April 12, 2025. For more details, see the Company's immediate report dated March 28, 2024..

4.2 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 former CEO, Mr. Yaron Elad, under his terms of service and employment and pursuant to the compensation policy. Mr. Yaron Elad ended his position in February 2025, subsequent to the reporting date (hereinafter: "Former CEO"). In June 2023, the grant of options to the Company’s Former 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 11.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.

4.3 In April 2024, the Company's Board of Directors approved the allocation of 60,000 options to employees of the Company who are not officers. For more details, see the report dated April 21, 2024, which was submitted on this date, and the supplementary report dated May 20, 2024.

4.4 On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli (as described in Section 2.2 above), the conditions were met for accelerating the vesting of 197,877 options belonging to the Former CEO, of 215,367 options belonging to the Company's former Board of Director Chairman, Mr. Dan Hoz (who ended his term as Chairman of the Board of Directors on that date and began serving as a director of the Company ("hereinafter: "the Former Board of Director Chairman") and of 332,901 options that were granted to officers of the Company and its subsidiary, RDC. For more details, see Note 11.D of the Company's Financial Statements.

4.5 On February 24, 2025, subsequent to the reporting date, the Company's Board of Directors approved the allocation of 415,121 options to the Company's CEO, Mr. Yaniv Schneider, Who began his role on February 18, 2025, subsequent to the reporting date, under the terms of his tenure and employment and in accordance with the Compensation Policy, subject to the approval of the Company's shareholders' meeting, which has been set for April 10, 2025, as well as additional regulatory approvals. In addition, the allocation is subject to the approval of the TASE. For more details, see Note 11.D of the Company's Financial Statements, and see the Special General Meeting proxy that the Company filed on March 5, 2025.

4.6 For details regarding the sale of Elron's shares to Arieli, and the change of control of the Company, see section 2.2 above.

5 <u>Dividend Distribution</u>

5.1 On January 11, 2024, 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 $35 million. For more information, see the Company's immediate report dated January 22, 2024.

On February 19, 2024, 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 was subject to the Court’s approval pursuant to Section 303 of the Companies Law, 1999 ("Companies Law") and 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. In May 2024, the Court approved the request for a dividend distribution in the amount of $35 million. The court's approval was valid for a period of six months from the date of its receipt.

In May 2024, DIC reported that it had signed a non-binding memorandum of understanding for the sale of its holdings in Elron (a memorandum of understanding that culminated in an acquisition transaction that took place in September 2024, as described in section 2.2 above) with Arieli, and shortly thereafter the Company's Board of Directors received an approach in writing from Arieli (the “Approach”). In the aforementioned Approach, Arieli noted that they have extensive experience in investing in technology companies, and that based on the initial checks it has carried out and based on its experience, it believes that maintaining the Company's current liquidity is required to implement its investment strategy, which will enable investment in new companies alongside support for the Company's existing group companies. Arieli also noted that it believes in the Company's ability to maximize its full potential and increase the return to shareholders in the long term by combining its experience and expertise with the Company's existing knowledge and ability and its financial resources. After receiving Arieli's Approach, the Company's Board of Directors held a preliminary discussion on the Approach and decided to discuss the Approach with Arieli so that it could consider the Approach in light of the best interests of the Company and all of its shareholders.

After several discussions by the Audit Committee and the Board of Directors, on July 3, 2024, the Company's Board of Directors decided, pursuant to the Company's Audit Committee's decision of June 30, 2024, that it was in the Company's best interest at that time not to make a distribution.

Since the Court's approval for the distribution was granted until November 2024 (hereinafter: the "Approval Expiration Date"), the Company's Board of Directors decided that it would conduct a re-examination of a possible distribution before the Approval Expiration Date, all at its sole discretion and in accordance with any law, taking into account, inter alia, the circumstances described in the Company's immediate report dated July 4, 2024.

On October 8, 2024, before the Approval Expiration Date, the Company's Board of Directors convened and decided to distribute a cash dividend to shareholders in the aggregate amount of $15 million. The aggregate dividend in question consisted of two components as follows: (a) a component that does not meet the profit test (as defined in the Companies Law, 5759-1999) in the amount of approximately USD 5.6 million (approximately USD 0.10656 per share) and (b) the dividend component out of distributable earnings in the amount of approximately USD 9.4 million, which was distributed out of the Company's surplus balance (USD 0.17781 per share). The Board of Directors also decided that the determining date for payment (the “Determining Date”) would be October 21, 2024 and the payment date would be November 3, 2024. For more information, see the Company's Immediate Reports as of October 20, 2024.

5.2 The following are details about the dividends distributed by Elron over the past two years:

Aggregate Dividend	Dividend Amount Per Share	Date of Distribution
NIS 96 million (approx. $26.5 million)	NIS 1.8461249	(* February 5, 2024
Approx. $9.4 million	US$0.17781	(*November 3, 2024
Approx. $5.6 million	US$ 0.10656	(**November 3, 2024

* The said distribution does not require the Court's approval

**The said distribution does not satisfy the profit test and therefore, requires the Court's approval, as described above.

5.3 On January 12, 2025, subsequent to the reporting date, the Company's Board of Directors adopted, for the first time, a dividend distribution policy, according to which:

The Company's dividend distribution policy is to distribute on a semi- annual basis, starting from 2025 and thereafter (meaning in respect to results recorded from the beginning of 2025), at least 25% of the actual cash proceeds received from the exit transactions of Elron's or its subsidiaries' holdings in their group companies, net of taxes paid in relation to such exit transactions (if paid[5]) (hereinafter – "Exit Proceeds"). It is clarified that with respect to proceeds received from the exit transactions of group companies held by the Company's subsidiary, RDC (in which the Company holds approximately 50.01% of the issued share capital), the policy will be to distribute Elron's portion of the exit proceeds, insofar as proceeds are received by the Company and/or can be distributed. Distributions will be made based on the Company's Financial Statements for the relevant period.

[5] For information regarding carry forward losses, see note 15.C in the Company's Annual Financial Statements.

If in a specific period the dividend amount does not exceed $5 million, the Company's policy will be to defer the distribution until the period in which the dividend amount exceeds the aforementioned amount.

The aforementioned policy is subject to the provisions of applicable law, including, among other things, the Israel Companies Law, 1999 ("Companies Law"), including compliance with the distribution tests (and, if necessary, the possibility of petitioning the court under Section 303 of the Israel Companies Law for approval of a distribution that does not meet the profit test), the Company's financial needs, its results, economic and regulatory developments that may affect the Company's ability to distribute dividends as described, and external restrictions on dividend distribution.

The above is a statement of policy only, and the actual distribution is contingent upon a specific decision to be made by the Board of Directors in accordance with all applicable laws and the circumstances at that time. This policy does not constitute any commitment to the Company's shareholders and/or any third party regarding the distribution of dividends, including with respect to payment dates and/or amounts. It is further clarified that the Company's Board of Directors may, at any time, at its sole discretion and considering various business considerations, modify the aforementioned dividend policy, change the distribution rates and/or amounts, or decide not to distribute dividends at all.

5.4 In March 27, 2025, subsequent to the reporting date, a cash dividend was announced in the amount of $8.782 million (which constitute approximately USD 0.16613 per share to the Company's shareholders).

The dividend will be distributed from the Company's surplus reserves, after the company's board of directors examined the company's compliance with the profit test and the solvency test and confirmed that the distribution will not impair the Company's ability to meet its overall obligations and/or its existing operational structure. The remaining profits eligible for distribution under the profit test according to Section 302 of the Companies Law, 1999, as of the approval date of the distribution (before the approval of the distribution as mentioned), amounted to $8.782 million (which is the amount of the aforementioned distribution). The distribution is based on the proceeds from the sale of SixGill, which was completed in 2024, and was not included in the Company's dividend distribution policy (as approved by the Company's Board of Directors in January 2025, subsequent to the reporting date, as detailed in Section 5.3 above, "Dividend Distribution Policy"). It also includes an early distribution based on the proceeds received from the sale of Ironscales, which was completed in January 2025, subsequent to the reporting date, and was included in the Company's dividend distribution policy (and for the avoidance of doubt, no additional distribution will be made regarding this sale).

Additionally, at the time of the approval of the distribution, the Company's board of directors directed that preparations be made to examine a further distribution of approximately $6.5 million, not out of profits, which will be partly used for an additional dividend distribution (and possibly also partly for a share repurchasing). A request for such a distribution to the court will be examined by the company's board of directors, and if approved, it will be subject to court approval in accordance with Section 303 of the Companies Law, 1999 ("Companies Law"), as well as additional approval by the company's board of directors.

As described above, following the distribution of the dividend declared by the Company’s Board of Directors in March 2025, subsequent to the reporting date, the Company will no longer have distributable profits in accordance with the profit test under Section 302 of the Companies Law, 1999.

6 <u>Financial Information on Elron's Field of Activity</u>

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 The Venture Capital Industry

Israeli Venture capital in 2024[6]

Private funding in Israel totaled an estimated $12.2 billion (accounting for yet-to-be-reported rounds and rounds with undisclosed amounts), reflecting a 31% increase compared to 2023. By contrast, the number of financing rounds declined to 766 rounds in 2024, a 4% drop from 2023. The focus on fewer but larger investments in mature companies was evident in the USA as well, which saw $210 billion in capital invested across 18,600 rounds, reflecting a 28% increase in funding compared to 2023, despite a 16% decline in the number of rounds. Europe and Asia on the other hand saw significant declines in both funding and round activity. The negative correlation between the number of rounds and total capital raised in the USA and Israel was taken to indicate that funding is increasingly directed at businesses with established revenue streams and strong growth potential.

In 2024, the median funding amount in Israel reached $8 million, compared with $5 million in 2023. This is in contrast with the USA, where the median funding amount showed steady but modest growth.

Investor trends revealed that the ratio of global to local investors in 2024 was 66%, consistent with previous years. However, global investor participation in funding rounds in 2024 stood at 59% compared with 69% in 2023. This decline was most pronounced in the first quarter of 2024 at 54%, likely influenced by ongoing geopolitical and economic uncertainty, and rose to a 63% participation rate in fourth quarter of 2024.

The number of internal rounds in 2024 significantly rose, reaching 17% of all rounds, the highest proportion in the past seven years, compared to 8% in

[6] https://finder.startupnationcentral.org/reports/2024-annual-report

2022 and 9% in 2023, indicating startups' increasing reliance on existing investor networks.

Sector analysis revealed the following:

- Cybersecurity: $3.8 billion raised in 119 funding rounds, with a median amount of funding of $18 million. This represents an 85% increase in funding amounts, a 44% increase in median funding size, and a 15% increase in number of funding rounds.

- Business software: $2.6 billion raised in 143 funding rounds, with a median amount of funding of $8 million. This represents a 63% increase in funding amounts and a 33% increase in median funding size. The number of funding rounds remained static.

- Aerospace, Defense & HLS: $100 million raised in 22 funding rounds, with a median amount of funding of $8.2 million. This represents a 143% increase in funding amounts, a 12% increase in median funding size, and a 47% increase in number of funding rounds.

The total value of M&A transactions in Israel reached $15.8 billion in 2024, a 49% increase compared to 2023. The number of M&A events increased to 104 transactions, a 25% increase compared to 2023. The median value of M&A transactions in 2024 reached $200 million, doubling from $100 million in 2023. However, the average ratio of M&A values to the sum of all investment rounds in 2024 was 6.4, compared to 6.2 in 2023, a decline from 11.9 in 2022, and the 'pre-bubble' ratios of 14.3 and 13.9 in 2018 and 2019, respectively. This decline is taken to reflect the sale of companies at lower prices.

The M&A activity of multinational corporations (MNCs) grew in 2024. The number of M&A events in Israel involving MNCs increased by 93% to 64 in 2024, comprising 58% of total transactions. The share of MNC's in total M&A amount in Israel grew by 65% to $10.7 billion in 2024, an almost 69% share of total M&A amounts.

7.2 The Life Cycle of a Company in the DeepTech Sector (Including Defense Tech):

In the initial stage, companies in the DeepTech sector begin with an idea or scientific innovation, born at the intersection of advanced research and specific industrial needs. For defense technology companies, this may stem from a gap in the defense sector, while DeepTech companies may focus on advancements in areas like artificial intelligence, quantum computing, robotics, or advanced materials. At this stage, the venture heavily relies on small teams of experts with specialized knowledge—scientists, engineers, and specialists in the field—to turn theoretical research into a prototype or proof of concept that can be realized.

Once the basic idea is established, the next stage is the development of a prototype and preliminary research. During this stage, the venture works to bring its technological vision to life. The company may seek funding at an early stage from venture capital funds or even finance its activities through government grants, as these technologies often require significant capital for research, testing, and upgrades, and come with a higher risk of failure.

As the technology matures and develops, the venture enters the scaling phase, where it seeks to expand its capabilities and scope, demonstrating them in relevant use cases and environments. This stage is often characterized by significant investments to increase production capacity or develop complex systems that meet security or commercial standards. For defense tech companies, this could include entering into defense contracts with government or military organizations, where stringent testing and approval processes may be required. In DeepTech companies, scaling could involve collaborations with large companies in industries like healthcare, manufacturing, or energy to apply solutions on a larger scale. The company may also begin hiring additional employees, expanding its operations, and establishing supply chains to support growing demand.

The next stage is commercialization, where the product or technology is ready for the market. At this stage, defense technology companies generally see their products adopted by government or military customers, who focus on performance, security, and reliability. In DeepTech companies, the commercialization process may include selling to commercial sectors, licensing technology, or creating long-term partnerships with other organizations. In both cases, demonstrating the real-world viability of the technology and building trust with end-users is crucial for success.

The maturity stage of a company in the DeepTech or defense tech sector often involves global expansion and strategic diversification. The emphasis at this stage is on strengthening the company's market position, continuing innovation in the field, and addressing emerging needs such as cybersecurity threats or integrating artificial intelligence into defense systems. For DeepTech companies, maturity may involve expanding the product offering or moving into new applications of the core technology, such as shifting from research-focused solutions to consumer-oriented products.

Similar to other technology companies, the median time for DeepTech companies to reach commercialization is 7 years. However, the time between funding rounds varies, with a longer gap of about 2 years between the seed round and Series A, reflecting the longer research and development stage, while the time between Series B and Series D is more accelerated, typically lasting around 3.5 years. Unlike regular technologies, DeepTech companies face fewer risks at the commercialization stage, as they generally provide intellectual property-protected solutions to complex, unsolved global challenges, meaning the competition is limited.[7]

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[7] https://dealroom.co/guides/deep-tech-europe; The 2025 European Deep Tech Report, March 2025, https://dealroom.co/reports/the-european-deep-tech-report-2025.

7.3 The lifecycle of a software/cyber company:

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 raise financing rounds as they 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[8] 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.

8 https://drive.google.com/file/d/1n7sa5YRWG68efHIofklmhHSOybFY4vyd/edit

7.4 Lifecycle of a Medical Device Company

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):

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.

7.5 Iron Swords War:

In October 2023, the “Iron Swords” war erupted in Israel (the “War”). Following a brutal and deadly surprise attack by the Hamas terrorist organization from the Gaza Strip on southern Israel, an attack also began from Lebanon towards northern Israel by the Hezbollah terrorist organization immediately after the Gaza attack. In addition to these attacks, tensions escalated in other regions, and during 2024, Israel was directly attacked several times by Iran and various militias operating in the Middle East in cooperation with Iran (such as the Houthis operating from Yemen). In November 2024, a ceasefire agreement was signed between Israel and Lebanon, resulting in a significant reduction in tensions along the northern border.

The continuation of the War led 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 led 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 whose main activity is with or within Israel.

The continuation of the war significantly impacted Israel’s credit ratings. Throughout 2024, three international rating agencies – Moody’s, S&P, and Fitch downgraded Israel’s credit rating, due to the security and economic impact of the ongoing war.

During 2024, Moody’s significantly downgraded Israel’s credit rating twice, due to the War’s economic and security consequences. In February, Moody’s downgraded the rating from A1 to A2 with a negative outlook, due to the widening budget deficit and increasing geopolitical risks. In September 2024, it made another downgrade, this time by two more notches, from A2 to Baa1, while maintaining a negative outlook, following the worsening security situation, the increase in security spending and the increasing pressure on the Israeli economy. In August 2024, Fitch announced the downgrade of Israel’s credit rating from A+ to A, with a negative outlook, in light of the continuation and expansion of the War, the increase in security spending and the damage to economic growth. In October 2024, S&P downgraded Israel's credit rating from A+ to A, with a negative outlook, due to the risk of further security escalation, including the possibility of further missile attacks by Iran.

As of the date of this report, the impact of the War on the Company’s operating results are immaterial. Notwithstanding, given the dynamic nature of the situation characterized by high uncertainty, the impact on the Company’s future activity of various security scenarios such as renewing the War in Gaza or on the Northern front, or of renewed escalation with Iran, is unknown. These consequences depend among other things on the duration and scope of the War, on the economic effects to the Israeli market overall and the segment in which the Company operates, market volatility, uncertainty regarding the duration and intensity of combat, and regarding its effects on the Company’s areas of operation. The Company constantly monitors the development of events and is considering the implications on its business activities in Israel and its steps accordingly.

7.6 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 and enhancing 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. It is also expected to include companies in the DeepTech sector (including defense tech).

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, software and deep tech 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 group companies reach customers and strategic partners, and its ability to build a network of relevant connections.

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 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 domains in which it operates. There are a number of venture capital funds that fully or significantly specialize in DeepTech, cyber or SaaS. In the cyber field, there are certain funds which in recent years have built value-creating mechanisms specific for this field - broad networks of contacts with information security and cyber managers in leading US companies, follow-on investment partners from the leading funds in the US market, and strong brand awareness within the Israeli cyber entrepreneur's market. The competitive environment is slightly more dispersed in the enterprise software space - and there are a large number of funds in Israel 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 DeepTech 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 (as applicable) of each of the companies held by Elron as of the date of this Report see Chapter II: Description of Group Companies.

11.2. For an analysis of the group companies' research and development expenses in 2024, and their anticipated research and development investments in 2025, 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 development of DeepTech as well as medical devices, rely on a comblination 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. Human Capital

13.1. As of the filing date, 8 employees are employed at the Company and its subsidiary, RDC. Some of whom engage in sourcing and executing investments including managing and monitoring the group companies, some of whom engage in finance and accounting, and the rest of whom perform administrative services. The company itself employs 5 employees, all under personal employment agreements.

13.2. In September 2024, alongside the change of control in the company, Mr. Dan Hoz, announced his resignation as Chairman of the Board. After completing his term as Chairman of the Board, Mr. Hoz continued to serve as a director at the company. Additionally, at the same time, Mrs. Lisya Bahar Manoach was appointed as the active Chairperson of the Company's Board of Directors, with an 80% position.

13.3. On November 17, 2024, Mr. Yaron Elad, who served as the CEO of the Company, and Mr. Elik Etzion, who served as the Company's Vice President, Cybersecurity, announced their intention to resign. They officially completed their terms on February 17, 2025, subsequent to the reporting date. As of the filling date, Mr. Elad and Mr. Etzion serve as directors in certain portfolio companies.

13.4. On January 12, 2025, subsequent to the reporting date, the Company's Board of Directors approved the appointment of Mr. Yaniv Shnieder as the new CEO of the Company, effective from February 18, 2025.

13.5. On February 24, 2025, subsequent to the reporting date, the Company's Board of Directors approved the appointment of Ms. Rony Gur Arie (who served up until then as VP Finance) as CFO of the Company, with immediate effect.

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

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

13.8. Compensation Policy

18.2.2 For information about the compensation policy that was in effect during 2024, see the Company's immediate reports dated January 6, 2021, March 2, 2021, November 22, 2021, and December 27, 2021.

18.2.2 For details about the compensation policy that was approved by the general meeting of shareholders on January 2, 2025, subsequent to the reporting date, for a three-year period commencing in 2025, after receiving the Company's Board of Directors' approval and the Audit Committee's recommendations (the "New Compensation Policy"), see the Company's immediate report dated November 27, 2024 convening an annual general meeting, whose agenda included approving the New Compensation Policy and a supplementary report dated December 26, 2024, the Company's immediate report dated January 7, 2025 on the results of the annual general meeting , and Section 6 of Part IV of this Report.

18.2.2 For details regarding the terms of employment of the Former Chairman, the Former CEO and other officers of the Company, and with regard to the annual bonus granted to them for 2024 in accordance with the compensation policy, see Sections 6 and 9 of Part IV of this Report.

18.2.2 For details regarding the terms of employment of the Chairperson of the Board, see the Company's immediate report dated December 26, 2024 and Section 8.2 (A) in Part D of this periodic report.

18.2.2 For details regarding the terms of employment of the CEO of the Company, including the granting of options, see the Company's immediate report dated March 5, 2025, after the reporting date.

18.2.2 For details regarding the grant of options to the Former Chairman, the Former 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, 4.4 and 4.5 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 2024 amounted to approximately $5 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 and 4 of Part IV of this Report.

15. Financing

15.1. The Corporation's Estimation of Its Financing Needs

18.2.2 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 in new companies (depending on the financial resources available to it), for at least the next twelve months.

18.2.2 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 15 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 2014-2024 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. Investment Company

Regarding the consequences if the Company is characterized as an "Investment Company" according to U.S. securities law, see Section 20.19 below.

17.2. Regulatory Approvals to Market Medical Devices

18.2.2 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.

18.2.2 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.

18.2.2 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. 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.

17.3. 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.

17.4. 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 -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.

17.5. <u>Competition Aspects</u>

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

18.2.2 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.

18.2.2 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.

18.2.2 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.

18.2.2 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 Rafael'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.

18.2.2 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

18.2.2 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"), 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, the conditions precedent for the Transaction were 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, (of which approximately $5 million was deposited in escrow for a period of 12 to 18 months) and half of it was received in January 2025, subsequent to the reporting date, and (2) Contingent Consideration amounting to approximately $40 million payable at such time and under the conditions described above.

The fair value of the contingent consideration, which was estimated with the assistance of an external valuer, was estimated at the date of completion of the sale transaction and on December 31, 2024, in the amount of approximately $19.9 million and $18.4 million, respectively, and as a result, a loss of approximately $1.5 million was recognized during 2024 under the item Gain on sale, revaluation, disposal of activity and change in ownership interest in investee companies.

For further details regarding the Transaction and its effect on the financial reports and regarding information about the transaction for the sale of CartiHeal to Bioventus that was terminated in 2023, see Note 3.B.2.a to the Financial Statements.

18.3. Sale of SixGill

18.2.2 Sixgill develops and provides an automated system that searches, locates, and extracts information from the deep, dark, and surface web ("Deep, Dark, and Surface Web") in order to provide relevant intelligence to the client, alerting them to cyber-attacks or the potential for such attacks against the organization. Prior to its sale, Elron held approximately 23% of Sixgill's issued and paid-up capital and about 20% on a fully diluted basis.

18.2.2 On November 14, 2024, a binding agreement ("the Agreement") was signed between Sixgill and its shareholders and BitSight Technologies, Inc. ("the Buyer") for the sale of all the shares of Sixgill to the Buyer (hereinafter: "the Transaction"). In December 2024, the conditions precedent set in the transaction were met, and the transaction was completed.
The Company’s share in the total consideration for the transaction is approximately $22 million, consisting of an immediate cash payment of approximately $21.5 million (subject to adjustments as mentioned above), which was paid at the closing of the acquisition (of this amount, approximately $2.3 million was deposited in escrow for a period of 12 months to ensure indemnifications). Additionally, there is consideration in the Buyer's shares, which is estimated to be worth approximately $0.5 million as of the reporting date. For further details regarding the transaction and its implications on the financial report, see Note 3.B.2b in the Financial Statements.

19. Business Objectives and Strategy

19.1. Elron's main goal is to create value for its shareholders by building, enhancing and exiting its holdings in its group companies by means of sale of all or part of its holdings to third parties, or the public offering of shares, while seeking new investment and acquisition opportunities in technology companies in Israel and globally in the fields of DeepTech (including defense tech), cyber and software (SaaS), in various stages of development, but mainly in early growth stages, compared to recent years in which the Company made new investments, mainly in cyber and SaaS, at the seed stages. Additionally, on January 12, 2025, subsequent to the reporting date, the Company’s Board of Directors decided on a dividend distribution policy as described in Section 5.3 above, with the aim of creating a mechanism that reflects to shareholders how the Company distributes the value it generates to its shareholders.

19.2. Elron's investment strategy is based, inter alia, on identifying and exploiting investment opportunities with significant return potential, and striving to actively enhance their value. The Company believes that this strategy provides the ability to increase shareholder value as well as to create capital to support the growth and success of the group companies and to invest, as appropriate, in new business opportunities. This is achieved also through the collaboration with Rafael, through its subsidiary, RDC Rafael Development Company Ltd. ("RDC").

19.3. Elron's strategy regarding investments in new and existing companies is based on the following principles:

19.3.1 Investing in verticals with high exit potential in which the comapny brings added value: deep/defense tech, cybersecurity and SaaS.

19.3.2 Identifying and exploiting investment opportunities in companies with innovative technology and significant exit potential.

19.3.3 Expanding the investment stage from seed to early growth, in order to reduce risk and accelerate the time to exit.

19.3.4 Actively enhancing the group companies' value through active involvement in their management, by means of the following: active membership on their boards of directors; hands-on 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; manning senior management positions; and overall ongoing monitoring of the group companies' performance.

19.3.5 Enhancing the value of the group companies through collaboration with Rafael, leveraging Rafael's technology and/or knowledge and expertise.

19.3.6 Exploiting opportunities to exit group companies (including via secondary sale transactions).

19.4 Within the framework of these principles and with the intention of continuing to invest in new companies, Elron examines or intends to examine a broad range of proposals for investment and strategic cooperation, including through:

19.4.1 Conducting due diligence and assigning dedicated teams at Rafael to assess the technology of the venture.

19.4.2 The Company's existing investment platforms, including among other things, CyberFuture – a club of Chief Information Security Officers ("CISOs") supported by the Company, with the objective of investing in companies in the cybersecurity field (mainly in early growth companies).

