

**Elron Electronic Industries Ltd. (the “Company”)**

**Ballot in accordance with the Israeli Companies Regulations (Voting in Writing and Position Statements), 5766-2005 (the “Regulations”)**

1. **Name of Company:** Elron Electronic Industries Ltd.
2. **Type of General Meeting, Time and Location for the Convening thereof:**  
Special general meeting of the shareholders of the Company to be convened on March 8, 2018, at 15:00, in the Company’s offices at 3 Azrieli Center, Triangular Tower, Floor 42, Tel Aviv.
3. **Issue on the Agenda to be Voted on with this Ballot:**

Following is a concise summary of the issue on the agenda of the general meeting that may be voted on with this ballot. For further details with respect to the issue on the agenda, see the immediate report released by the Company on January 31, 2018 on the distribution website of the Israel Securities Authority (ISA) at [www.magna.isa.gov.il](http://www.magna.isa.gov.il) and on the website of Tel Aviv Stock Exchange Ltd. at [maya.tase.co.il](http://maya.tase.co.il), to which this ballot is attached (the “**Immediate Report**”).

The following issue is on the agenda of the meeting:

The appointment of Mr. Ehud Rassabi as an external director of the Company for a term of office of additional three years, commencing on March 11, 2018.

With respect to the Mr. Ehud Rassabi’s terms of office, the following shall apply:

In accordance with decisions taken by the Company in the past, it was determined that if the Company will no longer be a dual listed company, as such term is defined in the Israeli Companies Regulations (Reliefs for Companies Whose Shares are Registered for Trading on an Exchange Outside of Israel), 5760-2000 (the “**Reliefs Regulations for Dual Listed Companies**”), external directors will be entitled to remuneration and reimbursement of costs in the maximum amounts determined for the compensation payable to an external director in a dual listed company, as defined in the Reliefs Regulations for Dual Listed Companies, until the end of service of the Company’s external directors, whose service was approved prior to the date on which the Company ceased being a dual-listed company.

In light of the foregoing, Mr. Ehud Rassabi’s terms of service as an external director in the Company, shall, subject to his re-appointment