19.4.3 The Company's and Arieli Group’s networks in Israel and abroad.

19.4.4 The Company's extensive database, for the purpose of identifying secondary investment opportunities (secondary investments – purchasing shares from other investors).

19.5 Additionally, the Company is evaluating the establishment of a dedicated investment fund that would primarily focus on deep tech (including defense tech), cybersecurity, and software (SaaS). As of the filling date, there is no certainty that a decision will be made to establish such a fund, and if such a decision is made, there is no certainty that the fund will indeed be established.

19.6 It should be noted that Elron's strategy allows for actions that deviate from the principles described above in cases where Elron's management believes that specific circumstances justify such a deviation.

19.7 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. <u>Discussion of Risk Factors</u>

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

Macro Risks

20.1. The state of the global economy and Changes in capital markets, including the impact on the ability to raise equity and debt - The global economic position and changes in the global markets and particularly in the Euro zone and in the United States, a high-interest-rate environment in Israel and globally, also considering long-term interest rates, inflation, volatility in securities' prices and currency exchange rates, as well as domestic developments, in the past have affected and in the future may adversely affect the Company and the group companies' results of operations, inter alia, as follows: adversely affect the liquidity of Elron and its group companies, adversely affect their value of equity and the value and exit potential of their 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. Additionally, these difficulties, along with the aforementioned volatility, particularly in the event of an economic slowdown, may also adversely affect Elron's ability to realize its investments or raise financing. The Company may be required to record impairments due to a decrease in the value of its investments in its group companies in accordance with applicable accounting standards.

20.2. Financial Risks (Interest, Inflation)- 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 18 to the Financial Statements.

20.3. Iron Swords War- The continuation of the War and a significant deterioration in the security and political situation in Israel may adversely affect the business results of the Company and the group companies. 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 exit transactions. For additional details, see section 7.5 above.

20.4. 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, 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

Sector Risks

20.5. 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 17.5 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.

20.6. 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.

20.7. The impact of the group companies' operating results on Elron

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, accumulated losses and invested significantly in research and development, as well as in marketing their products, 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.

20.8. Retaining key employees

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. In this context, it should be noted that during the reporting period and afterward, several changes occurred in the Company's human resources. For more details, see Section 13 above.

20.9. 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 development of DeepTech and companies engaged in the development of medical devices, 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, 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.

20.10. 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.

20.11. 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 their financial position. Additionally, some of the held companies benefit from grants and incentives under programs of the Innovation Authority and the Investment and Industrial and Economic Development Authority. However, there is no certainty that these benefits will continue in the future, and the terms of the grants may impose restrictions on the companies' activities, such as limitations on international transactions or the requirement to repay grants in cases of non-compliance with the conditions. Given all this, the group companies' dependence on future funding, along with the uncertainty surrounding grants and regulatory incentives, presents a significant risk to their continued operations and financial performance, which could lead to adverse consequences. This would also adversely affect Elron’s financial position and results of operations.

20.12. Risks relating to Intellectual property including exposure to legal claims

As stated in Section 12.2 above, most of the group companies depend significantly on their proprietary technology for their success, especially more particularly those dealing with medical devices and DeepTech (Including defence tech). However, the means of legal protection such as patents, copyrights and trademarks together with non-disclosure agreements and other means of protection do not always provide the required protection in certain countries, among other things since some foreign countries do not provide patent protection and 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. Furthermore, the enforcement process of intellectual property rights may take a long time and require significant expenses, potentially leading to substantial losses and a considerable allocation of managerial attention. Additionally, customers, suppliers, or unauthorized parties may copy or develop similar products, and competitors may create products with technological advantages over those of the portfolio companies. In Elron's cybersecurity and SaaS companies, intellectual property protection is generally based on copyrights, which provide weaker protection compared to patents. The success of these companies, particularly in the cybersecurity and enterprise software sectors, relies less on intellectual property and more on rapid market penetration. As a result, there is a high risk of competitors developing similar products. In such a case, a significant competitive threat may arise, and other companies may file infringement lawsuits, which could adversly impact the Company both financially and operationally. In addition, industries such as medical devices and DeepTech are characterized by numerous legal disputes in the field of intellectual property. 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.

20.13. 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 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.

20.14. The impact of regulations on product development, manufacturing and marketing

The activities of the group companies that develop, manufacture and market products (whether in the fields of DeepTech or medical devices) 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.

20.15. Reimbursement

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 (see Section 23.2 regarding Notal Vision) and 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.

20.16. Conducting clinical trials and Recruitment of candidates for 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, 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. The completion of clinical trials may face additional challenges, particularly in recruiting suitable candidates. A lower-than-expected patient recruitment rate and/or delays in enrolling trial participants may result from various factors, such as a low prevalence of patients meeting the trial criteria, competition among companies for participant enrollment, changes in candidates' willingness to volunteer for the trial, and budget constraints. 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.

Specific Risks

20.17. 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.

20.18. 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.

20.19. 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.

20.20. 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.

20.21. 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 DeepTech as well as 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.

20.22. 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 (as of December 31, 2024, Elron has recorded in its books, an asset in the amount of $18.4 million related to its portion of the contingent consideration). 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.

20.23. 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.

20.24. 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, Zoll Medical Israel Ltd (formerly Kyma Medical Technologies Ltd), Jordan Valley Semi-conductors Ltd, Cloudyn Software Ltd., Cyber Secdo Ltd, Alcide IO Ltd, Imvision Software Technologies Ltd, SecuredTouch Inc., Canonic Security Technologies Ltd, CartiHeal, and SixGill 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.

20.25. 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**
Macro Risks	The state of the global economy and changes in capital markets, including the impact on the ability to raise equity and debt; International operations.	Financial Risks (Interest, Inflation); Iron Swords War	

	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 Company's and 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	The impact of regulations on product development, manufacturing and marketing; Reimbursement.	Risks relating to Intellectual property including exposure to legal claims; Product or Services claims; Conducting clinical trials and Recruitment of candidates for clinical trials
Specific Risks	Changes in the value of the company's holdings; Realization of the Conditions to receive the contingent consideration from CartiHeal's Sale.	Compliance with regulatory requirements and restrictions in several countries; Financing sources, Realizing the potential of the agreement with Rafael; Exposure to liability for representations and escrow deposits in exit transactions	Classification as an "Investment Company" according to U.S. securities law; Risk of a cyber attack

Chapter II: Description of Group Companies

21. Introduction

Below is a description and details regarding the group companies held by Elron as of the reporting date, and which were held by Elron during 2024 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 DeepTech (including defense tech) cyber and SaaS (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 civilian 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, 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 2025, subsequent to the reporting date, RDC's Board of Directors resolved to effect the partial early repayment of a total amount of $5 million of the loan balance granted in March 2021 by Elron and Rafael. Elron's share is $2.5 million. RDC's Board of Directors further resolved to extend the original repayment date under the shareholders' loan agreement by additional three years to March 2029 with the possibility of further extension by up to an additional five years at the discretion of the shareholders. The extension of the loan period until March 2029 is subject to the lenders' consent, as required under the shareholders' loan agreement.

22.6. For details regarding directors’ compensation paid by RDC to Elron and Rafael during 2024, see Note 17.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 and 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, 2024, RDC had 3 employees.

23. Group Companies

Growth Companies

23.1. Cynerio – Develops and markets a security platform to protect health service systems against cyberthreats, particularly medical information infrastructures and systems and medical devices. Through artificial intelligence, Cynerio's platform combines 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’s platform 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 outstanding share capital and approximately 15% on a fully diluted basis.

23.3.1 Entrepreneurs and management

Leon Lerman, CEO and Co-Founder – Leon 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.

23.3.2 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, 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.

23.3.3 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 patent covering Detecting Compromised Medical Devices, which is an algorithm developed by the Company to identify medical devices that may have malicious software installed on them.

23.3.4 The market structure and material competitors

As part of the information received from Scenerio, it was noted that the healthcare cybersecurity market in the U.S. is estimated at approximately $3 billion per year. In the U.S. there are more than 7,000 hospitals and over 915 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.

It was also noted that 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.

23.3.5 Regulation

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

23.3.6 Recent financing rounds

Since its inception and until now, Cynerio has raised approximately $52.5 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 2023 until January 2025, a SAFE agreement was completed for investment in Cynerio in the total amount of approximately $17 million. RDC's share was approximately $3.4 million.

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

23.3.7 R&D expenses and development grants

In 2023 and 2024, the R&D expenses constituted approximately 37% and 36% of Cynerio's total expenses, respectively.

Cynerio received grants from the Israel Innovation Authority and from a support program of the Israeli Ministry of Economy and Industry in the amount of approximately NIS 3.8 million.

23.3.8 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.

23.2. Notal Vision– Develops, manufactures, and provides ophthalmic diagnostic services for home monitoring of patients with age-related macular degeneration (AMD) and vision improvement. Notal Vision offers two products in the field of home ophthalmic diagnostics: ForeseeHome and SCANLY Home OCT.

The first product, ForeseeHome, is a home monitoring solution for patients at risk of progressing from dry age-related macular degeneration (AMD) to the wet form, which may require treatment. The system enables patients to monitor their vision at home, allowing for the early detection of disease signs compared to the existing standard. This product is FDA-approved, covered by U.S. insurers, and contributes to early disease detection and treatment.

The second product, SCANLY Home OCT, is an advanced system that enables wet AMD patients to perform OCT scans at home. The system is equipped with an artificial intelligence (AI) - based analyzer that automatically processes scans and alerts physicians when signs of disease activity are detected, allowing patients to undergo in-clinic evaluations and perform treatment as needed. This product enables personalized disease management. During 2024, the product received FDA approval.

Elron holds approximately 8% of Notal Vision's issued and outstanding share capital and approximately 6% on a fully diluted basis.

18.2.2 Founders and Management

Kester Nahen, CEO, co-led Heidelberg Engineering GmbH in the field of ophthalmic diagnostics for over a decade of strong growth. Prior Dr. Nahen held executive positions at Laserscope in Silicon Valley and was part of the AMS/Laserscope merger team, culminating in selling Laserscope for $715 million in June 2006.

Gidi Benyamini, CTO & Director of innovation center, Industry veteran leading Israeli Hi-Tech companies for 30 years. Technical / clinical leader of ForeseeHome and Home OCT program. Accomplished research partner in international collaborations with academia and pharma. Initiated and successfully executed pivotal ForeseeHome AREDS2-HOME study with the US National Eye Institute.

18.2.2 Notal Vision's current stage

Notal Vision has initiated a soft launch of the SCANLY Home OCT device in the U.S. following FDA approval, allowing the company to begin offering the device to a limited number of patients. A reimbursement code for the product already exists in the U.S., and Notal Vision is currently awaiting approval of the insurance reimbursement for the device’s cost. At this stage, the company is preparing to scale up production of the SCANLY Home OCT to meet the anticipated demand once the reimbursement is established.
Notal Vision believes that securing reimbursement and marketing this product will enable the company to realize its full potential. In parallel, Notal Vision continues to offer the ForeseeHome AMD Monitoring Program in the U.S., which currently serves approximately 8,000 patients and is covered by U.S. insurers.

18.2.2 Intellectual property

Notal Vision has several patents, as detailed in the table below:

Geography	Priority filling date/date	Remarks	Reference number
US	October 2018	Patient chair time reduction through memorized personalized device-alignment	B1 10,595,722
US	February 2020	Broader claims	11,464,408
US	August 2022	Broader claims	11986241
JP	Feb 2019	Patient chair time reduction through memorized personalized device-alignment	7461936
US	June 2019	OCT autofocus with simple, low-cost optical setup	US 10,653,311
US	April 2020	Broader claims	11564564
US	November 2017	Closed loop patient self alignment tool provides ease of use at low cost	10,653,314
US	April 2020	Broader claims	11,389,061
US	June 2022	Broader claims	11723536
EP: CH,DE,FR,GB, IT,ES	April 2018	Closed loop patient self alignment tool provides ease of use at low cost	3675709

Geography	Priority filling date/date	Remarks	Reference number
JP	April 2018	Closed loop patient self alignment tool provides ease of use at low cost	7390099B2
CN	April 2018	Closed loop patient self alignment tool provides ease of use at low cost	ZL201880071973.0
KR	April 2018	Closed loop patient self alignment tool provides ease of use at low cost	10-2661653
CN	November 2017	Ergonomic design enables patient self alignment to device	11,058,299
CN	April 2018	Ergonomic design enables patient self alignment to device	ZL201880071947.8
JP	April 2018	Ergonomic design enables patient self alignment to device	7330993
KR	April 2018	Ergonomic design enables patient self alignment to device	10-2661654

18.2.2 The market structure and material competitors

As of 2024, the AMD market, which includes both the dry and wet forms of age-related macular degeneration, is expanding at an accelerated rate, driven by the aging global population. According to a Grand View Research[9] report, approximately 200 million people worldwide currently suffer from AMD, and the prevalence is expected to rise to 300 million by 2040. Of these cases, around 90% are dry AMD, which is less severe but impacts quality of life, while 10% are wet AMD, which leads to rapid and significant loss of vision.

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[9] Age-related Macular Degeneration Market Size, Share & Trends Analysis Report By Product (Eylea, Lucentis), By Disease (Wet AMD, Dry AMD), By Distribution Channel, By Region, And Segment Forecasts, 2024 - 2030

The wet AMD pharmaceuticals and treatment market is currently valued at approximately $12 billion and is expected to continue growing at a significant annual rate. The dry AMD treatment market is also evolving, with substantial potential for expansion in the coming years due to advancements in pharmaceuticals and technology.

Notal Vision is currently the only provider offering home diagnostic services for early detection of wet AMD with ForeseeHome and the management of wet AMD through SCANLY Home OCT. There are other vendors trying to develop other versions for home-based devices, whereby none known to management is at an advanced stage.

18.2.2 Regulation

As mentioned above, Notal Vision has received FDA approval for both of its developed products.

18.2.2 Recent financing rounds

Since its establishment and up to the filing date, Notal Vision has raised a total of approximately $186 million. For further details, please refer to Note 7.B in the financial report.

18.2.2 R&D expenses and development grants

In 2024 research and development expenses accounted for approximately 30% of Notal Vision's total expenses, respectively.

18.2.2 Strategy and customers

Notal Vision's value proposition lies in managing the disease over its course—starting from disease detection (i.e., the transition from dry to wet AMD) to disease management post-diagnosis - spanning approximately 10 years in the patient's lifetime. The company aims to improve patient outcomes while reducing healthcare system costs. In the initial phase of selling the SCANLY Home OCT product, Notal Vision is focusing on the U.S. market and has built connections with approximately 1,300 retinal specialists, 1,100 optometrists, and 800 general ophthalmologists. Notal Vision is actively working to expand engagement with healthcare professionals and is focused on educating the community to ensure that all stakeholders, including patients, are aware of the benefits of ForeseeHome and SCANLY Home OCT. The goal is to ensure that these services become the standard of care. The SCANLY Home OCT supports anti-VEGF drug treatment models and reduces the treatment burden by tailoring personalized care for each patient. The system is currently being used in clinical trials in collaboration with pharmaceutical companies and medical institutions, demonstrating the benefits of home diagnostics combined with advanced medical treatment in the field of ophthalmology.

It should be noted that Notal Vision's estimates regarding the achievement of the goals and objectives outlined above, and the targets that Notal vision needs to meet to realize them, are forward-looking statements (to the extent they include such information) as defined under the Securities Law. These estimates are based, among other things, on information collected by Notal Vision regarding the market conditions, market potential, competitors, and business strategies, as well as long-term plans and forecasts.

These estimates may not materialize, either in whole or in part, or may materialize differently than anticipated. Factors that could affect whether these estimates are realized, or are realized differently than expected, include errors in data and estimates collected, market changes, workforce-related issues, unforeseen technological or engineering challenges, regulatory issues or changes, intensified competition, including the development of competing technologies and products, and other factors.

23.3. 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 outstanding share capital and approximately 18% on a fully diluted basis.

18.2.2 Entrepreneurs and management

Ron Rabinowitz, CEO – Ron oversees the global financial activity, strategy, investments, reporting, manpower and overall business activity of OpenLegacy. Ron has more than 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 – more than 25 years in the high-tech industry. As Chief Technology and product manager, 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.

18.2.2 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 2025, OpenLegacy expects a significant strengthening in the U.S. and European markets.

18.2.2 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 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.	October 27, 2020	USA
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	July 27, 2021	USA

	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 terminate the outer non-persistent session.		

18.2.2 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[10].

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

[10] https://www.nasdaq.com/articles/ipaas-emerges-as-the-dominant-platform-for-automation-and-integration?utm_source=chatgpt.com

(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.

18.2.2 Information security

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

18.2.2 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.

18.2.2 R&D expenses

In 2023 and 2024, the R&D expenses (including the product development team) constituted approximately 29% and 30% of the total expenses, respectively.

18.2.2 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.

Over the past two years, OpenLegacy has invested significant efforts to strengthen its relationships with global OEM/ISV and SI partners, and it expects significant developments in 2025 regarding the signing of long-term agreements with key players in the global public cloud market.

Additionally, OpenLegacy has strengthened its presence on the AWS, GCP, and Azure platforms, which led to 10 new and renewed deals within these platforms during 2024, compared to 2023, when OpenLegacy had only one client that purchased a license within the AWS platforms.

It 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.

23.5 Edge – has developed and markets a digital advertising platform for ad networks. Elron holds approximately 24% of Edge's issued and outstanding share capital and approximately 16% on a fully diluted basis. Edge is a technology provider offering mobile advertisers a performance platform (DSP) for acquiring engaged users through advanced artificial intelligence and machine learning algorithms, both on mobile platforms and connected TV (CTV) platforms.

23.6 Atlantium – Develops, manufactures, and provides water disinfection solutions using ultraviolet (UV) rays. Elron holds approximately 6% of Atlantium's issued and outstanding share capital and about 5% on a fully diluted basis.

Early Growth Companies

23.7 Zengo – Develops and markets a cryptocurrency wallet application that enables the storage, conversion, and trading of various types of cryptocurrencies. The solution is aimed at end users and is marketed through several channels: direct marketing, marketing channels, and collaborations with companies operating in the cryptocurrency market.

Zengo's competitive advantage lies in the combination of ease of use and simplicity with the implementation of high-level security and cyber protection. Zengo's technological infrastructure is based on algorithms from the field of MPC (multi-party computation), which prevents security failure points without compromising the user experience.

Since its establishment, Zengo has raised approximately $30 million. The latest fundraising round took place in November 2024, totaling about $5 million, led by a strategic investor, Tether, with the participation of existing investors in the company (Elron's share was approximately $0.4 million). As part of the investment agreement, the remaining SAFE investment made in 2023, totaling about 3.7 million, was converted. For additional information on these financing rounds, see Note 7.C of the Financial Statements.

Elron holds approximately 8% of Zengo's issued and paid-up capital and approximately 7% on a fully diluted basis.

23.8 Tamnoon – Develops a managed service based on technology to address security gaps in cloud infrastructure. The service combines artificial intelligence technology with human expertise to enhance the security level of cloud infrastructures for its clients. Tamnoon integrates technological automation with human supervision to help organizations identify, prioritize, and fix cloud security risks efficiently and quickly.

In June 2023, RDC made its first investment of $0.6 million in Tamnoon. In July 2024, an investment agreement was signed with Bright Pixel Capital leading the round, and existing shareholders participating in an investment of $12 million (RDC’s share in the investment was approximately $1.2 million). For more details about these financing rounds, refer to Note 7.E in the Financial Statements.

RDC holds approximately 7% of Tamnoon's issued and outstanding share capital and about 5% on a fully diluted basis.

23.9 Red Access – Develops and provides an organizational platform for secure internet browsing and remote access, protecting against attacks and data leaks through these channels. Red Access's solution is easy to maintain and provides a pleasant user experience as it doesn't require agent installation and supports all browsers, web-based apps, and device types. The platform is suitable for all environments, particularly hybrid work environments, and enables organizations to maintain security without changing work processes or existing infrastructures.

In January 2025, subsequent to the reporting date, Red Access completed a investment agreement with participation from existing and new investors totaling approximately $14.6 million (RDC's share in the investment was about $2 million). Additionally, as part of this investment agreement, the remaining balance of the SAFE agreement from April was converted, which RDC's share amounting to $0.7 million.

For more details regarding Red Access's investment agreement, refer to Note 3.B.2.g) in the Financial Statements.

23.10 Nitinotes –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-in-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 a pilot trial with 45 patients at three medical centers in Europe and Israel with 12 months' follow-up period.

In 2023, Nitinotes commenced an additional trial with 38 patients in Europe, focusing on comorbidities associated with obesity in all patients which included a 12-month follow-up period for the patients. In 2024, the follow-up for the patients was completed.

The development and marketing approval of Nitinotes' product are subject to the regulatory requirements and approval processes outlined in section 17.3 above. In 2025, Nitinotes plans to complete the submission of the CE marketing approval application for the Endozip product in Europe. Additionally, Nitinotes is working towards obtaining IDE approval to conduct a pivotal trial in the U.S. to support the submission of an FDA approval application.

Since its establishment, Nitinotes has raised approximately $33 million. The most recent financing round took place in September 2023, in which $6 million was invested in Nitinotes by existing and new shareholders, in consideration for preferred shares. Elron did not participate in this investment. In December 2024, a SAFE investment of $9 million was completed (Elron’s share was $0.2 million). for further details see Note 7.F to the Financial Statements.

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

It should be noted that Nitinotes’s above estimates are forward-looking information based on Nitinotes’s estimates and information available to Nitinotes as of the reporting date. 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 unexpected developments in the clinical trials or their results, negative clinical trial results, unexpected regulatory problems, regulatory changes, and work plan modifications.

23.11 <u>BrainsGate –</u> Develops a platform for treating central nervous system diseases using minimal invasiveness. The platform is based on electrical stimulation of a small nerve center behind the nasal cavity, using a tiny electrode. Elron holds approximately 28% of BrainGate's issued and outstanding share capital and about 25% on a fully diluted basis. Between 2011-2018, BrainGate conducted the ImpACT-24B trial, a randomized, controlled, double-blind clinical trial involving 1,000 patients, to demonstrate the safety and efficacy of BrainGate's ISS system intended for the treatment of cortical ischemic stroke. In February 2022, the FDA responded that BrainGate's marketing approval application could not be approved and that additional clinical data and substantiation were required for approval. For more details, see the company's immediate reports from December 11, 2021 and February 10, 2022.

BrainsGate has met with the FDA several times to reach an agreement on the clinical trial protocol for submitting a marketing approval application for an updated indication aimed at reducing disability in ischemic stroke patients treated with neurothrombectomy. BrainsGate will require additional time and resources, which cannot yet be estimated at this stage.

23.12 Sayata **–** 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. RDC holds approximately 20% of Sayata's issued and outstanding share capital, and approximately 18% on a fully diluted basis.

23.13 NDrip – Develops and provides a drip irrigation system that operates without the need for energy, offering precise irrigation that enables water and energy savings while improving crop yield and reducing costs

Since its inception and until now, NDrip has raised approximately $97 million. In October 2024, an approximately $12 million investment agreement was signed in NDrip, with the participation of existing investors in consideration for preferred shares. RDC's share was approximately $250 thousand.

For more details, see note 7.D to the Financial Statements RDC holds approximately 2% of NDrip's issued and outstanding share capital and about 1% on a fully diluted basis.

Early Stage Companies

23.14 Scribe – Developing a software supply chain assurance solution, that secures the software supplier's digital assets throughout the different stages of software development. In October 2024, a SAFE investment agreement was signed with Scribe with the participation of existing shareholders, totaling approximately $1.25 million (with RDC's share being $0.5 million). For more details, see note 3.B.2.f to the Financial Statements. RDC holds approximately 18.5% of Scribe's issued and outstanding share capital, and approximately 17% on a fully diluted basis.

23.15 Cyvers – 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.h to the Financial statements). Elron holds approximately 26% of Cyvers's issued and outstanding share capital and approximately 24% on a fully diluted basis.

23.16 Wonder Robotics – Develops autonomous vertical and horizontal awareness solutions for drones and has started selling its first product for autonomous landing in both the defense and civilian markets. In 2022, RDC completed its first investment of approximately $2 million in Wonder Robotics. In October 2024, RDC invested an additional $0.3 million in Wonder Robotics. For more details, see note 3.B.2.k to the Financial Statements. RDC holds approximately 27% of Wonder Robotics's issued and paid-up capital and about 22% on a fully diluted basis.

23.17 Creednz – 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.i to the Financial statements. RDC holds approximately 16% of Creednz's issued and outstanding share capital and approximately 14% on a fully diluted basis.

23.18 Breeze – 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.j to the Financial statements. RDC holds approximately 13% of Breeze's issued outstanding share capital and approximately 12% on a fully diluted basis.

23.19 Bark – Developing a revenue optimization platform for e-commerce merchants. In July 2022, Elron completed its initial investment (SAFE) in Bark. During the years 2023 and 2024, Elron invested total of approximately $0.5 million in Bark. see note 7.G to the Financial Statements.

ELRON VENTURES LTD.

Periodic report for 2024

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, 2024

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

1.1. Company Description

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.

The Company is a "Small Corporation", within the meaning of Regulation 5C of the Securities Regulations (Periodic and Immediate Reports), 5730-1970 (hereinafter: "Periodic and Immediate Reports Regulations") . In accordance with, on April 18, 2024, the Company's Board of Directors elected to adopt the reliefs available to a small corporation, that are listed in the Periodic and Immediate Reports Regulations, detailed below: (1) Reporting according to a semi-annual reporting format (2) An exemption from publishing a report on internal control and the auditor's report on internal control; (3) Raising the significance threshold in connection with the valuation, to 20%; (4) Raising the threshold for the attachment of significant associate statements to interim reports, to 40%; (5) Approval of financial statements by the Company's Board of Directors only (and without the need for Audit Committee approval); And (6) An exemption from the application of the provisions of the second addendum to the Periodic and Immediate Reports Regulation, in connection with details regarding exposure to market risks and ways of managing them ("the Galay report"). For further details see Elron's Immediate Report from April 21, 2024, the contents of which is included in this report by way of reference.

1.1.1. General

Elron Ventures Ltd. ("Elron", the "Company") is an operational technological holding company that focuses on building technology companies. Elron's current group of companies includes companies in various stages of development that are engaged in various technological fields, mainly cybersecurity, software (SaaS) and medical devices, while pursuing investment opportunities in technology companies, mainly in the fields of deep technologies (deep tech, including defense tech), cybersecurity, and software (SaaS). Elron's principal shareholder is Arieli EL Ltd. ("Arieli") (which as of the date of publication of these reports holds 59.01% of the Company.

On September 4, 2024, a transaction was completed for the sale of the entire holdings of Discount Investment Corporation ("DIC"), which until that date was considered the controlling shareholder of the Company to Arieli. Arieli, is a private company incorporated in Israel. For further details regarding the sale transaction, see Section 2.2 of Part A of this periodic report.

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, 2024 (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 build and realize value for its shareholders through the sale of a portion or all of its holdings to third parties, or the issuance of shares by any of its group companies, while simultaneously pursuing the acquisition of, or investment opportunities in technology companies in Israel and globally.

Furthermore, on January 12, 2025, subsequent to the reporting date, the Company's Board of Directors decided, for the first time, on a dividend distribution policy.

For details regarding Elron's Business Objectives and Strategy and the dividend distribution policy, see Sections 19 and 5.3 of Part A of this periodic report.

1.1.3. RDC

As part of its current business strategy, Elron examines a broad range of cooperation and investment proposals, 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 leverage 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. In addition, RDC has also 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.

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.
- **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.
- **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).
- **RA Red Access Security Ltd. (21% by RDC) ("Red Access") –** Red Access provides cyber protection to organizations for safe internet browsing and access to cloud resources.
- **Tamnoon Inc. (7% by RDC) ("Tamnoon")** - Tamnoon is developing a technology-driven managed cloud protection service.
- **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.
- **Scribe Security Ltd. (18% by RDC) (“Scribe”) -** Scribe is developing a software supply chain assurance solution, that secures the software suppliers and manufacturers of digital assets throughout the different stages of software development.
- **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.

- **Wonder Robotics Ltd. (27% by RDC) ("Wonder Robotics ") -** Wonder Robotics develops autonomous vertical and horizontal awareness solutions for drones in both the defense and civilian markets.
- **ZenGo Ltd. (8%) (“ZenGo”)** – ZenGo develops and provides a secure crypto wallet that doesn't compromise between security and user experience.
- **Edge226 Ltd. (24%) ("Edge")-** Edge has developed and markets a digital advertising platform for ad networks.
- **Creednz Ltd. (16% by RDC) (“Creednz”)** - Creednz is developing a fraud detection and prevention solution in B2B payment process, enabling businesses to conduct transactions securely and prevent financial losses.
- **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.
- **Bark A.I. Ltd. (investment through SAFE) ("Bark**") - Bark is developing a platform for revenue optimization and other operational parameters for organizations engaged in digital commerce (E-commerce).
- **N-drip Ltd. (2% 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.
- **Notal Vision Inc. (8%) ("Notal Vision")** - Notal Vision develops and provides ophthalmic diagnostic services for managing age-related macular degeneration (AMD) and improving vision outcomes.
- **Nitinotes Ltd. (14%) ("Nitinotes")** - Nitinotes is developing a minimally invasive endoscopic procedure for treatment of obesity.
- **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.

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.

Elron Ventures Ltd.
Part II
English Translation of Board of Directors Report
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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 in Part A of this periodic report.

1.2. <u>Description of Operation in the Year of 2024 and Subsequently</u>

1.2.1. Exit Transactions

- **CartiHeal (2009) Ltd ("CartiHeal") -** Further to section 18.2 in Part A of this Periodic Report and Note 3.B.2.a) to the 2024 Financial Statements of 2024, with regard to the sale transaction 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, 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 was approximately $88 million, comprised of: (1) Immediate Consideration amounting to approximately $48 million which was received in January

2024 (of which approximately $5 million will be held in escrow for 12 to 18 months, and half of it was received in January 2025, subsequent to the reporting date) 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 recognized as part of its 2024 Financial Statements, 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 $20 million 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 recognized a net gain of approximately $3 million.

As of December 31, 2024, the Company used the assistance of an independent appraiser in order to estimate the fair value of the Contingent Consideration. The fair value of the contingent consideration was estimated at approximately $18.4 million, resulting in a loss of approximately $1.5 million recognized during 2024. For further details, see Note 3.B.2.a to the Financial Statements.

- **SixGill Ltd. ("SixGill")** - On November 14, 2024, Sixgill and its shareholders (including Elron) signed a binding agreement with BitSight Technologies, Inc. ("BitSight" or the “Acquirer") for the sale of the entire share capital of Sixgill (the “Transaction"), and in December 2024, the conditions precedent for the Transaction have been fulfilled and the transaction was completed

  Elron's share of the total consideration amounted to approximately $22 million, comprised of immediate consideration in the amount of approximately $21.5 million paid upon closing of the Transaction (of which approximately $2.3 million was deposited in escrow for a period of 12 months mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions) and consideration to be paid in Acquirer' shares valued as of December 31, 2024 at approximately of $0.5 million. Following the transaction, Elron recognized a gain of approximately $20.6 million under line item gain from sale, revaluation, realization of activities, and change in holding percentage in investee companies, net in the statement of income. For further details, see Note 3.B.2.b) to the Financial Statements.

- **IronScales Ltd. ("IronScales")** - On November 2024, RDC (through RDSeed Ltd, a fully owned subsidiary of RDC) signed a binding agreement to sell its entire holdings in IronScales to PSG Equity LLC, an existing shareholder in IronScales (the "Transaction"), for approximately $25.5 million. In January 2025, subsequent to the reporting date, the Transaction was completed and the aforementioned consideration was received.

  As a result of the above, and based on the consideration from the Transaction, the fair value of the investment in IronScales was estimated at approximately $25.5 million, resulting in a consolidated gain of approximately $19.6 million, recorded under the line item Gain from sale, revaluation, realization of activities, and change in holding percentage in investee companies, net in the statement of income (gain attributable to Elron's shareholders amounted to approximately $9.8 million). In addition, tax expenses of approximately $4.5 million (approximately 2.25 million attributable to Elron's shareholders) were recorded against an increase in deferred tax liabilities (attributed to the increase in the gap between the carrying amount of the investment in IronScales in Elron's books and its tax basis).

  Following the Transaction, and in accordance with the provisions of International Financial Reporting Standard 5 ("IFRS 5"), the investment in IronScales was classified as an asset held for sale in the statement of financial position as of December 31, 2024. For further details, see Note 7.a) to the Financial Statements.

1.2.2. Investments

During 2024, Elron (directly and through RDC) invested approximately $5 million in the Group Companies. For further details see section 1.4 below and Notes 3 and 7 to the Financial Statements.

- **Tamnoon** - In July 2024, an investment agreement in Tamnoon in an amount of $12 million was completed, with the participation of new and existing shareholders of Tamnoon, in consideration for preferred shares. RDC's share in the total investment was approximately $0.7 million. In October 2024, RDC invested an additional $0.5 million as part of the aforementioned investment round. For further details, see Note 7.E to the Financial Statements.
- **Bark** - In July 2024, SAFE (Simple Agreement for Future Equity) investment in Bark was completed. Elron's share in the investment amounted to approximately $0.3 million. For further details, see Note 7.G to the Financial Statements.
- **Red Access** - In January 2025, subsequent to the reporting date, an investment agreement in Red Access was signed with the participation of existing and new shareholders, in the amount of $14.6 million, in consideration for preferred shares. RDC's share was approximately $2 million. In addition, a SAFE balance from April 2024 was converted into the said round. RDC's share in the SAFE was $0.7 million. For further details, see Note 3.B.2.g) to the Financial Statements.
- **Scribe** - In October 2024, a SAFE investment in Scribe from October 2023 was extended, with the participation of existing shareholders, and an additional amount of approximately $1.3 million was invested .RDC's share in the investment was approximately $0.5 million. For further details, see Note 3.B.2.f) to the Financial Statements.
- **Wonder Robotics** - In November 2024, an investment agreement from January 2022 was further extended, and an additional amount of approximately $0.4 million was invested in consideration for preferred shares. RDC's share was approximately $0.3 million. For further details, see Note 3.B.2.k) to the Financial Statements.
- **Zengo** - In November 2024, an investment agreement in an amount of approximately $5 million led by strategic investor, Tether and with the participation of existing investors in consideration for preferred shares was completed. Elron's share in the investment was approximately $0.4 million. In addition, a SAFE balance from June 2023 in the total amount of $3.7 million was converted into preferred shares (Elron's share was approximately $50 thousand). For further details, see Note 7.C to the Financial Statements.
- **Cynerio** - In December 2024 and January 2025, subsequent to the reporting date, a SAFE agreement from 2023 was further extended, and an additional amount of $2 million was invested in Cynerio. RDC's share was approximately $0.75 million, which was invested during December 2024. For further details, see Note 3.B.2.e) to the Financial Statements.
- **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 (and mainly in early growth companies), with Elron's financing and involvement. Cyber Future invests and supports young and promising startups via a unique investment and operational model. During 2024, Cyber Future, invested in several young startup companies, an amount of approximately $0.3 million. For further details, see Note 3.B.2.o) of Part A of this periodic report.

1.2.3. Financing and Distribution

Dividend distributions:

- In January 2024, 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, 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 of $35 million, out of which a total amount of $34.6 million is not out of the Company's profits. Such additional dividend distribution was subjected to the Court's approval pursuant to Section 303 of the Companies Law, 1999 ("Companies Law") and as well as to a further separate approval of the Board of Directors, subject to the Board's full discretion. In May 2024, the Court approved the request for a dividend distribution in the amount of $35 million. The court's approval was valid for a period of six months from the date of its receipt.

  After several discussions by the Audit Committee and the Board of Directors, on July 3, 2024, the Company's Board of Directors decided, pursuant to the Company's Audit Committee's decision of June 30, 2024, that it was in the Company's best interest at that time not to make a distribution.

  Following several discussions by the Audit Committee and the Company's Board of Directors, on July 3, 2024, the Board of Directors, further to the resolution of the Audit Committee dated June 30, 2024, decided that it would be in the best interest of the Company at that time not to proceed with the distribution.

  In light of the fact that the court's approval for the distribution was valid until November 2024 (the "Approval Expiration Date"), the Company's Board of Directors resolved to conduct a renewed assessment regarding a potential distribution prior to the Approval Expiration Date, at its sole discretion. Since the Court's approval for the distribution was granted until November 2024 (hereinafter: the "Approval Expiration Date"), the Company's Board of Directors decided that it would conduct a re-examination of a possible distribution before the Approval Expiration Date, all at its sole discretion and in accordance with any law.

  On October 8, 2024, before the Approval Expiration Date, the Company's Board of Directors convened and decided to distribute a cash dividend to the Company's shareholders in a total amount of $15 million. The aforementioned dividend amount was comprised of two components as follows: (a) a component that does not meet the profit test (as defined in the Companies Law) in the amount of approximately $5.6 million (approximately $0.10656 per share), and (b) a dividend component out of distributable profits in the amount of $9.4 million, which was distributed from the Company's retained earnings (approximately $0.17781 per share). In November 2024, the dividend was distributed to the Company's shareholders that held share as of October 21, 2024. For further details see Elron's Immediate Report from October 9, 2024 (reference number: 2024-01-609642 and 2024-01-609643), the contents of which is included in this report by way of reference.

  On January 12, 2025, the Board of Directors approved, for the first time, a Dividend Distribution Policy. For more details, see Section 5.3 in Part A of this periodic report.

  In March 27, 2025, subsequent to the reporting date, a cash dividend was announced in the amount of $8.782 million to the Company's shareholders (which constitute approximately USD 0.16613 per share). The dividend will be distributed from the Company's surplus reserves, after the company's Board of Directors has examined the company's compliance with the profit test and the solvency test, and confirmed that the distribution will not impair the Company's ability to meet its overall obligations and/or its existing operational structure. The remaining profits eligible for distribution under the profit test according to Section 302 of the Companies Law, 1999, as of the approval date of the distribution (before the approval of the distribution as mentioned), amounted to $8.782 million (which is the amount of the aforementioned distribution). The distribution is based on the proceeds from the sale of SixGill, which was completed in 2024, and was not included in the Company's dividend distribution policy (as approved by the Company's Board of Directors in January 2025, subsequent to the reporting date, as detailed in Section 5.3 of Part A of this periodic report, "Dividend Distribution Policy"). It also includes an early distribution based on the proceeds received from the sale of Ironscales, which was completed in January 2025, subsequent to the reporting date, and was included in the Company's dividend distribution policy (and for the avoidance of doubt, no additional distribution will be made regarding this sale).

Additionally, at the time of the approval of the distribution, the Company's Board of Directors directed that preparations be made to examine a further distribution of approximately $6.5 million, not out of profits, which will be used for an additional dividend distribution (and possibly also partly for a share repurchase). A request for such a distribution to the court will be examined by the company's board of directors, and if approved, it will be subject to court approval in accordance with Section 303 of the Companies Law, 1999 ("Companies Law"), as well as additional approval by the company's Board of Directors.

Financing and liquid resources:

- As of the date of filing this report, Elron's and RDC's non-consolidated liquid resources amounted to approximately $47.9 million and $37.1 million, respectively. These amounts include RDC's bank deposits in the amount of approximately $31.6 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) to the Financial Statements, in March 2025, subsequent to the reporting date, RDC's Board of Directors resolved to effect the partial early repayment of a total amount of $5 million of the loan balance granted in March 2021 by Elron and Rafael. Elron's share is $2.5 million. RDC's Board of Directors further resolved to extend the original repayment date under the shareholders' loan agreement by additional three years to March 2029 with the possibility of further extension by up to an additional five years at the discretion of the shareholders. The extension of the loan period until March 2029 is subject to the lenders' consent, as required under the shareholders' loan agreement.

1.2.4. Personnel

Changes in the Company's management

- On November 17, 2024 Mr. Yaron Elad who served as the CEO of the Company (the “Former CEO”), and Mr. Elik Etzion, who served as VP Cyber announced their intentions to end their roles. They officially completed their terms on February 17, 2025, subsequent to the reporting date.
- On January 12, 2025, subsequent to the reporting date, the Company’s Board of Directors approved the appointment of Mr. Yaniv Shnieder as the Company's CEO, effective as of February 18, 2025. On March 5, 2025, the Company published a General Meeting notice (reference number: 2025-01-014867) in order to approve the terms of the CEO's tenure (Including option grant, as detailed below).
- On February 24, 2025, subsequent to the reporting date, the Company's Board of Directors approved the appointment of Mrs. Rony Gur Arie as the Company’s CFO effective from the date of approval. Prior to this, she served as VP Finance.

Appointment and approval of the terms of engagement of the Chairperson of the Company

- On September 4, 2024, upon the completion of change of control in the company, Mr. Dan Hoz informed the company of the termination of his term as Chairperson of the Board of Directors. After the termination of his term as Chairman of the Board of Directors, Mr. Hoz continued to serve as a director in the company. In addition, on the same date, Mrs. Lisya Bahar Manoah was appointed as the active Chairperson of the Company's Board of Directors, with a position scope of 80%.

In January 2025, subsequent to the reporting date, the Annual 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 Mrs. Lisya Bahar Manoah as an active Chairperson of the Company's Board of Directors. For further details, see the meeting notice published by the Company (reference number: 2024-01-627686), Immediate report on the results of a meeting published by the company (reference number: 2025-01-002538), the contents of which is included in this report by way of reference and section 8.2.A of Part D of this periodic report.

Options for Employees

- On September 4, 2024, upon the change of control of the Company (as described in Section 1.1.1 above), the conditions for the acceleration of the vesting of 197,877 options granted to the Company's Former CEO, 215,367 options to the Company's then Chairman, Mr. Dan Hoz, and 332,901 options granted to officers of the Company and its subsidiary RDC were met. For further details, see Note 11.D to the Financial Statements.

- On February 24, 2025, subsequent to the reporting date, the Company's Board of Directors also approved the grant of 415,121 options to the Company's CEO as part of his terms of tenure and according to the compensation policy. As of the date of publication of this report, the grant of options to the CEO has not yet been completed and is subject to the approval of the General Meeting, scheduled for April 10, 2025. 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.

1.2.5. Shelf Prospectus

- On March 28, 2024, the Israeli Securities Authority approved an extension of the permit of the Company's shelf prospectus in effect until April 12, 2025. For further details see the Company's Immediate report from March 28, 2024 (reference number: 2024-01-028759), the contents of which is included in this report by way of reference.

1.3. Results of Operations

1.3.1. Elron's main annual operating results

	For the year ended December 31,		
	2024	2023	2022
	Audited		
	$ thousands		
Gain (loss) attributable to Elron's shareholders	22,577	(8,174)	69,524
Basic gain (loss) per share attributable to Elron's shareholders (in $)	0.43	(0.16)	1.34
Diluted gain (loss) per share attributable to Elron's shareholders (in $)	0.42	(0.16)	1.28

As previously mentioned, the gain (loss) attributable to Elron's shareholders mainly comprises of: I) Elron's share in the net 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,		
	2024	2023	2022
	$ thousands		
Losses in respect of Group Companies:			
Elron's share in net losses of Group Companies, net	(3,796)	(10,683)	(12,990)
Excess cost amortization	(854)	(3,223)	(705)
Total	(4,650)	(13,906)	(13,695)
Gain from disposal and revaluation of investee companies and changes in holdings, net**	32,339	10,084	89,307
Corporate operating expenses	(3,123)	(2,868)	(4,235)
Taxes on income, net	(2,640)	(817)	(892)
Other***	651	(667)	(961)
Gain (loss) attributable to shareholders	22,577	(8,174)	69,524

*)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 which was canceled during 2023. For further details, see Note 3.B.2.a) to the Financial Statements.

***) Include a non-cash accounting expense related to a share based payment. In 2024, including a run-off policy as described in Section 2.1.1 below.

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

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

As previously mentioned, most of the Group Companies are technology companies which have not yet generated significant revenues, if at all, and which invest considerable resources in research and development and in marketing activities. According to accounting principles, these companies' investments in the development of their products are recorded as they occur in their statement of income as an increase in R&D expenses. Therefore, as the Group Companies increase their investments in order to develop their products and advance their business, they cause Elron to record greater losses in respect of its share in their losses.

The loss Elron recorded during 2024 in respect of its share in the losses of Group Companies (net of non-controlling interests) mainly resulted from the losses of SixGill, whose sale was completed during December 2024 (see section 1.2.1 above) as well as from Cyvers, Sayata, Cynerio and Scribe. This was partially offset by Elron’s share in the gain from the investment in Edge.

The loss Elron recorded during 2023 in respect of its share in the losses of Group Companies (net of non-controlling interests) mainly resulted 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) mainly resulted from the losses of Pocared Diagnostics Ltd. (“Pocared”), SixGill, Sayata and Canonic Security Technologies Ltd. (“Canonic”).

Excess cost amortization:

The excess cost amortization of its Group Companies (net of non-controlling interests) during 2024 resulted mainly from the excess cost amortization of SixGill and in 2023 mainly from CartiHeal and SixGill (who were sold during 2024).

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

Gain and loss from disposal, revaluation, realization of operation of group companies, and changes in holdings during 2024 resulted mainly from:

- An approximately $20.6 million gain recorded as a result of the sale of SixGill (see section 1.2.1 above and Note 3.B.2.b) to the Financial Statements);
- An approximately $10 million gain recorded as a result of increase in the fair value of the remaining investment in IronScales, after signing a binding agreement In December 2024 (see section 1.2.1 above and Note 7.a) to the Financial Statements);
- An approximately $3.0 million gain recorded as a result of the completion of the sale transaction of CartiHeal (see section 1.2.1 above);
- An approximately $1.5 million loss recorded as a result of an decrease in the value of the contingent consideration from the sale of CartiHeal (see section 3.2 below);
- An approximately $1 million gain recorded as a result of the sale of Coramaze Technologies GmbH. ("Coramaze", see note 3.B.2.i) to the Financial Statements);
- An approximately $1.1 million loss recorded as a result of decrease in the fair value of the investment in N-drip;
- An approximately $0.5 million loss recorded as a result of decrease in the fair value of the investment in Sidetalk Ltd. ("Sidetalk")

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 following the sale transaction that was canceled during 2023, and interest income attributed to the Deferred Consideration from the CartiHeal Transaction that was canceled (see 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;
- 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.
- 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 transaction of CartiHeal that was canceled during 2023.
- An approximately $4.2 million loss recorded as a result of decrease in the fair value of the investment in ZenGo.
- 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).

III) Corporate operating expenses

Corporate operating expenses mainly include general and administrative expenses. The decrease in corporate operating expenses in 2024 and 2023 compared with 2022 resulted mainly due to cost saving and efficiency measures that the Company implemented.

IV) Taxes on Income

Tax expenses in 2024 mainly resulted from Elron's share of the tax expenses recorded by RDSeed Ltd. ("RDSeed") following the sale of its entire holdings of IronScales shares (increase in deferred tax liability attributed to a temporary difference in IronScales which is measured at fair value through profit and loss). Tax expenses in 2023 and 2022 mainly resulted from the sale of CartiHeal.

1.3.2. Analysis of the consolidated statements of profit and loss

	2024	2023	2022	
		Audited		
		$ thousands		Explanation
Gain from disposal and revaluation of group companies, and changes in holdings, net	41,285	11,357	84,212	In 2024, this item mainly included gain in the amount of approximately $20.6 million recorded from the sale of SixGill (see section 1.2.1 above), an approximately $19.6 million recorded as a result of an increase in the fair value of the remaining investment in IronScales after signing a binding sale agreement (see section 1.2.1 above), an approximately $3 million gain recorded as a result of the completion of the sale of CartiHeal (see section 1.2.1 above), partially offset by an approximately $1.5 million loss recorded as a result of decrease in the value of the contingent consideration from the sale of CartiHeal and an approximately $2.2 million loss recorded as a result of decrease in the fair value of the investment in N-drip. In 2023, this item mainly included gain in the amount of approximately $6.9 million recorded from the sale of Canonic, $2.3 million gain recorded as a result of the return of CartiHeal shares following the sale transaction that was canceled during 2023 (see Note 3.B.2.a) to the Financial Statements), 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, an approximately $0.6 million gain recorded due to an increase in the fair value of the investment in N-drip, which were partially offset by $1 million loss recorded due to a decrease in the fair value of the investment in AudioBurst. In 2022, this item mainly included: an approximately $92.5 million gain resulted from CartiHeal sale to Bioventus that was canceled, $4.6 million loss recorded from the impairment of the investment in Pocared and approximately $4.15 million net loss recorded due to a decrease in the fair value of the investment in ZenGo.
Financial income	3,170	4,728	6,380	Financial income in 2024 resulted mainly from interest income from deposits and debentures in the amount of approximately $2.5 million and from USD-NIS exchange rate fluctuations in the amount of $0.6 million.

	2024	2023	2022	
		Audited		
		$ thousands		**Explanation**
				Financial income in 2023 resulted mainly from interest income in the amount of approximately $2.8 million from the Deferred Consideration from the sale of CartiHeal that was canceled during 2023, and from interest income on deposits and debentures in the amount of approximately $1.8 million. Financial income in 2022 resulted mainly from interest income in the amount of approximately $4 million from the Deferred Consideration from the sale of CartiHeal to Bioventus, interest income on deposits and debentures in the amount of $1.3 million and from USD-NIS exchange rate fluctuations in the amount of $1.1 million.
Total income	44,455	16,085	90,592	
General and administrative expenses	5,841	5,907	7,806	See analysis of Elron's and RDC's operating expenses below.
Equity in losses of associates	8,106	19,175	21,876	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 2024 as compared with 2023 resulted mainly from the sale transaction of CartiHeal in January 2024 (see section 1.2.1 above) and from a $1.9 million gain attributed to the investment in Edge. 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.

	2024	2023	2022	
		Audited		
		$ thousands		**Explanation**
Financial expenses	616	737	1,291	Financial expenses in 2024 and 2023 resulted mainly from interest expenses in respect of the loan granted to RDC by Rafael. Financial expenses in 2022 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.
Other expenses	386	-	-	Other expenses in 2024 resulted from the purchase of Run-off insurance policy (see section 2.1.1 below).
Total expenses	14,949	25,819	30,973	
Gain (loss) before taxes on income	29,506	(9,734)	59,619	
Taxes on income, net	(4,922)	(1,257)	(892)	Tax expenses in 2024 are mainly attributed to the sale of IronScales. Tax expenses in 2023 and 2022 are mainly attributed to the gain of the sale of CartiHeal.
Net gain (loss)	24,584	(10,991)	58,727	
Gain (loss) attributable to the Company's shareholders	22,577	(8,174)	69,524	
Net income (loss) attributable to non-controlling interests	2,007	(2,817)	(10,797)	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. The income attributable to non-controlling interests in 2024, resulted mainly from the share of the non-controlling interests in the increase in the fair value of the remaining investment in IronScales (after signing a binding sale agreement as described in section 1.2.1 above) which was partially offset by the share of the non- controlling interest in the loss recorded by RDC in respect of the losses of its associates.

	2024	2023	2022	
		Audited		
		$ thousands		**Explanation**
				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.
Basic gain (loss) per share attributable to the Company's shareholders (in $)	0.43	(0.16)	1.34	
Diluted gain (loss) per share attributable to the Company's shareholders (in $)	0.42	(0.16)	1.28	

Analysis of the consolidated operating expenses

Operating expenses in 2024, 2023 and 2022 amounted to $5,841, $5,907 and $7,806 thousand, respectively, and comprised mainly of general and administrative expenses of Elron's and RDC operations, as detailed below:

	2024	2023	2022	
	$ thousands			Explanation
Corporate	3,603	3,619	5,080	The decrease in 2024 and 2023 compared with 2022 resulted mainly from decrease in headquarters expense following cost saving and efficiency measures that the Company implemented (as mentioned above).
RDC	2,238	2,288	2,726	The decrease in 2024 and 2023 compared with 2022 resulted mainly from decrease in headquarters expense following cost saving and efficiency measures that the Company implemented (as mentioned above).
Total	5,841	5,907	7,806	

1.3.3. Main half year results of Elron

	Six months ended	
	June 30, 2024	December 31, 2024
	Unaudited	
	$ thousands	
Net gain attributable to the Company's shareholders	698	21,879
Basic net gain per share attributable to the Company's shareholders (in $)	0.01	0.42
Diluted net gain per share attributable to the Company's shareholders (in $)	0.01	0.41

	Six months ended	
	June 30, 2023	December 31, 2023
	Unaudited	
	$ thousands	
Net gain (loss) attributable to the Company's shareholders	(236)	(7,938)
Basic and diluted net gain (loss) per share attributable to the Company's shareholders (in $)	(0.00)	(0.16)

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:*

	Six months ended	
	June 30, 2024	December 31, 2024
	Unaudited	
	$ thousands	
Elron's share in net losses of Group Companies	(4,441)	(209)
Gain from disposal and revaluation of group companies, and changes in holdings, net	5,829	26,510
Corporate operating expenses	(1,267)	(1,856)
Taxes on income	(17)	(2,623)
Other**	594	57
Gain attributable to the Company's shareholders	698	21,879

	Six months ended	
	June 30, 2023	December 31, 2023
	Unaudited	
	$ thousands	
Elron's share in net losses of Group Companies	(6,428)	(7,478)
Gain (loss) from disposal and revaluation of group companies, and changes in holdings, net***	7,903	2,181
Corporate operating expenses	(1,273)	(1,595)
Taxes on income	(36)	(781)
Other**	(402)	(265)
Loss attributable to the Company's shareholders	(236)	(7,938)

* The results summarized in these tables are presented net of non-controlling interests.
** line item "Other" includes a non-cash accounting expense of share based payment and in 2024 also includes expenses attributed to run-off insurance policy (as described in section 2.1.1 below).
*** In 2023 includes interest income in the amount of approximately $2.8 million, attributed to the deferred consideration from the Cartiheal sale transaction that was canceled during 2023 (see Note 3.B.2.a) to the Financial Statements).

The loss Elron recorded in the second half of 2024 in respect of its share in the net losses of Group Companies (net of non-controlling interests) resulted mainly from the losses of Cyvers, Scribe and Red Access which was partially offset mainly from the Elron's share in the gain attributed to the investment in Edge.

The loss Elron recorded in the second half 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, Cynerio, Cyvers and Sayata.

The gains (losses) from disposal, changes in holdings and revaluation of Group Companies measured at fair value in the second half of 2024 resulted mainly from the gain in the amount of approximately $20.6 million recorded from the sale of SixGill (see section 1.2.1 above), an approximately $10 million recorded as a result of an increase in the fair value of the remaining investment in IronScales after signing a binding agreement from December 2024 (see section 1.2.1 above), which was partially offset mainly from an approximately $2.9 million loss recorded as a result of an decrease in the value of the contingent consideration from the sale of CartiHeal and an approximately $1.1 million loss recorded as a result of decrease in the fair value of the investment in N-drip.

1.3.4. Half Year consolidated statements of profit and loss

	Year ended December 31, 2024	Six months ended	
		June 30, 2024	December 31, 2024
	Audited	Unaudited	
	$ thousands		
Gain from disposal and revaluation of group companies, and changes in holdings, net	41,285	5,862	35,423
Financial income	3,170	1,628	1,495
Total income	44,455	7,490	36,918
General and administrative expenses	5,841	2,731	3,110
Equity in losses of associates, net	8,106	6,595	1,511
Financial expenses	616	308	261
Other expenses	386	-	386
Total costs and expenses	14,949	9,634	5,268
Gain (loss) before taxes on income	29,506	(2,144)	31,650
Taxes on income	(4,922)	(34)	(4,888)
Net gain (loss)	24,584	(2,178)	26,762
Gain attributable to the Company's shareholders	22,577	698	21,879
Gain (loss) attributable to non-controlling interests	2,007	(2,876)	4,883
Basic gain per share attributable to the Company's shareholders (in $)	0.43	0.01	0.42
Diluted gain per share attributable to the Company's shareholders (in $)	0.42	0.01	0.41

	Year ended December 31, 2023	Six months ended	
		June 30, 2023	December 31, 2023
	Audited	Unaudited	
	$ thousands		
Gain from disposal and revaluation of group companies, and changes in holdings, net	11,357	8,897	2,460
Financial income	4,728	3,658	1,295
Total income	16,085	12,555	3,755
General and administrative expenses	5,907	2,680	3,227
Equity in losses of associates, net	19,175	9,276	9,899
Financial expenses	737	471	491
Total costs and expenses	25,819	12,427	13,617
Loss before taxes on income	(9,734)	128	(9,862)
Taxes on income	(1,257)	(72)	(1,185)
Net gain (loss)	(10,991)	56	(11,047)

Gain (loss) attributable to the Company's shareholders	(8,174)	(236)	(7,938)
Gain (loss) attributable to non-controlling interests	(2,817)	292	(3,109)
Basic and diluted gain (loss) per share attributable to the Company's shareholders (in $)	(0.16)	(0.0)	(0.16)

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 2025 will total approximately $63,000 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 $68,000, $89,000 and $103,000 thousand in 2024, 2023 and 2022, respectively.

The decrease in 2024 as compared with 2023 resulted mainly due to the sales of CartiHeal and SixGill during 2024 (see section 1.2.1 above).

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

The Company's Consolidated Financial Statements do not include research and development expenses during 2024 - 2022.

1.4. Financial Position, Liquidity and Capital Resources

Financial position

	December 31, 2024	December 31, 2023
	Audited	
	$ thousands	
Total assets in the consolidated statement of financial position	147,308	159,821
Current assets	72,797	51,283
Investments in associates and other companies (not including held for sale investments)	26,976	39,680
Investment in IronScales *	25,497	-
Investment in CartiHeal **	-	64,926
Other long-term assets ***	18,976	870
Intangible assets	3,051	3,051
Current liabilities	6,495	7,287
Long-term liabilities	5,962	1,747
Long term loans	9,626	9,222
Total liabilities	22,083	18,256
Equity (including non-controlling interests)	125,225	141,565

(*) Investment in a company measured at fair value classified as held for sale. For more details, see section 1.2.1 above.

(**) Investment in an associated company classified as held for sale. For more details, see section 1.2.1 above.

(***) The increase in other long-term assets resulted mainly from the contingent consideration from the sale of CartiHeal which was completed during 2024 (see note 1.2.1 above).

Total equity (including non-controlling interests) at December 31, 2024 was $125,225 thousand, representing approximately 85% of the total assets in the statement of financial position, compared with $141,565 thousand at December 31, 2023, representing approximately 89% of the total assets in the statement of financial position. The decrease in equity resulted mainly from the dividend distributions to the Company's shareholders in the aggregate amount of $41,482 thousand which was partially offset by the gain recorded following the sale of SixGill and the increase in the fair value of the investment in IronScales (for further details see section 1.2.1 above).

Consolidated working capital at December 31, 2024 (not including the investments in IronScales and CartiHeal which were classified as held for sale as of December 31, 2024 and 2023, respectively) amounted to $66,302 thousand, compared with $43,996 thousand at December 31, 2023. The increase in the consolidated working capital resulted mainly from the immediate considerations from the sale of SixGill and CartiHeal which were received during 2024 and were partially offset by the dividend distribution to the Company's shareholders as described 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 Six months ended December 31,	
	2024	2023	2024	2023
	Audited		Unaudited	
	$ thousands			
Investments in Elron's and RDC's group companies	(4,959)	(11,370)	(4.105)	(8,063)
Taxes paid, net	(585)	-	-	-
Proceeds from disposal of Elron's and RDC's non-current investments (2)	65,073	11,511	20,533	4,969

(1) The amounts presented include RDC's cash flows in full (100%) in addition to Elron's cash flows.
(2) In 2024, this item mainly included considerations from the sales of SixGill and CartiHeal, see section 1.2.1 above. In 2023, this item mainly includes the proceeds from the sale of Canonic, which was sold in February 2023.
(3) January 2025, subsequent to the reporting date, the sale of IronScales shares was completed and the immediate consideration of approximately $25.5 million was received. As a result of the aforementioned transaction, an amount of approximately $5 million was paid to the Income Tax Authority. see also section 1.2.1 above.

Liquid resources balance

Elron's and RDC's non-consolidated liquid resources at December 31, 2024 amounted to $46,135 and $18,226 thousand, respectively (Elron's liquid resources as of December 31, 2024 included other short term investments in securities in the amounts of $2,787 thousand in Elron, and bank deposits of Elron in the amount of $28,353 thousand).

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).

Uses of cash

The main uses of cash in 2024 were to dividend distributions to the Company’s shareholders in the amount of $41,482 thousand (see section 1.2.3 above), to investments in Group Companies in the total amount of $1,274 thousand by Elron and $3,685 thousand by RDC. Furthermore, cash was used to pay Elron and RDC's operating expenses ,as detailed in section 1.3.2 above.

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.

Investments in Group Companies during 2024 and 2023 are summarized in the following table (see also Notes 3 and 7 to the Financial Statements and also section 4 in Part IV of this periodic report for additional details regarding investments in Group Companies):

	Elron		RDC	
	For the year ended December 31,			
	2024	2023	2024	2023
	Audited			
	$ thousands			
Sixgill	-	2,000	-	-
ZenGo	370	50	-	-
Cynerio	-	-	750	2,682
Red Access	-	-	700	-
Bark	250	250	-	-
Wonder Robotics	-	-	300	-
Scribe	-	-	500	2,000
Keepy AI Ltd.	-	-	-	500
Nitinotes	200	-	-	-
N-DRIP	-	-	250	-
Coramaze	-	398	-	-
Breeze	-	-	-	2,200
Tamnoon	-	-	1,185	600
Cyber Future	454	690	-	-
Total investments	1,274	3,388	3,685	7,982

(1) In January 2025, subsequent to the reporting date, RDC invested an amount of approximately $2 million in Red Access. (For further details, see Note 3.B.2.g) to the Financial Statements).

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

In January 2025, subsequent to the reporting date, the immediate proceeds from the sale of IronScales were received in the amount of approximately $25.5 million.

Proceeds received from the disposal of non-current investments in 2024 mainly included:

- Immediate proceeds from the sale of CartiHeal in the amount of approximately $43 million, (net of transaction costs) and an additional amount of approximately $5 million deposited in escrow for a period of 12-18 months. In January 2025, subsequent to the reporting date, half of the escrow deposit balance in the amount of approximately $2.5 million was received. For further details, see Note 3.B.2.a) to the Financial Statements and section 1.2.1 above.
- Immediate proceeds from the sale of SixGill of approximately $21.5 million, (net of transaction costs) and approximately $2.3 million was deposited in escrow for a period of 12 months. For further details see section 1.2.1 above and see Note 3.B.2.b) to the Financial Statements.
- Proceeds from the sale of Elron's entire holdings in Coramaze in the amount of approximately $1.4 million. For further details, see note 3.B.2.i) to the Financial Statements.
- Receipt of $0.8 million deposited in escrow following the sale of Canonic in 2023.

Proceeds received from the disposal of non-current investments in 2023 mainly included:

- Consideration in the amount of approximately $6.5 million as a result of the sale of Canonic and a deposit in the amount of approximately $0.8 million which was deposited in escrow for a period of 15 months and received during 2024 as described above.
- Consideration in the amount of approximately $3.075 million as a result of the dissolution of Allero Inc. (a total amount of approximately $1.150 million was received in Elron and approximately $1.9 million in RDC).
- Consideration in the amount of approximately $1.4 million as a result of the sale of assets of Kindite Ltd.
  Consideration in the amount of approximately $0.5 million as a result of the sale of assets of Oz Code Ltd.

2. Corporate Governance

2.1.1 The Company's Board of Directors

Changes in the Company's Board of Directors

In October 2024, following the completion of the change of control in the Company (as described in Section 1.1.1 above), Ms. Lisya Bahar Manoah, Mr. Evan Yonatan Renov and Mr. Ariel Bentov were appointed as directors of the Company while Mrs. Nataly Mishan Zakai and Mr. Eyal Eshed stepped down from their roles as directors of the Company. Elron's Board of Directors appointed Ms. Lisya Bahar Manoah as the Chairperson of the Board of Directors, succeeding Mr. Dan Hoz, who remains a director of the Company (reference number: 2024-01-600963), the contents of which is included in this report by way of reference.

Directors with financial and accounting expertise

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 Lisya Bahar Manoah. For further details, including regarding directors with "financial and accounting expertise", see section 13 in Part IV of this periodic report.

Independent Directors

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).

Board of Directors Recommendations and Decisions

- **Adoption of the reliefs available to small corporations -** On April 18, 2024, the Company's Board of Directors decided to adopt the reliefs available to small corporations, starting with the quarterly report as of March 31, 2024. For further details see section 1.1 above.

- **Directors and officers insurance and the purchase of Run-off insurance policy-** In July 2024, the Company's Compensation Committee approved the purchase of a new directors and officers liability insurance policy and the purchase of a Run-off insurance policy (which covers claims relating to events that may occur until the date of the change of control, if any) in the total amount of approximately $0.5 million, subject to the completion of the sale agreement of all of DIC's holdings in the Company (the controlling shares in Elron). Also see section 1.1.1 above. (reference number: 2024-01-601027), the contents of which is included in this report by way of reference.

- **Compensation policy-** For details regarding the decision of the Company's Board of Directors to recommend that the General Assembly approve a new compensation policy and the General Assembly's approval, see Section 6.C.3 of Part D of this report.

2.2 Internal Auditor

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 which, until September 4, 2024, was the controlling shareholder of the Company.

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 Chairperson 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 2024 the internal auditor performed, inter alia, an audit of on the realization of investments in associate companies, 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, two 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 and one audit report were submitted in respect of the 2024 work plan which was distributed prior to the meetings of the Audit Committee at which these report was discussed, on August 6, 2024. The additional audit report was submitted in respect of the 2024 work plan which were distributed prior to the meetings of the Audit Committee at which these report was discussed, on March 24, 2025.

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 2024 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 2024 and 2023, the auditor invested approximately 260 hours. The scope of the internal auditor's work focused on audits related to the activities of the headquarters and the operation.

2.3 Disclosure regarding Principal Accountant Fees

The Company’s principal accountants are Kesselman and Kesselman (PricewaterhouseCoopers). On January 2, 2025, subsequent to the reporting date, 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 2024		**In respect of 2023**	
	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	111	11	146	19
Other subsidiaries of the Company				
Kesselman and Kesselman	31	26	39	12

(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 the Sale of CartiHeal :

As mentioned in section 1.2.1 above and in Note 3.B.2.a) to the Financial Statements, in January 2024, CartiHeal's Sale to Smith & Nephew was completed. The transaction consideration included contingent consideration amounting to $150 million, subject to adjustments (of which Elron's share was approximately $40 million). Upon the completion of the sale, the Contingent Consideration was estimated with the assistance of an independent appraiser which estimated the fair value of the contingent consideration at approximately $19.9 million).

The fair value of the CartiHeal's Contingent Consideration was estimated with the assistance of an independent appraiser as of December 31, 2024. As a result, The fair value of the contingent consideration as of December 31, 2024, was estimated at approximately $18.4 million.

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: December, 2024.

3. Timing of the valuation: December 31, 2024.

4. The value of the contingent consideration as estimated in the valuation – the valuation of the contingent consideration was estimated at approximately $18.4 million (comparing to $19.9 million as of January 9, 2024, the date of completion of the sale transaction and $21.4 million as of June 30, 2024). As a result, during 2024, Elron recognized a loss in the amount of approximately $1.5 million due to the change in the value of the contingent consideration asset from the sale of CartiHeal, recorded under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

5. 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 CFO of the Company.

6. The value of the asset of the contingent consideration was estimated as follows- the fair value of the contingent consideration was estimated at approximately $18.4 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 – 49.2% which was estimated based on the Healthcare Products industry from the Damodaran database.
   - Risk-free interest rate- 4.41%.
   - 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 6.4%-6.9%.

Valuation of the investment in Notal Vision

Notal vision’s fair value was determined with the assistance of an independent appraiser, and estimated at approximately $7.5 million.

1. Identity of the asset valued: Elron’s investment in Notal vision.

2. Engagement date: June, 2024, timing of work: As of June 30, 2024.

3. The value of the investment in Notal Vision established in the valuation: The value of Elron’s investment was determined at approximately $7.5 million (comparing to $7.1 million as of December 31, 2023). As a result, Elron recorded during 2024, a gain of approximately $0.4 million under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

4. Identity of appraiser: Identity of appraiser: S-Cube, a member of the IBI Capital Trust Group Ltd. ("S-Cube") . The valuation was performed by S-Cube, managed by Mr. Gideon Shalom Bendor, the founder and CEO of S-Cube and Mr. Roi Vrubel, Head of Valuations and Derivatives at S-Cube.

   Mr. Shalom Bendor holds an MBA and has extensive experience in financial consulting, valuations, due diligence and expert opinions. His experience includes several aspects of valuation including valuations of common and preferred shares, valuation of employee stock options and incentives, rights in partnership and intangible assets.

   Mr. Roi Vrubel has an MA in Economics and has extensive experience in valuations. Roi also has a Certified Valuation Analyst ("CVA") certification from the National Association of Certified Valuators and Analysts ("NACVA").

5. The valuation was conducted in accordance with the Option Pricing Model (OPM) and calculated the fair value of the investment in Notal based on the last investment round from May 2021 and its extension in June 2024 as described above using the Black and Scholes formulas, to allocate Notal Vision’s value to different classes of shares and to determine the value of Elron's interest accordingly. The main assumptions used in the valuation are share price in the aforementioned round, the standard deviation of 51.25% (based on six comparison companies and cryptocurrencies), and risk-free interest of 4.9%.

Lisya Bahar Manoah Chairperson of the Board of Directors	Yaniv Shnieder CEO

March 27, 2025, Tel Aviv

ELRON VENTURES LTD.

Periodic report for 2024

Part III

Consolidated Financial Statements for the Year Ended December 31, 2024

Elron Ventures Ltd.

Consolidated Financial Statements

For the Year Ended
December 31, 2024

Consolidated Financial Statements for the Year Ended December 31, 2024

Contents

Auditor's Report
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, 2024 and 2023, and the consolidated statements of profit or loss, comprehensive loss, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. 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 $ 3,771 thousand and $ 10,106 thousand as of December 31, 2024 and 2023, respectively, and the Company's share in their losses amounted to approximately $ 6,304 thousand, $ 9,214 thousand and $ 8,314 thousand for the years ended December 31, 2024, 2023 and 2022, 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, 2024 and 2023, and the results of their operations, changes in equity and their cash flows for each of the three yearsin the period ended December 31, 2024 in conformity with IFRS Accounting Standards and with the provisions of the Securities Regulations (Annual Financial Statements), 2010.

The key audit matters
The key audit matters below are the matters that were communicated or required to be communicated to the board of directors of the Company, and which, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. Those matters include, among other, any matter that (1) relates, or may relate, to items or disclosures that are material to the financial statements; and (2) involve our especially challenging, subjective or complex judgments. Those matters were addressed in our audit and in forming our opinion on the consolidated financial statements, as a whole. The communication of those matters below does not alter our opinion on the consolidated financial statements taken as a whole, and we are not, by communicating the key audit matter below, providing a separate opinion on those matters or on the accounts or disclosures to which they relate.

Fair Value of non-marketable financial instruments

As described in notes 2.b, 3b and 7 to the consolidated financial statements, as of December 31, 2024, the balance of the other investments measured at fair value amounts to 17,283 thousand dollars and the contingent consideration from the sale of Cartihill amounts to 18,365 thousand dollars. The fair value of non-marketable financial instruments is determined by the Company according to various valuation methods, including an Option Pricing Model. These valuations are based on significant estimates involving uncertainty and subjective judgments. Changes in these estimates or judgments may significantly impact the value of the financial instruments presented in the company's financial statements.

Key Estimates Used in Determining the Fair Value of Non-Marketable Financial Instruments

When assessing the fair value of non-marketable financial instruments, the company exercises judgment in determining the main assumptions and estimates on which the fair value is based.
The company uses the following assumptions to determine the fair value of non-marketable financial instruments:

- Expected volatility;
- The expected timing of a liquidity event in the evaluated company and future revenue volatility as a parameter for determining value through the options pricing model;

We identified the main estimates used as a basis for determining the fair value of the company's non-marketable financial instruments as a key audit matter. Auditing the valuation mentioned above of non-marketable financial instruments requires the auditor's judgment, as well as knowledge and experience, to assess the reasonableness of the assumptions and data used by the management.

Audit Procedures Performed in Response to the Key Audit Matter

The following are the primary procedures we performed in relation to this key audit matter as part of our audit: (1) Understanding the internal control environment related to the determination of the fair value of non-marketable financial instruments. (2) Reviewing the methodology used by the company to determine the fair value of non-marketable financial instruments (hereinafter referred to as – the model) with the assistance of a valuation expert. (3) Checking the completeness and accuracy of the base data used in the model. (4) Evaluating the reasonableness of the significant assumptions used by management to determine the fair value of the non-marketable financial instruments relating to expected volatility, the expected timing of a liquidity event in the evaluated company, and future revenue volatility.

Tel-Aviv, Israel
March 27, 2025

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

Consolidated Statements of Financial Position as of

	Note	December 31 2024	December 31 2023
		$ thousands	
Current assets			
Cash and cash equivalents	4	33,221	40,136
Bank deposits	18	28,353	3,729
Other investments in securities	5	2,787	6,002
Other accounts receivable	6	8,436	1,416
Investment in CartiHeal classified as held for sale	3.B.2.a)	-	64,926
Investment in Ironscales classified as held for sale	7.A	25,497	-
		98,294	116,209
Non-current assets			
Investments in associates	3.B	9,693	17,083
Other investments measured at fair value	7	17,283	22,597
Contingent consideration from CartiHeal	3.B.2.a)	18,365	-
Long-term receivables		19	19
Right-of-use assets	9	592	851
Property, plant and equipment, net		11	11
Intangible assets	8	3,051	3,051
		49,014	43,612
Total assets		147,308	159,821

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

Consolidated Statements of Financial Position as of

	Note	December 31 2024	December 31 2023
		$ thousands	
Current liabilities			
Trade payables		49	188
Current maturities of lease liabilities	9	311	310
Other accounts payable	10	6,135	6,789
		6,495	7,287
Long-term liabilities			
Long-term loan	3.A.3.a)	9,626	9,222
Lease liabilities	9	359	631
Deferred taxes	15	5,603	1,116
		15,588	10,969
Equity attributable to the Company's shareholders	11		
Issued capital		9,592	9,592
Share premium		245,278	245,278
Capital reserves		6,377	6,395
Accumulated deficit		(150,586)	(132,257)
		110,661	129,008
Non-controlling interests		14,564	12,557
Total equity		125,225	141,565
Total liabilities and equity		147,308	159,821

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

Lisya Bahar Manoah Chairman of the Board of Directors	Yaniv Shnieder Chief Executive Officer	Rony Gur Arie Chief Financial Officer

Approval date of the consolidated financial statements: March 27, 2025

Consolidated Statements of Income (Loss)

	Note	For the year ended December 31 2024	2023	2022
		$ thousands (except for loss per share data)		
Income				
Gain from sale, revaluation, realization of operation and changes in holdings, net	14.A	41,285	11,357	84,212
Financial income	14.C	3,170	4,728	6,380
		44,455	16,085	90,592
Expenses				
General and administrative expenses	14.B	5,841	5,907	7,806
Equity in losses of associates, net	14.D	8,106	19,175	21,876
Financial expenses	14.C	616	737	1,291
Other expenses	17.B	386	-	-
		14,949	25,819	30,973
Gain (loss) before taxes on income		29,506	(9,734)	59,619
Taxes on income, net	15	(4,922)	(1,257)	(892)
Net income (loss)		24,584	(10,991)	58,727
Attributable to:				
The Company's shareholders		22,577	(8,174)	69,524
Non-controlling interests		2,007	(2,817)	(10,797)
		24,584	(10,991)	58,727
Income (loss) per share attributable to the Company's shareholders (in $)	16			
Basic income (loss) per share		0.43	(0.16)	1.34
Diluted income (loss) per share		0.42	(0.16)	1.28

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

Consolidated Statements of Comprehensive Income (Loss)

	For the year ended December 31		
	2024	2023	2022
		$ thousands	
Net income (loss)	24,584	(10,991)	58,727
Other comprehensive income (loss) (net of tax):			
Amounts that are classified or may be reclassified to profit or loss under certain conditions:			
Foreign currency translation differences for foreign operation	(18)	13	(21)
Total gain (loss) that would be reclassified to profit or loss under certain conditions	(18)	13	(21)
Total other comprehensive income (loss)	(18)	13	(21)
Total comprehensive income (loss)	24,566	(10,978)	58,706
Attributable to:			
The Company's shareholders	22,559	(8,161)	69,503
Non-controlling interests	2,007	(2,817)	(10,797)
	24,566	(10,978)	58,706

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, 2024	9,592	245,278	351	(1,192)	18	7,218	(132,257)	129,008	12,557	141,565
Total net income	-	-	-	-	-	-	22,577	22,577	2,007	24,584
Total other comprehensive loss	-	-	-	-	(18)	-	-	(18)	-	(18)
Dividend to equity holders of the Company (see Note 11.C)	-	-	-	-	-	-	(35,861)	(35,861)	-	(35,861)
Dividend which does not comply the profit test (see Note 11.C)	-	-	-	-	-	-	(5,621)	(5,621)	-	(5,621)
Share-based payments (See Note 11.D)	-	-	-	-	-	-	576	576	-	576
Exercise options for ordinary shares	(*							(*		(*
Balance at December 31, 2024	9,592	245,278	351	(1,192)	-	7,218	(150,586)	110,661	14,564	125,225

*) 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, 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 (See Note 11.D)	-	-	-	-	-	-	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 (See Note 11.D)	-	-	-	-	-	-	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.

	For the year ended December 31		
	2024	2023	2022
		$ thousands	
Cash flows from operating activities			
Net income (loss)	24,584	(10,991)	58,727
Adjustments to reconcile loss to net cash used in operating activities:			
Adjustment to the profit or loss items:			
Depreciation and amortization	263	48	582
Finance, net	(2,094)	(1,296)	(411)
Stock based compensation	576	878	973
Gain from sale, revaluation, realization of operation and changes in holdings, net	(41,285)	(11,357)	(84,212)
Equity in losses of associates, net	8,106	19,175	21,876
Taxes on income, net	4,922	1,257	892
Finance income related to accounts receivable from CartiHeals Cancelled Transaction (see Note 3.B.2.a)	-	(2,781)	(4,026)
Other	(6)	154	(170)
	(29,518)	6,078	(64,496)
Changes in Assets and Liabilities:			
Decrease (increase) in other accounts receivable	(200)	(190)	28
Decrease in trade payables	(139)	(27)	(601)
Increase (decrease) in other accounts payable	(513)	(161)	15
	(852)	(378)	(558)
Cash paid and received during the year for:			
Taxes paid	(585)	(72)	-
Interest paid	(42)	(9)	(116)
Interest received	2,552	1,834	910
	1,925	1,753	794
Net cash used in operating activities	(3,861)	(3,538)	(5,533)

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

	For the year ended December 31		
	2024	2023	2022
	$ thousands		
Cash flows from investment activities			
Purchase of property and equipment	(4)	(6)	-
Investment in associates and other companies	(4,959)	(11,277)	(24,175)
Proceeds from sale of associates and other companies	65,073	11,511	36,015
Sale of other investments in securities, net	3,250	500	2,150
Taxes paid as a result of realization of investments in companies	-	-	(1,334)
Withdrawal of (investment in) deposits, net	(24,745)	12,741	16,472
Net cash provided by investment activities	38,615	13,469	29,128
Cash flows from financing activities			
Repayment of lease liability	(261)	(42)	(200)
Dividend distribution	(41,482)	-	(34,450)
Net cash used in financing activities	(41,743)	(42)	(34,650)
Exchange rate differences in respect of cash and cash equivalents	74	(149)	573
Increase (decrease) in cash and cash equivalents	(6,915)	9,740	(10,482)
Cash and cash equivalents as of beginning of the year	40,136	30,396	40,878
Cash and cash equivalents as of end of the year	33,221	40,136	30,396

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

- See Note 3.B.2.a regarding CartiHeal's Cancelled Transaction.
- During 2023, the company recorded right of use asset and a lease liability in the amount of $894 thousand. (See Note 9 below).

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

Note 1- General

A. 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, software (SaaS) and medical devices, and is evaluating investment opportunities primarily in companies engaged in deep technologies (deep tech, including defense tech) and in cybersecurity and software (SaaS). 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.

On September 4, 2024, a transaction was completed for the sale of the entire holdings of Discount Investment Corporation ("DIC"), which until that date was considered the controlling shareholder of the Company to Arieli EL Ltd. ("Arieli"). As a result, as of December 31, 2024, the Company's controlling shareholder is Arieli, a private company incorporated in Israel, which, as of that date, held 59.02% of the Company.

These financial statements were approved by the Company's Board of Directors on March 27, 2025.

Small Corporation

The Company is a "small corporation" as defined in regulation 5C of the Reports Regulations (Periodic and Immediate Reports), 5730-1970. In accordance with the decision of the Company’s Board of Directors, the Company has adopted all the reliefs available to small corporations by Regulation 5d of the Securities Regulations, including the semi-annual reporting format.

The impact of the “Swords of Iron” War

In October 2023, the "Iron Swords" war (hereinafter: the “War") broke out in the State of Israel following a brutal and murderous surprise attack by the Hamas terrorist organization from the Gaza Strip on southern Israel. Immediately after the attack from the Gaza Strip, an assault on northern Israel from Lebanon began, carried out by the Hezbollah terrorist organization. Following these attacks, tensions escalated in additional regions, and during 2024, Israel was directly attacked several times by Iran and various militias operating in the Middle East region in cooperation with Iran (such as the Houthis operating from Yemen). In November 2024, a ceasefire agreement was signed between Israel and Lebanon, resulting in significant calm along the northern border.

The ongoing war has led to a slowdown in business activity in the Israeli economy, partly due to the call-up of reservists for an indefinite period and the disruption of economic activity in Israel. The continuation of the war may have extensive implications for many sectors and various geographic areas within the country.

Potential fluctuations in foreign currency exchange rates, availability of manpower, local services, and access to local resources may affect entities whose primary operations are with or in Israel. As of the date of the approval of the Financial Statement, the impact of the aforementioned War on the Company's operating results is not material. However, and given that this is a dynamic event characterized by significant uncertainty, the extent of the impact of various military scenarios - such as the renewal of the war in Gaza, escalation on the northern front, or with Iran - on the Company's future operations is unknown. These effects depend, among other things, on the duration and extent of the war, its economic impacts on the Israeli economy as a whole and on the sector in which the company operates, market volatility, uncertainty regarding the length and intensity of the fighting, and the effects of the war on the company’s areas of activity. The company continues to closely monitor the development of events, considering the implications for its business activities and taking appropriate actions accordingly.

Note 1- General (Cont.)

Definitions

In these financial statements:

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 subsidiary of Elron.

RDC is engaged in the establishment of ventures and investment in early-stage technology companies, including ventures that leverage technologies developed by Rafael – Advanced Defense Systems Ltd. ("Rafael") to develop products addressing civilian market needs, as well as ventures with potential synergies that rely on expertise from Raphael’s specialists and technologies. RDC has a right of first refusal for the commercialization of military technologies developed by Rafael in 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.

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.

Note 2- Significant Accounting Policies (Cont.)

2. **The preparation format of the financial statements**

These financial statements have been prepared in accordance with IFRS accounting standards 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.

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.

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 regarding the valuation of the contingent consideration from CartiHeal transaction in Note 3.B.2.a), as well as details on Other investments measured at fair value 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.

Note 2- Significant Accounting Policies (Cont.)

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

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).

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.

Note 2- Significant Accounting Policies (Cont.)

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.

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.

Note 2- Significant Accounting Policies (Cont.)

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

G. Financial instruments

Financial assets:

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.

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.

Note 2- Significant Accounting Policies (Cont.)

G. Financial instruments (Cont.)

1. Initial recognition

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. Subsequent measurement

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

a) Financial assets measured at amortized cost

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) Financial assets measured at fair value through profit or loss

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 up to and including three months) that are readily convertible into known amounts of cash and are part of the Company's and the Consolidated Companies' cash management.

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.

Note 2- Significant Accounting Policies (Cont.)

G. Financial instruments (Cont.)

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.

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.

Note 2- Significant Accounting Policies (Cont.)

I. Intangible assets (Cont.)

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.

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.

Note 2- Significant Accounting Policies (Cont.)

2. **Non-financial assets (Cont.)**

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 cancelled at the time the options expire.

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.

Note 2- Significant Accounting Policies (Cont.)

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. As well as payments to be made during the period covered by a lease cancellation option, if it is reasonably certain that the company/group will not exercise the option. 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.

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.

Note 2- Significant Accounting Policies (Cont.)

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").

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. 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.

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

Note 2- Significant Accounting Policies (Cont.)

S. Disclosure on New IFRS Standards Before Their Adoption

IFRS 18 – Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) issued IFRS 18, Presentation and Disclosure in Financial Statements (the "new standard"), which replaces IAS 1, Presentation of Financial Statements ("IAS 1"). The objective of the new standard is to enhance comparability and transparency in financial reporting.

The new standard incorporates existing IAS 1 requirements while introducing new presentation requirements for the statement of profit or loss. These include the presentation of required subtotals, disclosure of management-defined performance measures, and new requirements for the aggregation and disaggregation of information in the primary financial statements or in the notes.

IFRS 18 does not change the recognition and measurement principles of financial statement items. However, as items in the statement of profit or loss will need to be classified into one of five categories (operating activities, investing activities, financing activities, income taxes, and discontinued operations), changes in presentation may be required. Additionally, the issuance of the new standard has led to limited amendments to other accounting standards, including IAS 7, Statement of Cash Flows, and IAS 34, Interim Financial Reporting.

The new standard will be applied retrospectively for annual reporting periods beginning on or after January 1, 2027.

The Company is assessing the impact of IFRS 18, including the effects of amendments to other accounting standards resulting from the new standard, on its consolidated financial statements.

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
<u>**As of December 31, 2024 and 2023:**</u>		
RDC	Israel	49.90%

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

Note 3- Investments in investees (Cont.)

A. Subsidiary (Cont.)

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, 2024	10,923	40,021	2,302	19,040	15,038	14,564
As of December 31, 2023	11,718	35,353	3,254	18,238	13,022	12,557

(*) 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, 2024	4,023	2,007	-	4,023
For the year ended December 31, 2023	(5,645)	(2,817)	-	(5,645)

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

RDC's cash flows:

	For the year ended December 31	
	2024	**2023**
Operating activities	(1,936)	(2,188)
Investment activities	3,812	3,261
Increase (decrease) in cash and cash equivalents	1,876	1,073

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 leverage 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.

(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 (Cont.)

a) **RDC (Cont.)**

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 8 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 March 2025, subsequent to the reporting date, the Board of Directors of RDC resolved to make a partial early repayment of the loan provided to RDC by Elron and Rafael in March 2021, in a total amount of $5,000. Elron's share of the repayment amounts to $2,500. Additionally, the Board of Directors of RDC resolved to extend the loan repayment period by three years, until March 2029, with the possibility of further extension by up to an additional five years at the discretion of the shareholders. The extension of the loan period until March 2029 is subject to the lenders' consent, as required under the shareholders' loan agreement.

b) In the years 2024, 2023 and 2022, 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.

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

1. **Composition**

	December 31	
	2024	**2023**
Carrying amount of the investments in the statement of financial position	9,693	17,083
The carrying amount of the shares and loans includes:		
SAFE agreements (Simple Agreement for Future Equity) (*)	6,632	6,700

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

Note 3- Investments in investees (Cont.)

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

1. Composition (Cont.)

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 $860 from the date of acquisition until December 31, 2024 (not including companies that as of the reporting date were not held by the Group) and for the year ended on December 31, 2024 a total amount of $256 (and for companies held by the Company as of December 31, 2023 - approximately $600 from the date of acquisition through December 31, 2023). See Note 14.D for further details regarding losses in respect of associates for the years ended December 31, 2024, 2023 and 2022.

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 July 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 2023, the Company recognized a gain in the total amount of approximately $92,500 recorded under line item Gain from sale, revaluation, realization of operation and changes in holdings, net.

Accordingly, Upon the completion of the Bioventus Transaction, Elron recorded a financial asset for the Deferred Consideration in the amount of approximately $48,400. Additionally, Elron recorded a financial asset for the Contingent Consideration in the amount of approximately $11,500. The fair value of these 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).

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.)**

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, during March 2023, 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. Such gain was recognized, under line item gain from sale, revaluation, realization of operation and changes in holdings, net, in the statement of income.

The sale of CartiHeal to Smith & Nephew

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, Subject to precedent conditions (the "Transaction").

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.)

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 $180,000 (Elron's share is approximately $48,000 net of transaction costs of which approximately $5,000 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), Half of which was received in January 2025, after the reporting date; and,
2. Contingent consideration amounting to $150,000, 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 $100,000 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, all as detailed in the Agreement.

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, the conditions precedent to the Transaction were met and the Transaction was completed. As a result, Elron recognized 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. 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 to the balance of the investment in CartiHeal which as of the date of the Transaction amounted to approximately $65,000.

(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.):

a) **CartiHeal (Cont.)**

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

As of December 31, 2024, the Company performed an updated valuation for the contingent consideration with the assistance of an external appraiser. The fair value of the contingent consideration was estimated at approximately $18,400, resulting in a loss of approximately $1,500 recognized during 2024 under the item "Gain from sale, revaluation, realization of activities and change in holding percentage in investee companies, net. The fair value of the contingent consideration was estimated with the assistance of an external appraiser by using a Monte Carlo simulation.

The significant assumptions underlying the valuation as of the date of the Transaction and as of December 31, 2024, are as follows:

Assumption	**Date of the Transaction**	**December 31, 2024**
Number of iterations	50,000	50,000
Weighted average cost of capital (WACC) attributed to the income projections	Approximately 13.25%	Approximately 13.25%
Volatility of income	47.55%	49.2%
USD risk free interest rate	4.02%	4.41%
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:	6.4%-5.6%	6.9%-6.4%

b) **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.

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.

In November 2024, SixGill and its shareholders (including Elron) signed a binding agreement with BitSight Technologies, Inc. ("BitSight" or "the acquirer") for the sale of the entire share capital of SixGill ("the transaction"), and in December 2024, the transaction was completed.

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) **SixGill (Cont.)**

Elron's share (gross) of the total consideration amounts to approximately $22,000, net of transaction costs, comprising an immediate payment of approximately $21,500 was paid upon paid upon closing of the Transaction (of which approximately $2,300 was deposited in escrow for a period of 12 months, mainly to secure certain indemnification obligations of the sellers to the Acquirer, as is customary in such transactions) and consideration in Acquirer' shares valued as of December 31, 2024 at approximately of $500.

Following the transaction, Elron recognized a gain of approximately $20,600 under line item "Gain from sale, revaluation, realization of activities, and change in holding percentage in investee companies, net" in the statement of income (loss).

c) **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.

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, was received by the company during July 2024).

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, 2023. 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 in 2023 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).

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) **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 (consolidated loss of approximately $4,600.

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.

During 2023, Investment agreements (SAFE) in Scenerio have been completed, 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.

In December 2024 and January 2025, subsequent to the reporting date, the SAFE agreement was further extended, and an additional aggregate amount of $2,000 was invested (RDC's share was approximately $750, which was invested during December 2024).

f) **Scribe**

Scribe Security Ltd. ("Scribe") is developing a software supply chain assurance solution, that secures the software providers and manufacturers 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 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, additional amount of $1,100 was invested.

In October 2024, an additional SAFE agreement was signed, under which $1,250 was invested (RDC's share was $500).

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.):

g) **Red Access**

R.a 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 January 2025, subsequent to the reporting date, an investment agreement in Red Access was signed with the participation of existing and new shareholders, in the amount of $14,600, in consideration for preferred shares. RDC's share was approximately $2,000. Additionally, the remaining balance of the SAFE agreement from April, in which RDC's share amounted to $700, was converted as part of this investment round.

h) **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 an additional investment round in Cybers was completed, and later extended in November 2022. This round, which included participation of existing and new investors, in amount of $4,400 in exchange for preferred shares (Elron's share was approximately $900).

i) **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.

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.):

j) **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.

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.

k) **Wonder Robotics**

Wonder Robotics Ltd. ("Wonder Robotics") develops autonomous vertical and horizontal awareness solutions for drones in both the defense and civilian markets.. As of the reporting date, RDC holds approximately 27% of Wonder Robotics’ 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 extended 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 November 2024, the aforementioned investment agreement was further extended, and an additional amount of approximately $400 was invested (RDC's share was approximately $300).

During 2023, a SAFE investment was completed in Wonder Robotics invested by new investor in the amount $500 according to which, the investment sum will be converted into Wonder Robotics 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.):

l) **Coramaze**

Coramaze Technologies Ltd. (“Coramaze”) is developing a minimally invasive device to repair the Tricuspid heart valve. As of the reporting date, Elron held 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 (approximately $2,700) in consideration for preferred shares, Elron’s share is €375 (approximately $400).

During 2024, an agreement for the sale of Elron’s holdings in Coramaze was completed for a total consideration of €1,300 (approximately $1,400). As a result, Elron recognized a gain of approximately $1,000, under line item gain from sale, revaluation, realization of operation and changes in holdings, net.

m) **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).

n) **Edge226**

Edge 226 Ltd. ("Edge") develops and markets a digital advertising platform for ad networks. The investment in Edge is accounted for under the equity method of accounting .

In December 2024, a share repurchase transaction of common and preferred shares in Edge from other shareholders was completed in a total amount of approximately $1,700. As a result, Elron's outstanding shares in Edge increased to approximately 24%.

o) **Cyber Future**

El Ciso Club, Limited Partnership ("Cyber Future") was established by Elron at the end of 2022 and 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 $1,100.

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

Note 4- Cash and cash equivalents

	December 31	
	2024	**2023**
Cash	7,922	9,601
Cash equivalents - short-term deposits (*)	25,299	30,535
	33,221	40,136

(*) The deposits bear interest rate, which is determined based on the deposit period and currency. The interest rate on deposits as of December 31, 2024, is between 3.8% to 5.6%

Note 5- Other investments in securities, net

As of December 31, 2024, 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 18 below).

Note 6- Other accounts receivable

	December 31	
	2024	**2023**
Escrow deposit (A)	7,312	767
Government institutions	572	199
Prepaid expenses	245	201
Other	307	249
	8,436	1,416

A) During 2024, an amount of approximately $5,000 was attributed to the escrow deposit from the sale of CartiHeal (half of which was received in January 2025, subsequent to the reporting date), and an amount of approximately $2,300 was attributed to the escrow deposit from the sale of SixGill (see Notes 3.B.2.a and 3.B.2.b above, respectively).

During 2023, was attributed to the escrow deposit from the sale of Canonic, which was received during July 2024 (See Note 3.B.2.c above).

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

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:

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.

1. 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.

2. 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.

Composition:

	December 31	
	2024	**2023**
IronScales (A)	-	5,924
Notal (B)	7,500	7,132
Zengo (C)	2,684	2,350
N-Drip (D)	250	2,167
Tamnoon (E)	2,120	600
Nitinotes (F)	2,100	1,900
Bark (G)	1,200	950
Sidetalk (H)	-	530
Other	1,429	1,044
	17,283	22,597
Investment measured at fair value classified as held for sale		
IronScales (A)	25,497	-

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

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). Prior to its sale, IronScales was held by RDC at a rate of approximately 8% of outstanding shares. The investment in IronScales was accounted for as a financial asset measured at fair value through profit or loss until it was classified as held for sale in November 2024.

On November 2024, RDC (through RDSeed Ltd, a fully owned subsidiary of RDC) signed a binding agreement to sell its entire holdings in IronScales to PSG Equity LLC, an existing shareholder in IronScales (the "Transaction"), for approximately $25,500. In January 2025, subsequent to the reporting date, the Transaction was completed and the aforementioned consideration was received.

As a result of the above, and based on the consideration from the Transaction, the fair value of the investment in IronScales was estimated at approximately $25,500, resulting in a gain of approximately $19,600, recorded under the line item "Gain from sale, revaluation, realization of activities, and change in holding percentage in investee companies, net" in the statement of profit or loss (the gain attributable to Elron's shareholders amounted to approximately $9,800). In addition, tax expenses of approximately $4,500 were recorded against an increase in deferred tax liabilities (attributed to the increase in the gap between the carrying amount of the investment in IronScales in Elron's books and its tax basis).

Following the Transaction, and in accordance with the provisions of International Financial Reporting Standard 5 ("IFRS 5"), the investment in IronScales met the criteria for classification as non-current assets held for sale and was accordingly classified as such in the statement of financial position as of December 31, 2024.

B. 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 8% 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. During 2024, it was decided to further expand the ongoing funding round by existing investors, resulting in an additional investment of approximately $16,100. Elron did not participate in the aforementioned extensions.

The fair value of the investment was determined with the assistance of an independent appraiser and was estimated at approximately $7,500 (compared to approximately $7,100 as of December 31, 2023). As a result, during 2024 Elron recognized a gain in the total amount of approximately $400 recorded under line item Gain from sale, revaluation, realization of operation and changes in holdings, net.

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

B. Notal (Cont.)

The valuation was conducted in accordance with the OPM and calculated the fair value of the investment in Notal based on the last investment round from May 2021 and its extension in May 2024 as described above using the Black and Scholes formulas - to allocate Notal's value to different classes of shares and to determine the value of Elron's interest accordingly. The evaluation used the following significant assumptions: standard deviation of 51.25% (based on six comparison companies), and risk-free interest of 4.9%.

C. 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 8% 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 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).

In July 2023, an investment agreement (SAFE) was completed in Zengo, in an amount of approximately $3,700 (Elron's share was approximately $50). In November 2024, an investment agreement in an amount of approximately $5 million led by new investor and with the participation of existing investors in consideration for preferred shares was completed. Elron's share in the investment was approximately $0.4 million. In addition, the aforementioned SAFE balance was converted.

The fair value of the investment in Zengo was determined with the assistance of an independent external appraiser and as of December 31, 2024 was estimated at approximately $2,700 (compared to approximately $2,350 as of December 31, 2023 prior to the aforementioned investment). The aforementioned valuation did not have a material impact on profit and loss.

D. 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 2% of N-Drip's outstanding shares. The investment in N-drip is accounted for as a financial asset measured at fair value through profit or loss.

In April 2023, N-drip entered into an investment agreement with the participation of some of its existing and new investors to invest an amount of up to $44,200. RDC did not participate in the aforementioned investment.

In October 2024, an investment agreement in N-Drip was signed in the amount of $11,900, with the participation of existing shareholders in consideration for Preferred shares. RDC's share in the investment amounted to approximately $250. Following the aforementioned investment, the fair value of the investment in N-drip is approximately $250 (compared to approximately $2,200 as of December 31, 2023 prior to the said investment). As a result, during 2024 Elron recognized a loss attributable to the Company's shareholders in the amount of approximately $1,100 (a consolidated net gain in the amount of approximately $2,200), recorded under line item Gain from sale, revaluation, realization of operation and changes in holdings, net.

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

E. Tamnoon

Tamnoon Inc. ("Tamnoon") is developing a technology-driven managed cloud protection service. As of the reporting date, RDC holds approximately 7% 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 approximately $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).

In July 2024, an investment agreement in Tamnoon in an amount of 12,000 was completed, led by a new investor and with the participation of existing investors of Tamnoon, in consideration for preferred shares. RDC’s share in the total investment was approximately $700. In October 2024, RDC invested an additional amount of $500 as part of the aforementioned investment round.

The fair value of the investment in Tamnoon was determined with the assistance of an independent external appraiser. The investment in Tamnoon was valued at approximately $2,120 and as a result, Elron recognized in 2024 a gain attributable to the Company's shareholders in the amount of approximately $160 (a consolidated net gain in the amount of approximately $330), recorded 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 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.

In December 2024, an investment agreement (SAFE) was completed in Nitinotes, with the participation of its existing shareholders, in an amount of $9,300, 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 $200).

(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.

In July 2024, an additional investment agreement (SAFE) was completed in Bark, with the participation of existing and new shareholders, in an amount of approximately $1,700, according to which, the investment sum will be converted into Bark shares under certain conditions stipulated in the agreement. Elron’s share in the investment was $250.

H. Sidetalk

Sidetalk Ltd. (“Sidetalk”) developed 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 November 2024, the company ceased its operations.

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.

As a result of the voluntary liquidation of Sidetalk mentioned above, during 2024, a loss of approximately $500 was recorded under the line item "gain from sale, revaluation, realization of operation and changes in holdings, net." in the income statement, and the investment in Sidetalk was written off.

Note 8- Intangible Assets

	Agreement with Rafael (1),(2)
Balance as of December 31, 2024 and December 31, 2023	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 9 - 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**	**Decreases**	**Balance at the end of the year**	**Balance at the beginning of the year**	**Balance at the end of the year**
2023											
Offices	2,485	894	-	(2,485)	894	(331)	(43)	(331)	(43)	2,154	851
2024											
Offices	894	-	-	-	894	(43)	(259)	-	(302)	851	592

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**
2023									
Offices	1,996	894	9	(51)	89	(1,996)	941	310	631
2024									
Offices	941		42	(303)	(10)	-	670	311	359

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 17 below.

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

Note 10- Other accounts payable

	December 31	
	2024	2023
Liabilities in respect of payroll	1,316	720
Governmental institutions (A)	4,042	4,145
Accrued expenses	691	1,283
Other payables	86	641
	6,135	6,789

A. Including short term taxes.

Note 11- Equity

A. Composition of share capital:

	December 31,			
	2024		2023	
	Registered	Issued and outstanding	Registered	Issued and outstanding
	Number of shares			
Ordinary shares of NIS 0.003 par value each	70,000,000	52,857,880	70,000,000	52,110,789

Elron's shares are Quoted on the Tel Aviv Stock Exchange.

For further details regarding options exercises, see Note 11.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

In 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 2023 the dividend was distributed to the Company's shareholders.

In January 11, 2024, a cash dividend was announced in the amount of NIS 96,500 (approximately $26,500, which constitute NIS 1.846125 per share). In February 2024, the dividend was distributed to the Company's shareholders.

In 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 $35,000. The distribution of an additional dividend was subject to court approval in accordance with Section 303 of the Israeli Companies Law, 1999 (the "Companies Law"), as well as final approval by the company's Board of Directors, following the court's authorization at its sole discretion.

Note 11- Equity (Cont.)

C. Dividend Distribution (Cont.)

In May 2024, the court approved the request for a dividend distribution. The court's approval was valid for a period of six months from the date of issuance. Following several discussions by the Audit Committee and the Company’s Board of Directors, on July 3, 2024, the Board of Directors, further to the resolution of the Audit Committee dated June 30, 2024, decided that it would be in the best interest of the Company at that time not to proceed with the distribution.

In light of the fact that the court’s approval for the distribution was valid until November 2024 (the “Approval Expiration Date”), the Company’s Board of Directors resolved to conduct a renewed assessment regarding a potential distribution prior to the Approval Expiration Date, at its sole discretion. On October 8, 2024, before the Approval Expiration Date, the Board of Directors convened and resolved to distribute a cash dividend to the Company’s shareholders in a total amount of $15,000. The aforementioned dividend amount was comprised of two components as follows: (a) a component that does not meet the profit test (as defined in the Israeli Companies Law, 1999) in the amount of approximately $5,621 (approximately $0.10656 per share), and (b) a dividend component from distributable profits in the amount of $9,379, which was distributed from the Company’s retained earnings balance ($0.17781 per share). In November 2024, the dividend was paid to the Company’s shareholders.

In March 27, 2025, subsequent to the reporting date, a cash dividend was announced in the amount of $8,782 to the Company’s shareholders (which constitute approximately USD 0.16613 per share).

The dividend will be distributed from the Company's surplus reserves, after the company's Board of Directors has examined the company's compliance with the profit test and the solvency test, and confirmed that the distribution will not impair the Company's ability to meet its overall obligations and/or its existing operational structure. The remaining profits eligible for distribution under the profit test according to Section 302 of the Companies Law, 1999, as of the approval date of the distribution (before the approval of the distribution as mentioned), amounted to $8,782 (which is the amount of the aforementioned distribution). The distribution is based on the proceeds from the sale of SixGill, which was completed in 2024, and was not included in the Company's dividend distribution policy (as approved by the Company's Board of Directors in January 2025, subsequent to the reporting date, as detailed in Section 5.3 of Part A of the periodic report, "Dividend Distribution Policy"). It also includes an early distribution based on the proceeds received from the sale of IronScales, which was completed in January 2025, subsequent to the reporting date, and was included in the Company's dividend distribution policy (and for the avoidance of doubt, no additional distribution will be made regarding this sale).

Additionally, at the time of the approval of the distribution, the Company's Board of Directors directed that preparations be made to examine a further distribution of approximately $6,500, not out of profits, which will be used for an additional dividend distribution (and possibly also partly for a share repurchase). A request for such a distribution to the court will be examined by the company's board of directors, and if approved, it will be subject to court approval in accordance with Section 303 of the Companies Law, 1999 ("Companies Law"), as well as additional approval by the company's Board of Directors.

Note 11- Equity (Cont.)

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 officers serving as vice presidents, 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 5.87 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 6.98 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 Mr. Yaron Elad, the former CEO, who completed his term on February 17, 2025, subsequent to the reporting date, (the “former CEO”), as part of his terms of tenure and employment and in accordance with the Company’s compensation policy.

In addition, on March 10, 2022, the Company’s Board of Directors, following the approval and recommendation of the Compensation Committee, approved the terms of tenure of Mr. Dan Hoz as Active Chairman of the Board (In September 2024, Mr. Hoz ended his tenure as Chairman of the Board and continued to serve as a Director (the "Former Chairman of the Board")). As part of this approval, the Board resolved that, in accordance with the compensation policy, Mr. Hoz would be granted 646,100 options. The allocation of the options to both the outgoing CEO and the Chairman was approved by the Company’s general meeting of shareholders in April 2022.

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 6.32 as of the date of the report following the Dividend Adjustments) to the Chairman of the Board and NIS12.166 (NIS 6.98 as of the date of the report following the Dividend Adjustments) to the former 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 the former Chairman of the Board and $300 to the former CEO of the Company.

Note 11- Equity (Cont.)

D. Share based payments (Cont.)

In May 2023, following the approval of the Compensation Committee, the Company's Board of Directors approved the grant of options to the former 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 former Company's CEO.

Accordingly, 593,631 options were granted to the former CEO and 1,213,706 options were granted to officers who served as vice presidents, 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 1.62 as of the date of the report following the Dividend Adjustments) (and in respect of the former CEO and the officers only, plus a 10% premium, namely NIS 4.978, NIS 2.07 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 former CEO and approximately $480 for the other optionees.

In addition, in May 2023, 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 1.62 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.

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. This Incremental Fair Value (which calculated as the fair value of the re-granted options minus the fair value of the options that were cancelled) is estimated at approximately $190 (the “Incremental Fair Value”).

In accordance with the terms of the grants mentioned above, in the event of a "change of control" as defined in the Company’s option plan, all or part of the options granted under the option plan to officers of the Company and its subsidiary, which had not yet vested, will vest (subject to the relevant grant terms, as outlined below). As described in Note 1.A above, in September 2024, DIC ceased to be the controlling shareholder of the Company, and as a result, the next tranche of options granted in 2023, which had not yet vested for the officers of the Company and its subsidiary, became fully vested.

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

Note 11- Equity (Cont.)

D. Share based payments (Cont.)

Additionally, at that time, Mr. Dan Hoz ceased to serve as Chairman of the Company's Board of Directors and began serving as a director of the Company. As a result, all options granted to him in 2022, which had not yet vested, also became fully vested. As a result of the foregoing, the Company recorded a one-time expense of approximately $90 at the time of the change of control for the vesting of the described options.

On February 24, 2025, subsequent to the reporting date, the Company's Board of Directors approved the allocation of 415,121 options to Mr. Yaniv Schneider, the Company's CEO, as part of his terms of tenure and employment and in accordance with the Company's compensation policy. As of the publication date of this report, the grant of options to the CEO has not yet been completed and is subject to approval by the general meeting, which is scheduled for April 10, 2025. The vesting period of the options granted as outlined in this section is as follows: 1/3 at the end of one year from the date of grant, an additional 1/3 at the end of the second year from the date of the grant and an additional 1/3 at the end of the third year from the date of the grant. 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 each option was determined as the higher of (i) the Company's average share price over the 30 trading days preceding the date of the Board's resolution and (ii) the share price at the close of trading on February 24, 2025, plus a 10% premium - i.e. NIS 5.23. The options will be exercised through a cashless exercise mechanism, whereby the number of shares to be issued to the employee will be calculated accordingly. The total fair value of the aforementioned options was estimated at approximately $210.

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:

	2024		2023		2022	
	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	8,322,081	4.20	7,423,335	4.74	5,108,563	3.95
Granted	60,000	4.20	2,369,004	1.90	2,374,772	6.18
Realized	(1,621,111)	1.65	(908,591)	1.65	-	-
Forfeited	(245,177)	3.38	(561,667)	5.87	(60,000)	5.87
Expired	(2,825,752)	5.86	-	-	-	-
Outstanding options at end of year	3,690,041	4.04	8,322,081	4.20	7,423,335	4.74
Exercisable at end of year	2,457,656	4.49	4,756,014	4.73	5,051,909	3.91

*) Subsequent to the abovementioned Dividend distributions in December 2022, in February 2024 and in November 2024, the exercise price of the Options was adjusted.

Note 12- 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.

In accordance with IFRS 8, the company's Chief Operating Decision Maker (CODM) is the company's management, which is responsible for making strategic decisions, allocating resources, and managing the performance of the single operating segment in which the company operates.

Note 13- 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.

On August 5, 2024, the Company received a letter sent by the legal representative of several shareholders in the Company ("Representative"). The letter is addressed to the Company, to the directors of the Company and to DIC. According to the allegations in the letter, the shareholders represented by the Representative purchased their shares in the Company in reliance on the Company's announcements regarding dividend distribution.

Within the framework of the letter, a number of claims were raised regarding the decision of the Company's Board of Directors of July 3, 2024 not to distribute (as detailed in Note 11.C above) and the demand that the authorized organs of the Company take a decision approving a dividend distribution in accordance with the court's approval, and that if they do not do so, the Representative’s clients will consider approaching the court. The Company’s position is that the allegations in the letter are baseless and do not reveal new facts and that the decision to distribute a dividend at this stage was taken according to applicable law and from the perspective of the good of the Company and all its shareholders. As described as part of Note 11.C above, on October 8, 2024 the Company's Board of Directors resolved to distribute a dividend in the total amount of $15 million.

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. For details regarding sale of Group companies during the reporting periods, see Notes 3 and 7 above.
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2. For details about other transactions with related parties, see Note 17 below.

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

Note 14- 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		
	2024	2023	2022
Sale of CartiHeal's Cancelled Transaction (Note 3.B.2.a)	-	2,314	92,478
Sale of CartiHeal and revaluation of the Contingent consideration (Note 3.B.2.a)	1,885	-	-
Sale of SixGill (Note 3.B.2.b)	20,568	-	-
Gain from revaluation of the remaining holdings in IronScales prior to its sale (Note 7.A)	19,573	251	-
Sale of Canonic (Note 3.B.2.c)	64	6,878	-
Sale of Coramaze (Note 3.B.2.i)	1,075	-	-
Gain (loss) from change of holding percentage in Pocared (Note 3.B.2.d)	-	-	1,329
Impairment loss attributed to the investment in Pocared (Note 3.B.2.d)	-	-	(4,603)
Revaluation of the investment in Notal (Note 7.B)	369	-	-
Revaluation of the investment in Zengo (Note 7.C)	(36)	-	(4,150)
Revaluation of the investment in N-Drip (Note 7.D)	(2,167)	637	-
Revaluation of the investment in Tamnoon (Note 7.E)	335	-	-
Revaluation of the investment in AudioBurst Ltd.	(100)	(1,000)	-
Revaluation of the investment in Sidetalk (Note 7.H)	(530)	-	-
Revaluation of Kyma Contingent consideration (1)	-	-	(646)
Initial measurement of the investment in Nitinoats at fair value (Note 7.F)	-	1,900	-
Revaluation of the investment in Aqwise– Wise Water Technologies Ltd and contingent consideration from its sale	-	-	(350)
Other	249	377	154
	41,285	11,357	84,212

(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		
	2024	2023	2022
Salaries, wages and related expenses (1)	3,386	3,533	4,337
Rent and building maintenance	346	235	499
Professional services	892	734	890
Other	1,217	1,405	2,080
	5,841	5,907	7,806

(1) Including share-based payment expenses

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

Note 14- Supplementary statement of income data (Cont.)

C. Financial income

	For the year ended December 31		
	2024	2023	2022
Interest income from CartiHeal's Cancelled Transaction (see Note 3.B.2.a above)	-	2,781	4,026
Interest income from deposits and securities	2,507	1,823	1,270
Gain from exchange rate differences, net	608	-	1,078
Gain from change in fair value of financial assets and liabilities in profit or loss	54	123	-
Other	1	1	6
Total financial income	3,170	4,728	6,380

D. Financial expenses

	For the year ended December 31		
	2024	2023	2022
Loss from decrease in value of financial assets and liabilities measured at fair value through profit or loss	-	-	667
Interest expenses from financial liabilities measured at amortized cost	443	565	519
Loss from foreign currency exchange rate changes, net	-	38	-
Commissions	6	7	33
Other	167	127	72
Total financial expenses	616	737	1,291

D. Equity in losses of associates, net

	For the year ended December 31		
	2024	2023	2022
Company's share in net losses of associates (1) (2)	7,050	15,822	21,172
Amortization of excess cost in respect of associates	1,056	3,353	704
Total loss on equity basis	8,106	19,175	21,876

(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.

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

Note 15- Taxes on Income

A. Tax rates applicable to the Group

The corporate tax rate in Israel in 2024, 2023 and 2022 is 23%.

Elron and RDC received final, or considered final tax assessments until and including 2019 and 2017, respectively.

B. Taxes on income included in the statements of income

	Year ended December 31,		
	2024	2023	2022
Current taxes	419	1,009	892
Current tax of a previous periods	16	149	-
Deferred taxes	4,487	99	-
	4,922	1,257	892

C. Deferred taxes

As of December 2024, the deferred tax liability balance amounts to $5,600 attributed to a temporary difference for investment in IronScales, a company measured at fair value, whose sale was completed in January 2025, subsequent to the reporting date (See Note 7.A above). this difference is expected to reverse during 2025. As of December 31, 2023, this difference amounted to approximately $1,100.

As of December 31, 2024, the Company had Carryforward operating tax losses for tax purposes of approximately $232,000 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 $57,000 because their utilization in the foreseeable future is not probable.

As of December 31, 2024, the Consolidated Companies had Carryforward operating tax losses for tax purposes of approximately $57,000 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 $13,000 because their utilization in the foreseeable future is not probable.

Deferred tax assets in the amount of approximately $22,000 (approximately $24,000 as of December 31, 2023) have not been recognized in respect of temporary differences associated with investments in the amount of approximately $97,000 (approximately $105,000 as of December 31, 2023), 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 subsidiaries do not have tax results carried to other comprehensive income.

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

Note 15- 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,		
	2024	2023	2022
Gain (loss) before taxes on income	29,506	(9,734)	59,619
Statutory tax rate	23%	23%	23%
Taxes on income (tax benefit) computed at the statutory tax rate	6,786	(2,239)	13,712
Increase (decrease) in taxes on income (tax benefit) resulting from the following factors:			
Company's share of losses of associates, net	1,864	4,410	5,031
Changes in temporary differences with respect to which deferred taxes were not recognized	(3,011)	2,280	(12,378)
Increase (decrease) in unrecognized tax losses for which deferred taxes were not recognized	(837)	(4,191)	(5,261)
Differences in basis of measurement	-	643	-
Other	120	354	(212)
Taxes on income	4,922	1,257	892

Note 16- Net earnings (loss) 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:

	2024	2023	2022
Gain (loss) attributable to the Company's shareholders	22,577	(8,174)	69,524
Weighted average number of common shares issued	52,687,682	51,932,712	51,920,867
Basic gain (loss) per share (USD)	0.43	(0.16)	1.34

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 16- Net earnings (loss) per share (Cont.)

	2024	2023	2022
Gain (loss) attributable to the Company's shareholders	22,577	(8,174)	69,524
Weighted average number of common shares issued	52,687,682	51,932,712	51,920,867
Adjustment attributed to additional shares due to option exercise	852,721	-	2,359,294
Weighted average number of shares used in the calculation of the diluted net earnings (loss) per share	53,540,403	51,932,712	54,280,161
Diluted gain (loss) per share (USD)	0.42	(0.16)	1.28

Note 17- Balances and transactions with related and interested parties

A. Related parties

The related parties of the Company are its parent company and the related parties of its parent company, consolidated and equity subsidiaries, directors, and key management personnel of the Company or its parent company, as well as close family members of any of the individuals mentioned above. For this purpose, and as described in Note 1 above, until September 4, 2024, the parent company of the Company was DIC. From that date, the parent company of the Company is Arieli. For details regarding the Company's holdings in its subsidiaries, see Notes 3 and 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.

Note 17- Balances and transactions with related and interested parties (Cont.)

B. Details of transactions with related and interested parties (Cont.)

Classification of transactions as negligible transactions (Cont.)

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.

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, 2022 amounted to $1,290 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).

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

Note 17- 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 (Cont.)

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, 2023 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 2024, 2023 and 2022 was $500 per-year.

Directors and Officers Insurance and Purchase of RUN-OFF Policy

In July 2024, Elron's Compensation Committee approved the engagement in a Directors and Officers (D&O) insurance policy and the purchase of a RUN-OFF policy (intended to provide coverage for events occurring up to the date of the change of control, if any), for a total amount of $0.5 million, subject to the completion of the agreement for the sale of DIC's entire holdings in Elron. As a result of the foregoing, at the date of the change of control (as described in Note 1.A above), the aforementioned policies were activated, and an expense of $0.4 million related to the RUN-OFF insurance was recorded under other expenses in the company's statement of profit or loss.

C. Composition of balances with interested and related parties

As of December 31, 2024

	Arieli (1)	Other related parties and interested parties	Associates	Key management personnel
Trade and other accounts payable	-	-	-	132
Other accounts receivable	-	-	-	-
Highest balance during the year of receivables	-	-	93	-

As of December 31, 2023

	DIC (1)	Other related parties and interested parties	Associates	Key management personnel
Trade and other accounts payable	175	2	-	89
Other accounts receivable	-	-	-	-
Highest balance during the year of receivables	-	-	103	-

(1) As mentioned in Note 1.A above, DIC was the Controlling shareholder of the Company until September 4, 2024. From that date onward, Arieli became the Controlling shareholder. Consequently, the related party balances as of December 31, 2023, and 2024 reflect balances with DIC and Arieli, respectively.

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

Note 17- Balances and transactions with related and interested parties (Cont.)

C. Composition of balances with interested and related parties (Cont.)

<u>Year ended December 31, 2024</u>

	For terms see Note	DIC*	Arieli*	Sister companies	Associates	Key management personnel (**)	Other related parties and interested party
<u>Income</u>	-	-		-	159	-	-
<u>Expenses</u>							
Shared Office Use and Expenses Agreement		(105)		-	-	-	-
Directors' remuneration	17.D	(27)	(9)	-	-	(398)	-
Other		-	-	(4)			
		(132)	(9)	(4)	159	(398)	

(*) As mentioned in Note 1.A above, DIC was the Controlling shareholder of the Company until September 4, 2024. From that date onward, Arieli became the Controlling shareholder. Consequently, the related party balances as of December 31, 2023, and 2024 reflect balances with DIC and Arieli, respectively.

(**) Not including the former CEO's salary, as detailed below.

<u>Year ended December 31, 2023</u>

	For terms see Note	DIC	Sister companies	Associates	Key management personnel (*)	Other related parties and interested party
<u>Income</u>		-	-	147	-	-
<u>Expenses</u>						
Shared Office Use and Expenses Agreement		(158)	-	-	-	-
Directors' remuneration	17.D	(34)	-	-	(375)	-
Other		-	(6)	-	-	-
		(192)	(6)	147	(375)	-

(*) Not including the former CEO's salary, as detailed below.

<u>Year ended December 31, 2022</u>

	For terms see Note	DIC	Sister companies	Associates	Key management personnel (*)	Other related parties and interested party
<u>Income</u>		-	-	113	-	-
<u>Expenses</u>						
Shared Office Use and Expenses Agreement		(594)	-	-	-	-
Directors' remuneration	17.D	(40)	-	-	(415)	-
Other		-	(7)	-	-	-
		(634)	(7)	113	(415)	-

(*) Not including the former CEO's salary, as detailed below.

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

Note 17- Balances and transactions with related and interested parties (Cont.)

D. Compensation of key management personnel employed by the Company (including directors)

The employment cost of Mr. Elad, the former CEO of the Company (which completed his term with the Company on February 17, 2025, subsequent to the reporting date) for 2024 amounted to $456. 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 2024 of $404, representing approximately 15 times his monthly salary. In addition, in accordance with the compensation policy, the Company's Board of Directors, following the approval of the Compensation Committee, decided to grant an adjustment bonus to Mr. Elad, the former CEO, in the amount of approximately $80, representing 3 monthly salaries.

The employment cost of Mr. Elad, the former CEO of the Company, for 2023 amounted to $454, in addition to an annual bonus of approximately $235.

For details regarding the grant of options to Mr. Elad, see Note 11.D above.

During January 2025, subsequent to the reporting date, the Company's Board of Directors, approved, following receipt of the approval and recommendation of the Compensation Committee, approved the appointment of Mr. Yaniv Schneider's as the company's CEO, effective February 18, 2025. The approval of Mr. Schneider terms of service (including grant of options) is subject to the approval of the company's general meeting of shareholders. In addition, the allocation of the aforementioned options is subject to the approval of the Tel-Aviv Stock Exchange Ltd. For further details, see Note 11.D above.

	For the year ended December 31,					
	2024		2023		2022	
	No. of personnel	Amount	No. of personnel	Amount	No. of personnel	Amount
Short-term employee benefits	9	434	7	409	9	455

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.

During April 2022, the General Meeting of the Shareholders of the Company approved, following receiving approval and a recommendation of the Compensation Committee and the Board of Directors, the terms of service 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 (linked to the consumer price index), plus VAT as required by law. 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 11.D above.

Note 17- Balances and transactions with related and interested parties (Cont.)

D. Compensation of key management personnel employed by the Company (including directors) (Cont.)

In February and December 2024, the Compensation Committee and the Board of Directors of the Company approved discretionary bonus payments of approximately $27 and $18 to Mr. Dan Hoz, Chairman of the Company's Board of Directors, for the years 2023 and 2024, respectively. The approval of these bonuses was subject to approval by the Company's shareholders meeting, which was received in January 2025, subsequent to the reporting date.

As described in Note 11.D above, on September 4, 2024, Mr. Hoz complete his term as Chairman of the Company's Board of Directors and began serving as a director of the Company. As a result, all options granted to him in 2022, which had not yet vested, became fully vested. From this date, Mrs. Lisya Bahar Manoah began serving as the Chairman of the Company's Board of Directors.

In January 2025, subsequent to the reporting date, the Annual 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 Ms. Lisia Bachar Manoh as an active Chairperson of the Company's Board of Directors. According to the Compensation Policy, the Board of Directors of the Company approved that in return for her services as a service provider without employee-employer relations, with a position scope of 80%, Ms. Bachar Manoh shall be entitled to monthly management fees of NIS 104 thousand (linked to the CPI), starting from 2025.

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 service 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 (level D), including the maximum amounts payable to an expert external director, to the extent that such definition applies in relation to a candidate for service (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 service 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 95,196 and the participation compensation per meeting is NIS 3,667 (and for a director with expertise, the annual compensation is approximately NIS 126,796 and participation compensation per meeting is NIS 4,877). VAT in accordance with law will be added to these amounts.

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

Note 17- Balances and transactions with related and interested parties (Cont.)

D. Compensation of key management personnel employed by the Company (including directors) (Cont.)

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, 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 2024 to the directors of the Company during that period, for 9 such directors in total amounted to approximately $434 (which also includes the management fees for Mr. Dan Hoz, as detailed above). Of such amount, an amount of approximately $27 was paid to DIC, for the service of a director on its behalf in the Company. An amount of approximately $9 was paid to Arieli for the service of its directors in the Company during the third quarter of 2024, and an amount of approximately $14, $10, and $10 was paid directly to Mrs. Lisya Bahar Manoah, Ariel Bentov, and Even Renov, the controlling shareholders of Arieli respectively, for the fourth quarter of 2024.

Note 18- 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,	
	2024	**2023**
Financial assets:		
Financial assets measured at amortized cost:		
Accounts receivable from CartiHeal’s Cancelled Transaction		-
Other accounts receivable	8,191	1,114
Bank deposits	28,353	3,729
Financial assets measured at fair value through profit or loss:		
Other investments measured at fair value	17,283	22,597
Investment in IronScales classified as held for sale	25,497	-
Other investments in securities	2,787	6,002
Contingent consideration from the sale of CartiHeal	18,365	-
Financial liabilities:		
Financial liabilities measured at amortized cost:		
Long-term loans	9,626	9,222
Lease liability	670	941
Trade payables and other current liabilities	2,246	3,430

Note 18- Financial instruments (Cont.)

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, who currently serves as the Company's Chief Financial Officer and is responsible for risk management.

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 financial assets of the Company and the consolidated companies include receivables and payables (short-term and long-term), investments in securities, cash, and deposits in banking institutions, all of which directly result from its operations. Additionally, the Company holds investments measured at fair value.

Market risk

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.

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

Note 18- Financial instruments (Cont.)

B. Management of financial risks (Cont.)

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 (Cont.)**

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.
The following table details the interest of the Group's interest-bearing financial instruments:

	December 31,	
	2024	**2023**
Fixed rate instruments:		
Financial assets (A)	63,755	40,266

(A) As of December 31, 2024, comprised of deposits denominated in USD and in NIS classified as cash equivalents in the amount of $15,025 and approximately $10,278 , respectively, short term bank deposits denominated in USD in the amount of $28,353 , which bear interest of 5.55% - 5.72%. In addition, the balance includes trust deposits in the amount approximately $7,312 resulting from the realization of companies, as well as investments in debentures, denominated in USD in the amount of approximately $2,787, which bear a fixed weighted average interest rate of approximately 4.28%.

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, 2024 the Company has approximately $2,787 invested in investment-grade debentures (mostly with a rating of at least A-).

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

Note 18- Financial instruments (Cont.)

B. Management of financial risks (Cont.)

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, 2024 and 2023, see section H below regarding linkage terms of assets and liabilities on a consolidated basis.

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, 2024(*)	(21)	(9)	(4)	21	9	4
Fixed-rate debentures as of December 31, 2023(*)	(104)	(35)	(18)	104	35	18

*) Debentures measured in fair value through Profit or loss.

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:

	2024	**2023**	**2022**
5% increase	1,004	1,430	1,884
10% increase	2,007	2,860	3,768
5% decrease	(1,004)	(1,430)	(1,884)
10% decrease	(2,007)	(2,860)	(3,768)

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

Note 18- Financial instruments (Cont.)

D. Sensitivity tests relating to price risk (Cont.)

Possible changes in the key parameters used in the valuation of Elron's holdings in the contingent consideration from the sale of CartiHeal would increase (decrease) equity and profit (loss) by the following theoretical amounts (For information regarding the valuation, see Note 3.B.2.a above):

	December 31, 2024
A 2% increase in the price of debt.	(2,038)
A 1% increase in the price of debt.	(1,089)
A 1% decrease in the price of debt..	1,088
A 2% decrease in the price of debt.	2,038

	December 31, 2024
A 2% increase in the risk rate embedded in the revenue forecast.	(948)
A 1% increase in the risk rate embedded in the revenue forecast.	(474)
A 1% decrease in the risk rate embedded in the revenue forecast.	473
A 2% decrease in the risk rate embedded in the revenue forecast.	947

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).

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

Note 18- Financial instruments (Cont.)

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

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.

Financial instruments measured at fair value:

December 31, 2024:

	Level 1	Level 2	Level 3
Financial assets measured at fair value:			
Other investments measured at fair value (1)	-	-	17,283
Other investments in securities (2)	-	2,787	
Contingent consideration from the sale of CartiHeal (3)	-	-	18,365
Investment in Ironscales classified as held for sale (4)	-	-	25,497
	-	2,787	61,145

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

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) See Note 3.B.2.a above.
4) See Note 7.A above.
5) 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, 2024	22,597
Total recognized loss in profit or loss, net (*)	15,900
Initial measurement of contingent consideration from the realization of Cartihill (see Note 3.B.2.a).	19,910
Consideration in BitSight shares (see Note 3.B.2.b).	483
Investment (see Notes 7.C,7.D, 7.E, 7.F and 7.G)	2,255
Balance as of December 31, 2024	61,145

(*) 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 18- Financial instruments (Cont.)

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

	Financial assets measured at fair value
Balance as of January 1, 2023	31,294
Total recognized loss in profit or loss, net	(112)
An asset initially measured at fair value (see Note 7.F).	1,900
Investment	1,230
Disposal of an contingent consideration asset due to the cancellation of CartiHeal transaction (See Note 3.B.2.a)	(11,515)
Classification of the investment in Breeze as an associate (see Note 3.B.2.j).	(200)
Balance as of December 31, 2023	22,597

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 than 5 years
December 31, 2024:				
Lease liability	311	311	91	-
Long-term loan (*)	-	10,003	115	-
Trade payables	49	-	-	-
Other accounts payable	2,197	-	-	-
	2,557	10,314	206	-
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	-

(*) For further details see Note 3.A.3.a)

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

Note 18- Financial instruments (Cont.)

H. Linkage terms of assets and liabilities on a consolidated basis

December 31, 2024:

	NIS (CPI linked)	USD (or USD linked)	NIS (not linked)	Non-monetary item**	Total
Assets *					
Cash and cash equivalents	-	22,622	10,599	-	33,221
Other investments in securities	-	2,787	-	-	2,787
Bank deposits	-	28,353	-	-	28,353
Other accounts receivable	-	7,424	712	300	8,436
Right-of-use assets	-	-	-	592	592
Investments in associates	-	-	-	9,693	9,693
Other investments measured at fair value	-	-	-	17,283	17,283
Property, plant and equipment, net	-	-	-	11	11
Intangible assets	-	-	-	3,051	3,051
Long-term receivables	-	-	19	-	19
Contingent consideration from the sale offrom CartiHeal	-	18,365	-	-	18,365
Investment in associate classified as held for sale	-	-	-	25,497	25,497
	-	79,551	11,330	56,427	147,308
Liabilities *					
Trade payables	-	-	49	-	49
Lease liability	670	-	-	-	670
Long-term loan	-	9,626	-	-	9,626
Other accounts payable	3,939	-	2,196	-	6,135
Deferred taxes	-	-	-	5,603	5,603
	4,609	9,626	2,245	5,603	22,083

*) Non-current assets and liabilities in this table include their current maturities.
**) Including non-financial items.

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

*) 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, 2024

	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, 2024
	Elron (1)	RDC (2)					
	%						$ thousands
Investments in investee companies							
Associates:							
Open Legacy Technologies Ltd.	-	22.20	22.20	11.12	18.28	9.16	-
Cynerio Israel Ltd.	-	17.15	17.15	8.59	14.79	7.41	558
BrainsGate Ltd.	27.84	-	27.84	27.84	24.93	24.93	-
Sayata Labs Ltd.	-	20.14	20.14	10.09	17.69	8.86	2,332
Edge 226 Ltd.	23.58	-	23.58	23.58	15.51	15.51	1,905
Scribe Security Ltd.	-	18.49	18.49	9.26	16.73	8.38	433
Ra Red Access Security Ltd.	-	23.77	23.77	11.91	21.70	10.87	111
Wonder Robotics Ltd.	-	26.54	26.54	13.30	22.17	11.11	167
Creednz Ltd.	-	15.55	15.55	7.79	13.89	6.96	770
CyVers.AI Ltd.	26.03	-	26.03	26.03	23.98	23.98	930
Breeze Security Ltd.	-	13.23	13.23	6.63	11.89	5.95	1,491
Other investments (4):							
IronScales Ltd. (5)	-	8.07	8.07	4.04	7.47	3.74	25,497
Notal Vision Inc.	8.10	-	8.10	8.10	5.87	5.87	7,500
Nitiniotes Ltd.	13.61	-	13.61	13.61	11.62	11.62	2,100
N-Drip Ltd.	-	1.60	1.60	0.8	1.36	0.68	250
Zengo Ltd.	7.97	-	7.97	7.97	7.39	7.39	2,684
Tamnoon Inc.	-	6.56	6.56	3.29	4.81	2.41	2,120
Azura Ophthalmics Ltd.	1.77	-	1.77	1.77	1.51	1.51	570
Atlantium Technologies Ltd.	6.16	-	6.16	6.16	5.22	5.22	130
Forsight Vision6 Inc.	3.55	-	3.55	3.55	2.83	2.83	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) Bark A.I. Ltd. is held by Elron through SAFE investment, its book value is $1,200 (see Note 3.G above).
(5) Sold in January 2025, subsequent to the reporting date (see Note 7.A), classified as an investment held for sale
(6) Cyber Future, El Ciso Club, a limited partnership, established by Elron, its book value is $973 (see Note 3.B.2.o above).

ELRON VENTURES LTD.

Periodic report for 2024

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.

"Arieli"- Arieli EL Ltd.

"Companies Law" - the Companies Law, 5759-1999

"Consolidated Financial Statements" – the consolidated financial statements of Elron as of December 31, 2024.

"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 Interim Statements of Income (Loss) and Semi-annual Statements of Total Comprehensive Income (Loss), on a Consolidated Basis

[Regulation 10A]

Interim Statements of Income (Loss) on a Consolidated Basis (in $ thousands)

	Six-month period ended as of		
	June 30, 2024	December 31, 2024	
	H1	H2	Total
Income			
Gain from sale, revaluation, realization of operation and changes in holdings	5,862	35,423	41,285
Financial income	1,628	1,495	3,170
	7,490	36,918	44,455
Expenses			
General and administrative expenses	2,731	3,110	5,841
Equity in losses of associates, net	6,595	1,511	8,106
Financial expenses	308	261	616
Other expenses, net	-	386	386
	9,634	5,268	14,949
Gain (loss) before taxes on income	(2,144)	31,650	29,506
Taxes on income	(34)	(4,888)	(4,922)
Net income (loss)	(2,178)	26,762	24,584
Attributable to:			
The Company's shareholders	698	21,879	22,577
Non-controlling interests	(2,876)	4,883	2,007

2. Summary of Interim Statements of Income (Loss) and Interim Statements of Total Comprehensive Income (Loss) on a Consolidated Basis (Cont.)
[Regulation 10A]

Interim Statements of Comprehensive Income (Loss) on a Consolidated Basis (in $ thousands)

	Six-month period ended as of		
	June 30, 2024	December 31, 2024	
	H1	H2	Total
Net income (loss)	(2,178)	26,762	24,584
Other comprehensive loss:			
Amounts that are classified or may be reclassified to profit or loss under certain conditions:			
Foreign currency translation differences for foreign operation	(18)	-	(18)
Total gain (loss) that would be reclassified to profit or loss	(18)	-	(18)
Total other comprehensive loss	(18)	-	(18)
Total comprehensive income (loss)	(2,196)	26,762	24,566
Attributable to:			
The Company's shareholders	680	21,879	22,559
Non-controlling interests	(2,876)	4,883	2,007

3A. Investments in subsidiaries and associates as of December 31, 2024
[Regulation 11 (1) and (2)]

A. Investments of the Company in subsidiaries (directly or through fully-owned corporate companies):

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
RDC	Common NIS 0.01	50,100	NIS 501	18,088	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 $9,500 thousand granted by Elron (see section 3.B below).

3A Investments in subsidiaries and affiliated companies as of December 31, 2024 (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	-		27.84	16.67	
Cyvers.AI Ltd.	Preferred – no Par Value	65,585	-	928	55.57	26.03	20	
Edge 226 Ltd.	Preferred NIS 0.01	7,623,288	NIS 76,233	1,906	56.34	23.58	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%.

3A. Investments in subsidiaries and affiliated companies as of December 31, 2024 (Cont.)
[Regulation 11 (1) and (2)]

C. Investments in associates of RDC:

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	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
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	-	111	56.31	23.77	20.00	
Cynerio Israel Ltd.	Preferred NIS 0.01	1,825,217	NIS 18,252	558	20.63	17.15	14.29	
Sayata Labs Ltd.	Preferred NIS 0.01	12,003,710	NIS 120,037	2,332	23.49	20.14	14.29	
Wonder Robotics Ltd.	Preferred NIS 0.01	638,372	NIS 6,384	167	53.33	26.54	40.00	
Scribe Security Ltd.	Preferred NIS 0.01	1,466,700	NIS 14,667	433	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, 2024

[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	9,520	5%	No	2026 [(1)]	The loan can be converted if certain conditions are met

(1) See note 3.A.3.a) to the Financial Statements regarding decision of partial repayment of the loan and extension to repayment period.

4A. Changes in investments in subsidiaries and associates in 2024

[Regulation 12]

A. Changes in investments of the Company in associates in 2024:

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
January 2024	Sale of shares	CartiHeal (2009) Ltd.	Preferred NIS 0.01	NIS 33,988	*(88,374)	3.B.2.a)
June 2024	Sale of shares	Coramaze Technologies GmbH	Preferred EUR 0.01	EUR 39,531	(1,407)	3.B.2.l)
December 2024	Sale of shares	SixGill Ltd.	Common NIS 0.01 Preferred NIS 0.01	NIS 2,212 NIS 10,790 NIS 13,002	**(22,110)	3.B.2.b)

* Including contingent consideration of approximately $40,000. For details regarding the CartiHeal transaction, see also Note 3.B.2.a) in the consolidated Financial Statements.

** Including share consideration estimated at approximately $500. See also Note 3.B.2.b) in the consolidated financial statements.

B. Changes in investments of RDC in its associates in 2024:

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
April 2024	SAFE *	R.a Red Access .Security Ltd	-	-	700	3.B.2.g)
October 2024	SAFE*	Scribe Security Ltd.	-	-	500	3.B.2.f)
November 2024	Purchased of shares	Wonder Robotics Ltd.	Preferred NIS 0.01	833	300	3.B.2.k)
December 2024	SAFE*	Cynerio Israel Ltd..	-	-	750	3.B.2.e)

* Simple Agreement for Future Equity

** Held by RDSeed Ltd., a fully owned subsidiary of RDC.

5. Losses of subsidiaries and associates and income from them for the year ended December 31, 2024
[Regulation 13]

A. Losses of a subsidiary and associates of the Company and income from them for the year ended December 31, 2024:

	Total comprehensive loss				Interest	
	Income (loss)	Other comprehensive loss	Dividend income	Management and directors' fee	Income	Date received
	$ thousands					
Subsidiary:						
RDC	11,540	-	-	500	400	-
Associates:						
BrainsGate Ltd.	(1,797)	-	-	-	-	-
Cyvers.AI Ltd.	(2,422)	-	-	-	-	-
Edge 226 Ltd.	5,232					

5. <u>Losses of subsidiaries and associates and income from them for the year ended December 31, 2024</u> (Cont.)

[Regulation 13]

B. <u>Losses of associates of RDC and revenues from them for the year ended December 31, 2024:</u>

	Total comprehensive loss				Interest	
	Income (loss)	Other comprehensive loss	Dividend income	Management and directors' fee	Income	Date received
	$ thousands					
Associates :						
Open Legacy Technologies Ltd.	(2,214)	-	-	-	-	-
Ra Red Access Security Ltd.	(2,130)	-	-	48*	-	-
Cynerio Israel Ltd.	(10,960)	-	-	-	-	-
Sayata Labs Ltd	(7,974)	-	-	-	-	-
Wonder Robotic Ltd.	(787)	-	-	-	-	-
Scribe Security Ltd.	(3,094)	-	-	-	-	-

(*) 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 $12 thousand.

<u>Trading on the stock exchange - securities listed for trading in the reporting year and dates and reasons for suspension of trading</u>

[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 747,091 shares were registered for trading resulting from the exercise of options granted.

6.. 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)	Former CEO of the Company	July 2007	100%	1.95%	456 (2)	484 (3)	164(4)	-	1,104
Mr. Elik Etzion (6)	Former Vice-President of the Company	July 2021	100%	1.50%	318 (7)	184(8)	145 (9)	-	647
Mrs. Rony Gur Arie (10)	Vice- President of the Company	September 2016[2]	100%	0.63 %	196(11)	148(12)	69 (13)	-	413
Mr. Lior Levinsky (14)	Vice- President of RDC	August 2009	100%	0.40 %	228(15)	49(16)	44 (17)	-	321
Mr. Dan Hoz (18)	Former Chairman of the Board of Directors	November 2021	35%	1.14 %	-	19 (19)	74(19)	136 (18)	229

* 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).

[2] Commencing June 9, 2023 until February 24, 2025 from when Mrs. Gur-Arie began serving as the Company's CFO. Before that Mrs. Gur-Arie served in various positions in the Company. For further details see Section 10 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 (until 17 February, 2025)

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.

   On November 17, 2024, Mr. Elad announced his intention to step down as the Company's CEO, and on February 17, 2025, after the reporting date, he completed his tenure at the Company.

   For further details regarding the end of Mr. Elad's tenure as the Company's CEO, see the company's immediate reports dated November 17, 2024, and January 13, 2025, which are incorporated herein by reference. As of the publication date of this report, Mr. Elad still serves as a director in certain group companies.

2) The amount includes all of the following components that were paid for the entire year of 2024, 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 ended as above stated three months after the date on which he gave the Company 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 which was in effect during 2024 (the "Previous 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,

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]:

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 Previous Compensation Policy.

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 Previous 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, which are incorporated herein by reference.

Regarding the component based on measurable targets, targets for the CEO and other Company executives were determined for 2024 based on the performance of the group companies and adherence to the threshold for corporate expenses as determined. It was also determined that the sale of RDC, the Company, or the majority of the Company's assets (portfolio) would serve as a substitute for meeting the measurable targets set for 2024 and would entitle the Company's CEO and its officers to the full annual bonus for that year. With respect to the Company's CEO, the bonus was set at six gross monthly salaries. In light of the completion of the sale of DIC's shares to Arieli and the change of control in the Company (as described in Section 2.2 of Part A of the Periodic Report; see also Note 1 to the consolidated financial statements), the Company's CEO and its officers have met the measurable targets for 2024.

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, Mr. Elad, is entitled to a bonus for 2024 in the amount of NIS589 thousand constituting 6 monthly gross salaries. In addition, in light of the end of Mr. Elad's tenure as the Company's CEO on February 17, 2025, the Company's Board of Directors, in accordance with his terms of service and employment and based on the recommendations of the Compensation Committee, decided to grant Mr. Elad an adjustment allowance in the amount of NIS294 thousands equivalent to three (3) gross monthly salaries, in connection with the end of his employment as the Company's CEO.

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) On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli and the transfer of control (as described in Section 2.2 of Part A of the Company's Periodic Report), the conditions for the acceleration of the vesting of 197,877 non-tradable options, exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each, were met. As a result of this accelerated vesting, 395,754 of the total amount of non-tradable options, which were granted to the Company's CEO in 2023, vested and are exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each. For further details, see Note 11(d) to the Company's financial report

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]:

In addition, in accordance with the Previous Compensation Policy, since the Company decided not to allocate equity components to the CEO for 2024, a cash bonus was granted instead of equity-based compensation. This bonus was derived from the Company's stock performance and calculated based on the stock's shekel-denominated return during the grant year. The total bonus amounted to nine gross monthly salaries, equaling NIS833 thousand.

Elik Etzion – Vice -President (until 17 February 2025)

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.

   On November 17, 2024, Mr. Etzion announced his intention to step down as the Company's Vice President, and on February 17, 2025, after the reporting date, he completed his tenure at the Company. For further details regarding the end of Mr. Etzion's tenure as the Company's Vice President, see the Company's immediate report dated November 17, 2024 which is incorporated by reference herein. As of the publication date of this report, Mr. Etzion still serves as a director in certain group companies.

7) The amount includes all the following components that were paid for 2024: salary, social and ancillary provisions as customary, car expenses and loss of earning capacity insurance. The engagement with Mr. Etzion ended after three months from the date he sent the Company written notice regarding his desire to terminate the engagement in accordance with the employment agreement.

8) In accordance with the Previous 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 Previous Compensation Policy that applied during 2024. Furthermore, the Company is entitled to grant Mr. Etzion additional equity compensation or a bonus in respect of the increase

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]:

of the share price not exceeding 9 monthly gross salaries, in accordance with principles set forth in the Compensation Policy. Accordingly, and according to the Company's Previous 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 due to the completion of the sale of DIC's shares to Arieli (as detailed in Section (3) above) the Company's Board of Directors, Mr. Etzion is entitled to an annual bonus for 2024 in the amount of NIS 301 thousand constituting 4.5 monthly salaries.

In addition, in light of the end of Mr. Etzion 's tenure as the Company's Vice President, on February 17, 2025, the Company's Board of Directors, in accordance with his terms of service and employment and based on the recommendations of the Compensation Committee, decided to grant Mr. Etzion an adjustment allowance in the amount of NIS67 thousand equivalent to one (1) gross monthly salary, in connection with the end of his employment as the Company's Vice President.

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. The grant of options in 2023 was made as part of the equity compensation component for 2023 as well as for the first half of 2024 and was carried out in accordance with the Company's Compensation Policy. 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. On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli and the transfer

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]:

of control (as described in Section 2.2 of Part A of the Periodic Report), the conditions for the acceleration of the vesting of 214,282 non-tradable options, exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each, were met such that out of the aggregate options granted to him in 2023, a total of 428,564 non-tradable options vested and are exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each. For further details, see Note 11(d) to the company's financial report.

In addition, in accordance with the Previous Compensation Policy, since the Company decided to partially allocate equity components to Mr Etzion only for half of 2024, a cash bonus was granted instead of equity-based compensation for the other half of the year. This bonus was derived from the Company's stock performance and calculated based on the stock's shekel-denominated return during the grant year. The total bonus amounted to four and a half (4.5) gross monthly salaries, equaling NIS301 thousand.

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. After the reporting date, Ms. Gur Arie was appointed to serve as the Chief Financial Officer of the Company, starting from February 24, 2025. In accordance with the decision of the Compensation Committee and the Board of Directors, her terms of service were updated following the appointment.
For further details regarding Mrs. Rony Gur Arie's appointment as Chief Financial Officer of the Company, see the Company's immediate report dated February 25, 2025, which is incorporated herein by reference.

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]:

11) The amount includes all the following components that were paid for the entire 2024 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.

12) In accordance with the Previous 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 Previous 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 Previous Compensation Policy. Accordingly, and according to the provisions of the Company's Previous 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, as stated in Section (3) above), Mrs. Gur Arie is entitled to an annual bonus for 2024 in the amount of NIS180 thousand constituting 4.5 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.

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]:

On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli and the transfer of control (as described in Section 2.2 of Part A of the Periodic Report), the conditions for the accelerated vesting of 85,286 non-tradable options, exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each, were met such that out of the aggregate options granted to her in 2023, 170,573 non-tradable options vested and are exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each.

In addition, in accordance with the Previous Compensation Policy, since the Company decided not to allocate equity components to the CEO for 2024, a cash bonus was granted instead of equity-based compensation. This bonus was derived from the Company's stock performance and calculated based on the stock's shekel-denominated return during the grant year. The total bonus amounted to nine gross monthly salaries, equaling NIS360 thousand.

Lior Levinsky, Vice President of RDC

14) Mr. Levinsky serves as CFO of the Company's subsidiary RDC and receives his salary therefrom.

15) The amount includes all the following components that were paid for the year 2024: 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 2024 for 2023.

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.

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]:

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. On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli and the transfer of control (as described in Section 2.2 of Part A of the Periodic Report), the conditions for the accelerated vesting of 33,333 non-tradable options, exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each, were met such that out of the aggregate options granted to him in 2023, 66,667 non-tradable options vested and are exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each.

Dan Hoz, Former Chairman of the Board

18) Mr. Dan Hoz served as Chairman of the Company's Board of Directors from November 14, 2021 until September 4, 2024. With the completion of his term as Chairman, Mr. Dan Hoz continues to serve as a director of the Company. For further details regarding the termination of Mr. Dan Hoz's tenure as Chairman of the Company's Board of Directors, see the Company's immediate report dated September 4, 2024, which is incorporated herein by reference. Prior to his appointment as Chairman of the Company's Board of Directors, Mr. Hoz served as an alternate director in the company commencing from June 2021.

In April 2022, the Company' shareholders' meeting, following the approval of the Compensation Committee and the Board of Directors confirmed his terms of engagement according to which 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. 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.

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]:

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 Previous Compensation Policy and instead of the grant conditional on the Measurable Goals, which is possible according to the Previous 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 Previous Compensation Policy, the shareholders, following the recommendation of the Board of Directors and the Compensation Committee, approved a discretionary bonus for 2023 in the amount of NIS 99 thousand as well as a discretionary bonus for the year 2024 in the amount of 68 thousand NIS, equivalent to two (2) monthly payments and two (2) monthly payments, respectively, in accordance with the compensation received by Mr. Dan Hoz for his tenure as Chairman of the Board, pursuant to the provisions of the Previous Compensation Policy.

    On September 4, 2024, upon the completion of the sale of DIC's shares to Arieli and the transfer of control (as described in Section 2.2 of Part A of the Periodic Report), the conditions for the acceleration of the options granted to Mr. Dan Hoz in 2022 were met and accordingly the last tranche of 215, 867 non-tradable options, exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each, vested and are exercisable into Ordinary Shares of the Company with a nominal value of 0.003 NIS each.

C. <u>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</u>:

1. For details regarding the directors' compensation, see Note 17.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 17.B to the Consolidated Financial Statements.
3. For details regarding the Company's Compensation Policy for officers, as approved by the Company's general meeting on January 2, 2025, for a period of three years—following the approval of the Board of Directors and the recommendation of the Compensation Committee ("the **New Compensation Policy"**)—see the Company's immediate report dated November 27, 2024, regarding the convening of an annual meeting, which included, among other items, the approval of the New Compensation Policy, as well as the supplementary report dated December 26, 2024. In addition, see the Company's immediate report on the meeting results dated January 7, 2025, which is incorporated herein by reference.

7. <u>The Company's Controlling Shareholder</u>

[Regulation 21a]

Until September 4, 2024, DIC, a company whose shares are traded on the Tel Aviv Stock Exchange, was considered the controlling shareholder of the Company by virtue of its holdings, which as of that date constituted 59.68% of the Company's issued share capital and voting rights. On September 4, 2024, DIC notified Elron and published a report stating that it had completed a transaction for the sale of its entire holdings in Elron to Arieli (for further details, see Section 2.2 of Part A of the Periodic Report.) As of such date, Arieli became the controlling shareholder of Elron and, as of the date of publication of this Annual Report, holds 59.01% of the issued share capital and voting rights in the Company (55.17% on a fully diluted basis). Arieli is a private company incorporated in Israel. According to information provided to the Company, the controlling shareholders of Arieli are Mrs. Lisya Bahar Manoah, Mr. Ariel Bentov, and Mr. Even Yonatan Renov, who hold 30%, 35%, and 35% of the issued and outstanding share capital and voting rights in the related party, respectively.

8. Transactions with the Company's Controlling Shareholder

[Regulation 22]

Below are the details, to the Company's best knowledge, regarding every transaction (except for certain negligible transactions, in accordance with Note 17.B to the 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. 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")

A. Directors and Officers Insurance Policy

For details regarding the Company's Board of Directors approval of the Company's engagement in an agreement to purchase insurance policy, including liability and run-off insurance for directors and other officers 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, see section 20 [Regulation 29A] below.

B. Exemption and Indemnification to Officers and Directors

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 January 2, 2025, following the approval of the Compensation Committee and the Board of Directors of the Company, the general meeting of the Company's shareholders 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 January 2, 2028). For additional details see the Company's immediate report from November 27, 2024, with regard to convening an annual general meeting, that on its agenda, among others, is a transaction between the Company and its controlling shareholder and a supplementary report dated December 26, 2024, which are incorporated herein by reference.

To date, the Company's directors include Mrs. Lisya Bahar Manoah (Chairperson of the Board), Mr. Even Yonatan Renov, and Mr. Ariel Bentov, who are considered controlling shareholders or whose indemnification agreements require approval as a related-party transaction, due to their status as controlling shareholders of Arieli.

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.

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. 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). 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, and/or to companies which are interested parties in it, in which the directors are employed and/or serve as officers. In September 2024, the Compensation Committee and the Board of Directors approved the payment of compensation for serving as directors, as detailed above, to directors who are part of the controlling shareholders of the Company on behalf of Arieli and/or for whom Arieli has a personal interest in their payment. As of this date, this decision is relevant to directors Yonatan Renov and Ariel Bentov (for details regarding the compensation of the Chairman of the Board, Mrs. Lisya Bahar Manoah, see Section 8.2 below).

8.2 Other Transactions with a Controlling Shareholder

A. Approval of the terms of office of the Chairperson of the Company's Board of Directors

On September 4, 2024, Mrs. Lisya Bahar Manoah was appointed to serve as the Chairperson of the Board of Directors of the Company. Mrs. Lisya Bahar Manoah is one of the controlling shareholders of the company, and in accordance with the provisions of the Companies Law, 1999 ("Companies Law"), the terms of her office and employment, including their various components, constitute a transaction between the Company and its controlling shareholder.

The Compensation Committee of the Company held discussions regarding the compensation of the Chairman of the Board and sought economic and legal advice. It is noted that the Company's compensation policy allows for the payment of compensation to an active Chairperson of the Board, which is aligned with the policy provisions for the CEO, with necessary adjustments, according to the required approvals under the law. This includes, as applicable, a cap on the value of equity-based compensation, which for the Chairperson of the Board will not

8. Transactions with the Company's Controlling Shareholder [Continued]
[Regulation 22]

8.2 Other Transactions with a Controlling Shareholder [Continued]

A. Approval of the terms of office of the Chairperson of the Company's Board of Directors [Continued]

exceed seven times the monthly salary (gross salary) (replacing nine times the monthly salary (gross salary) for the CEO) ("Equity Compensation").

Since Mrs. Bahar Manoah is among the controlling shareholders of the Company, she is subject to the rules set by the Israeli Securities Authority regarding what is permissible in granting bonuses. Furthermore, in light of the position of institutional shareholders and advisory companies that generally oppose equity-based compensation for controlling shareholders, and in accordance with the Company's New Compensation Policy as approved by the Company's General Assembly on January 2, 2025 (as detailed in Section 6.C.3 of this section above), the proposed compensation for Mrs. Bahar Manoah as Chairperson of the Board, who is a controlling shareholder, does not include equity-based compensation instruments of the Company.

Considering the above, on January 2, 2025, after the reporting date, the Company's General Assembly approved the terms of office and employment of Mrs. Bahar Manoah as the Chairperson of the Board of Directors of the Company. For details regarding the terms of her employment and the Company's New Compensation Policy regarding compensation for a Chairperson of the Board who is a controlling shareholder, as approved by the Company's General Assembly on January 2, 2025, see the Company's immediate report dated November 27, 2024, concerning the convening of the annual meeting, which includes, among other things, the approval of the terms of office and employment of Mrs. Bahar Manoah as Chairperson of the Board of Directors, as well as a supplementary report dated December 26, 2024, which are incorporated herein by reference.

Following this, the Company convened a General Assembly expected to meet on April 10, 2025, to approve the targets for the annual bonus for the Chairperson of the Board for 2025, after approval by the Compensation Committee and the Company's Board of Directors. For further details, see the Company's immediate report dated March 5, 2025 incorporated herein by reference.

B. 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").

8. Transactions with the Company's Controlling Shareholder [Continued]

8.2 Other Transactions with a Controlling Shareholder [Continued]

B. Uses and Office Expenses Allocation Agreement [continued]

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.

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 22nd 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 17.B to the Consolidated Financial Statements. It should be noted that as of September 4, 2024, the Company is no longer connected to DIC.

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, 2024 [Continued]

[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, 2025 regarding the holdings of related parties and officers.

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, 2024 [Continued]

[Regulation 24]

In April 2024, the Company's Board of Directors approved the grant of 60,000 options to employees of the Company who are not officers. For further details, see the Company's immediate report dated April 21, 2024, as well as the supplementary report dated May 20, 2024, which are incorporated herein by reference.

On September 4, 2024, with the completion of DIC’s sale of its shares to Arieli (as described in Section 2.2 of Part A of the Periodic Report above), the conditions were met to accelerate the vesting of 197,877 options belonging to the outgoing CEO, 215,367 options for the then-Chairman of the Board, Mr. Dan Hoz (who ended his tenure as Chairman of the Board on such date and continued serving as a director in the Company, hereinafter: the “Outgoing Chairman of the Board"), and 332,901 options granted to officers in the Company and its subsidiary RDC. For further details, see Note 11.D of the Company’s financial report.

On February 24, 2025, subsequent to the reporting date, the Company’s Board of Directors, following approval by the Compensation Committee, approved the allocation of 415,121 options to the Company's CEO as part of the terms of his office and employment and in accordance with the Compensation Policy. The grant of options to the CEO and other terms of his employment will be brought for approval at the Company’s shareholders meeting on April 10, 2025, subsequent to the report's publication date. For further details, see the Company’s immediate report dated March 5, 2025 (Reference No. 2025-01-014867), referenced here.

10. Authorized Share Capital, Issued Share Capital and Convertible Securities of the 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 11 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 11 of the Financial Statements.

11. Shareholder register

[Regulation 24b]

See Company's immediate report dated January 16, 2025.

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

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.
Lisya Bar Manoah 333796118 July 25, 1983 Israeli	Edward Bernstein 26/3 Tel Aviv	Chairperson of the Board of Directors	Serves as a director at Arieli E.L. Ltd., the controlling shareholder of the Company, and also serves as an Executive at Arieli Capital LLC, an affiliated company of the controlling shareholder. Director at the following companies: RDC Rafael Development Ltd.; R.A. Red Access Security Ltd.; Cynerio Israel Ltd.	04.09.2024	Graduate in Industrial Engineering and Management, Vienna University of Technology. MBA Tel Aviv University. Graduate of Executive Education, Harvard University. Managing Partner and Director, Arieli E.L. Ltd., the controlling shareholder of the company, since 2024. Executive, Arieli Capital LLC, since 2024. Lecturer in the International MBA Program, Tel Aviv University, since 2024. Lecturer at the Arison Business School, Reichman University, since 2021. General Partner, Catalyst Funds, from 2019 to 2024.	No	Accounting and financial expertise
Dan Hoz 027860824 10.07.1970 Israeli	8 Hahita, Bnei Atarot	No	Serves as a director of RDC Rafael Development Ltd	8.6.2021 (chairman of the board of Directors from 14.11.2021 until 04.09.2024)	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

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.**
Ariel Bentov 029617875 16.09.1972 Israeli	King David Street, 12, Herzlya	No	Serves as Managing Partner at Arieli E.L. Ltd., the controlling shareholder of the Company, as well as at Arieli Capital LLC, an affiliated company of the controlling shareholder. In addition, serves as a director at RDC Rafael Development Ltd	04.09.2024	Graduate in Law, The University of Sheffield. Managing Partner, Arieli E.L. Ltd., since 2024. Co-Founder and Managing Partner, Arieli Capital LLC, since 2016. Co-Founder, Frontier RNG LTD, since 2021. Founder and CEO, Eilat Tech Center LTD, since 2022. Co-Founder and Managing Partner, OrbitallQ, since 2022. Serves as a director in the following companies: Terrific Innovation LTD, Breath of Health LTD, Eilat Tech Center LTD, Jama Dayan LTD, OrbitallQ, SNE Rosetta IP Technology Transfer LTD. Serves as an observer on the board of directors of the companies: Velvet AI (Decheque Inc. DBA Velvet), Nanocell LTD (Maya Fertility), and ShareNett Holdings LLC.	No	Professional Competence
Evan Jonathan Renov 347056137 02.02.1982 Israeli	Sderot Ben Zvi Itshak 37/4 Jerusalem	No	Serves as Managing Partner at Arieli E.L. Ltd., the controlling shareholder of the Company, as well as at Arieli Capital LLC, an affiliated company of the controlling shareholder. In addition he, serves as a director at RDC Rafael Development Ltd.	4.0.2024	Graduate in Finance, Yeshiva University. Masters in Business Administration, Tel Aviv University and JL Kellogg Graduate School. Managing Partner and Director, Arieli E.L. Ltd., since 2024. Partner, Induction Bio LLC, since 2023. Co-Founder and Managing Partner, Arieli Capital LLC, since 2016. Co-Founder, Frontier RNG LTD, since 2021. Partner, Beechwood Ventures LLC, since 2014. Owner, Beechwood Consulting LLC, since 2014. President and CEO, Beechwood	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 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.**
					Entertainment LLC, since 2010. Managing Member, Global Paramount BioFund LP, since 2008 Serves as a director in the following corporations: Wander App Inc, Breath of Health LTD, SharNett Holdings LLC, Moonbow Ventures LTD, Diamante Societ, Induction Bio LLC, POWERFUL MEDICAL s.r.o., Nanocell LTD (Maya Fertility), SNE Rosetta IP Technology Transfer LTD. Serves as an observer on the board of directors of: Velvet AI (Decheque Inc. DBA Velvet		
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 HebrewUniversity. 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. ExternalDirector	No	02.03.2021	Graduate of Economics and Accounting, Bar-Ilan University. Until October 2020, Deputy CEO and ChiefFinancial Officer, Delek Group Ltd.; Director at Delek Drilling – Limited Partnership; Delek Energy Systems Ltd.; Delek the Israeli Fuel Corp Ltd.; The Phoenix Insurance 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	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 specifying details	Is he/she a director who sees himself/herself as having accounting and financial expertise or as professional competence.
					oil and gas companies in USA and in the field of e-commerce.		
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 September 4, 2024, upon completion of the transaction for the sale of DIC's holdings and the transfer of control of the Company, the Company's Board of Directors appointed Ms. Lisya Bahar Manoah, who is among the controlling shareholders of the Company (as described in section 2.2 of Part A of the Periodic Report), as the Chairperson of the Company's Board of Directors, replacing Mr. Dan Hoz who continues to serve as a director of the Company. For more details regarding the changes in the Company's Board of Directors due to the transfer of control, see the Company's immediate report dated September 4, 2024 incorporated herein by reference. For details regarding the terms of employment of the Chairperson of the Board and the New Compensation Policy of the Company regarding the compensation of a Chairperson of the Board who is a controlling shareholder in the Company, as approved by the Company's general meeting on January 2, 2025, see the Company's immediate report dated November 27, 2024, and the supplementary report dated December 26, 2024, the contents of which are incorporated herein by reference. On February 24, 2025, subsequent to the reporting date, the Compensation Committee and the Board of Directors of the Company approved measurable goals for the annual bonus for 2025 to Ms. Lisya Bahar Manoah, as part of the terms of her tenure and employment as Chairperson of the Company's Board of Directors. The measurable goals requiring shareholder approval will be brought to the Company's general meeting for approval on April 10, 2025, after the report publication date. For further details, see the Company's immediate report dated March 5, 2025, incorporated herein by reference.

Directors whose term of office ended during the reporting period:

- Ms. Natali Mishan-Zakai, ID No. 031781180
  Position in the company: Director
  Start date of tenure: 09.08.2022
  End date of tenure: 04.09.2024
- Mr. Eyal Eshed, ID No. 024641185
  Position in the company: Director
  Start date of tenure: 05.04.2022
  End date of tenure: 04.09.2024.

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
Yaniv Shnieder 026666016 04.07.1980	18.2.2025	CEO of the company*. Serves as a director in the following companies: Wonder Robotics Ltd., BrainsGate Ltd., Scribe Security Ltd., Breeze Security Ltd., Sayata Labs Ltd., and Cyvers.ai Ltd	No	Graduate in Computer Science, Technion – Israel Institute of Technology. Masters in Information Management Engineering, Technion – Israel Institute of Technology. CEO of the company as of February 18, 2025. For more details regarding the appointment of Mr. Yaniv Schneider as CEO of the company, see the company's immediate report dated January 13, 2025 (incorporated herein by reference) Since 2018, served as General Manager & CTO, Tel Aviv R&D Center at Rafael Advanced Defense Systems Ltd. Director at the following companies: Wonder Robotics Ltd., BrainsGate Ltd., Scribe Security Ltd., Breeze Security Ltd., Sayata Labs Ltd., and Cyvers.ai Ltd
Rony Gur Arie 301894366 14.8.1988	9.6.2023	CFO as of February 24, 2025; Director of Atlantium Technologies Ltd. For more details regarding the appointment of Mrs. Rony Gur Arie as the CFO of the Company, see the Company's immediate report dated February 25, 2025 (incorporated herein by reference)	No	BA in Accounting and Economics and an MBA in Business, Tel Aviv University. VP Finance from June 2023 until her appointment as CFO as aforementioned. Prior thereto served in various positions in the Company's finance department since September 2016. Served as Director of Coramaze Technologies Ltd. and serves as director of Atlantium Technologies Ltd

Itzhak Ravid 052761384 24.8.1954	1.10.2020	Internal auditor	No	Accountant- Senior partner in the accounting firm Raveh Ravid & Co. Certifiedinternal auditor. BA in Accounting and Economics, Tel AvivUniversity. Internal Auditor of, among others, Cellcom Israel Ltd. and DIC.

* On January 12, 2025, after the report date, the Company's Board of Directors approved the appointment of Mr. Yaniv Schnieder as the CEO of the company, and he began serving in this role on February 18, 2025 (see the Company's immediate report dated January 13, 2025). In this context, the Company's Board of Directors, after receiving approval and recommendation from the Compensation Committee, approved the terms of the CEO's tenure and employment, and they will be submitted for approval at the Company's general meeting on April 10, 2025, after the report publication date. For further details, see the Company's immediate report dated March 5, 2025, incorporated herein by reference.

Senior officers whose term of office ended during the reporting period:

- Mr. Yaron Elad, ID No. 034147223
  Position in the company: CEO
  Start date of tenure: 01.01.2021
  End date of tenure: 17.02.2024
- Mr. Elik Israel Etzion, ID No. 027450626
  Position in the company: CFO
  Start date of tenure: 01.07.2021
  End date of tenure: 17.02.2024
- Ms. Meital Elyan Levitan, ID No. 39026612
  Start date of tenure: 09.06.2023
  End date of tenure: 29.09.2024

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. 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, the Company declared the distribution of a dividend to the shareholders of the Company in an aggregate amount of NIS 96,500,000. For additional details, see the immediate report published by the Company on January 11, 2024, incorporated herein by reference as well as Note 11.C of the Financial Statements.

On February 19, 2024, 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 was subject to the Court approval pursuant to Section 303 of the Companies Law, 1999 as well as final approval of the Company's Board of Directors, after receiving court approval, in its sole discretion. In May 2024, the court approved the request for a dividend distribution of $35 million. The court's approval was valid for a period of six months from the date it was granted. For more details, see section 5 in Part A of the Periodic Report.

In May 2024, DIC. reported that it had signed a non-binding memorandum of understanding for the sale of its holdings in Elron (the memorandum of understanding that led to the signing of a binding agreement as described in section 2.2 of Part A of the Periodic Report) with Arieli (the "Acquirer"). Shortly thereafter, the Company's board of directors received an approach from the Acquirer to refrain from making the distribution, based on the reasons stated in the approach (for further details, see section 5 of Part A of the Periodic Report).

After several discussions on the matter at the Company's Audit Committee and Board of Directors, on July 3, 2024, following the decision of the Company's Audit Committee on June 30, 2024, the Board of Directors decided that the best interests of the Company at that time was not to make the distribution. Since the court's approval for the distribution was valid until November 2024 (the Expiration Date of the Approval"), the Company's Board of Directors decided to reconsider the distribution possibility prior to the Expiration Date of the Approval, all at its sole discretion and in accordance with the law, taking into account, among other things, the circumstances described in the Company’s immediate report dated July 4, 2024 incorporated herein by reference.

On October 8, 2024, prior to the Expiration of the Approval Date, the Company's Board of Directors convened and decided on a cash dividend distribution to shareholders totalling $15 million. The total dividend was comprised of two components as follows: (a) a component that does not meet the profit test (as defined in the Companies Law, 1999) in the amount of approximately $5.6 million (approximately $0.10656 per share) and (b) a dividend component from distributable profits of approximately US$9.4 million, which was distributed from the Company's surplus balance (approximately $0.17781 per share). The Board of Directors also decided that the record date for the payment (the "ex-dividend" date) would be October 21, 2024, and the payment date would be November 3, 2024. For further details, see the Company’s immediate reports dated October 20, 2024.

In March 27, 2025, subsequent to the reporting date, a cash dividend was announced in the amount of $ 8,782 thousands (which constitute approximately USD 0.16613 per share to the Company’s shareholders).

The dividend will be distributed from the Company's surplus reserves, after the Company's board of directors has examined the company's compliance with the profit test and the solvency test, and confirmed that the distribution will not impair the Company's ability to meet its overall obligations and/or its existing operational structure. The remaining profits eligible for distribution under the profit test according to Section 302 of the Companies Law, 1999, as of the approval date of the distribution (before the approval of the distribution as mentioned), amounted to $8,782 thousand (which is the amount of the aforementioned distribution). The distribution is based on the proceeds from the sale of SixGill, which was completed in 2024, and was not included in the Company's dividend distribution policy (as approved by the Company's Board of Directors in January 2025, subsequent to the reporting date, as detailed in Section 5.3 of Part A of the periodic report, "Dividend Distribution Policy"). It also includes an early distribution based on the proceeds received from the sale of Ironscales, which was completed in January 2025, subsequent to the reporting date, and was included in the Company's dividend distribution policy (and for the avoidance of doubt, no additional distribution will be made regarding this sale).

Additionally, at the time of the approval of the distribution, the Company's board of directors directed that preparations be made to examine a further distribution of approximately $6,500 thousand, not out of profits, which will be partly used for an additional dividend distribution (and possibly also partly for a share buyback). A request for such a distribution to the court will be examined by the company's board of directors, and if approved, it will be subject to court approval in accordance with Section 303 of the Companies Law, 1999 ("Companies Law"), as well as additional approval by the company's board of directors.

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) Approval of the terms of office of the chairperson of the Company's Board of Directors, see section 8.2(a) above. above; (5) grant of options to the outgoing Chairman, the CEO and the outgoing 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 with the 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 terms of office of the Chairperson of the Company's Board of Directors, see section 8.2(a) above and (3) Approval to grant a discretionary bonus to the Outgoing Chairman of the Board, see section 6.B 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**"), for a period of 12 months ending December 31, 2024 in accordance with regulation 1B1 of the Reliefs Regulations and the instructions of the Compensation Policy of the Company. The terms of the existing policy stipulate, among other things, that in the event of a transfer of control in the Company, it will be cancelled and automatically converted into a Run-Off policy until the end of the insurance period.

On May 5, 2024, the Company reported, in an immediate report, on the signing of a non-binding memorandum of understanding by DIC for the sale of all its holdings in the Company to a potential purchaser, which was completed on September 4, 2024. For further details, see the Company's immediate reports dated May 5, 2024, and September 4, 2024, the contents of which are incorporated herein by reference.

In light of the fact that the terms of the existing policy stipulate, among other things, that in the event of a transfer of control in the Company, the policy will be cancelled and automatically converted into a Run-Off policy until the end of the insurance period, and in order to prepare in advance for the completion of the sale of DIC's shares, on July 3, 2024, the Company's Compensation Committee approved, subject to the completion of the transaction, to enter into a new directors' and officers' liability insurance policy (the "**New Insurance Policy**"), in accordance with the Company's Compensation Policy and Regulation 1B1 of the Relief Regulations.

The New Insurance Policy covers claims related to events that will occur from the date of the transfer of control for a period of 12 months, with liability limits of up to $20 million ("dollars") (no change compared to the existing policy) and a premium of approximately $130 thousand per year (a reduction compared to the existing policy). The terms of the New Insurance Policy are identical for all directors and officers in the Company, including directors and officers who are considered controlling shareholders of the Company or their relatives. After the completion of the transaction, the following individuals serve as directors of the Company: Ms. Lisya Bahar Manoah, Mr. Ariel Bentov, and Mr. Even Yonatan Ranov, who are considered controlling shareholders of the Company as detailed in Section 2.2 of Part A of the Periodic Report.

In addition, the Compensation Committee approved, in accordance with the Compensation Policy, to enter into a Run-Off directors' insurance policy, subject to the completion of the sale transaction, with the following main terms: insurance coverage of up to $20 million; coverage for a period of 7 years from the date of the transfer of control, which will cover claims related to circumstances and claims first discovered during the policy period for events that occurred prior to the transfer of control of the Company. The premium for the Run-Off policy is approximately $389 thousands.

In its decision, the Compensation Committee noted, among others, that the engagement in the Insurance Policy for directors and officers' liability and a Run -Off policy directors and other officers serves the good of the Company. It was also confirmed that the terms of the Insurance Policy and the Run-Off 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 and the Run-Off policy, in accordance with the approval of the Compensation Committee, the Compensation Policy and regulation 1B1 of the Reliefs Regulations.

21. <u>Other Details</u>

None

Corporate Governance Questionnaire[3] – 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: Ronit Ritz-Bueno Director B: Barak Mashraki. The number of external directors serving in the corporation as of the publication date of this questionnaire: 2	√	
2.		Percentage[4] of independent[5] directors serving on the Board of Directors as of the date of publication of this questionnaire: 3/7		

[3] Published in the framework of legislation proposals to improve the reports on 16/03/2014.
[4] In this questionnaire, "Percentage" – a certain number out of total
[5] 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[6] Articles of Association[7]________. ☒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 are not 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 who do not 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	√	

[6] A debenture company is not required to answer this section

[7] 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[8] 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)	√	

[8] 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)*[9]. 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[10]. If your answer is "Yes" – list whether the program was operated during the report year. Yes		√

[9] A debenture company is not required to answer this section.

[10] 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[11]: 3[12] Who possess professional competency[13]: 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*	√	

[11] 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.
[12] During 2024, the maximum number of directors with financial and accounting expertise on the Board of Directors of the Company stands at 4 directors.
[13] 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: 5, Women: 2.	_____	_____

					Yes	No
Board of Directors Meetings (and Convening of Shareholders Meetings)						
11.		a.	Number of Board of Directors meetings that took place during every quarter of the reporting year: First Quarter (2024) 4 Second Quarter 2 Third Quarter 4 Fourth Quarter 2		___	_____
		b.	Next to each of the names of the directors who served in the corporation during the reporting year, list the attendance rate[14] 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):		___	_____

[14] See footnote 4.

Director's Name	Attendance Rate in Board of Directors meetings	Attendance Rate in Audit Committee Meetings[15]	Intentionally Deleted	Compensation Committee[16]	Attendance Rate in Other Board of Directors Committee Meetings in which the Director is a Member (noting the name of the committee)	
Lisya Bahar[17] Manoah	3/3					
Ariel Bentov[18]	3/3					
Evan Jonathan [19]Renov	3/3					
Dan Hoz	12/12	-		-	-	

[15] In respect of a director serving in this committee
[16] In respect of a director serving in this committee.
[17] Commencing September 4, 2024
[18] Commencing September 4, 2024
[19] Commencing September 4, 2024

			Nataly Mishan Zakai[20]	7/9	-		-	-		
			Ronit Ritz-Bueno	11/12	4/5		5/5	-		
			Barak Mashraki	12/12	5/5		5/5			
			Eyal Eshed[21]	9/9	-		-			
			Shalom Turgeman	12/12	5/5		5/5			

[20] Until September, 4, 2024
[21] Until September, 4, 2024

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[22]. ☒ Not relevant (if no dual position exists in the corporation).		

[22] In a debenture company – an approval in accordance with section 121(d) of the Companies Law

				Yes	No
16.		The General Manager <u>is not</u> 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[23]: ☐ Yes ☐ No (*Mark X in the appropriate box)*	_____	_____
17.		The controlling shareholder or its relative <u>does not</u> serve as General Manager or senior officer in the corporation, except as a director. 1. Not relevant (the corporation has no controlling interest)		√	

[23] 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[24].		√
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: _______	√	

[24] The CFO of DIC attended the audit committee's discussion regarding the financial statements.

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	√	

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: Semi-annual report 2 Annual Report 2	_____	_____
	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: Semi-annual report 2 Annual Report 2		
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[25]): 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.	√	

[25] Includes hours spent on held corporations or audits abroad, as applicable.

Transactions with Interested Parties			
		Yes	**No**
37.	[26]The controlling party or his relative (including a Corporation it controls) is not employed by thecorporation 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 has no 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)	√	

Chairperson of the Board of Directors:__________

Date: March 27, 2025

Chairman of the Audit Committee: __________________

Date: March 27, 2025

Comments

Comment to Question 11b: The Audit Committee operates also as the Financial Statements committee.

[26] On January 2, 2025, after the date of the report, the general meeting approved, following the approval of the Company's Board of Directors and the recommendations of the Compensation Committee, that starting from 2025, Ms. Lisya Bahar Manoah will provide management services to the Company as part of the terms of her appointment and employment as Chairperson of the Company's Board of Directors. For further details, see the Company's immediate report from November 27, 2024, regarding the convening of the annual meeting, which, among other items on the agenda, included the approval of the terms of her appointment and employment as Chairperson of the Company's Board of Directors, as well as the supplementary report from December 26, 2024, which are incorporated herein by reference.

Elron Ventures Ltd.

Part IV

English Translation of the Managers' Declaration regarding the Effectiveness of Internal Control

As of December 31, 2024

Declaration of the Principal Executive Officer pursuant to Regulation 9B(d)(1):

Managers' Declaration

Declaration of the Chief Executive Officer

I, Yaniv Shnieder, declare that:

(1) I have examined the annual report of Elron Ventures Ltd. (the "**Company**") for the year of 2024 (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, 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 financial reporting and disclosure and control over the financial reporting.

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

March 27, 2025 __________________________________

Yaniv Shnieder, 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 annual financial statements and other financial information which is included in the annual reports of Elron Ventures Ltd. (the "**Company**") for the year of 2024 (the "**Reports**");

(2) Based on my knowledge, the financial statements and other financial information which is included in 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 auditor, board of directors and the audit committee of the Company's board of directors, 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 financial reporting and disclosure and control over the financial reporting.

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

March 27, 2025 ____________________________________

Rony Gur Arie, CFO

English Translation of Liabilities report of the Company by repayment date

Section 36a to the Israel Securities Law (1968)

Report as of December 31, 2024

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, 2024 (1 USD = 3.647 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	365	0	95	460
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	365	0	95	460

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	365	0	95	460
Fifth year and thereafter	0	0	0	0	0	0	0
Total	0	0	0	365	0	95	460

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	29,176	0	7,298	36,474
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	29,176	0	7,298	36,474

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

Section H above refers to a loan granted to RDC Rafael Development Ltd., a subsidiary consolidated by the company. For further details regarding the aforementioned loan, as well as the decision regarding early partial repayment and the extension of the repayment period for the remaining loan balance, which was made in March 2025, subsequent to the reporting date, please refer to Note 3.A.3.A of the company's consolidated financial statements.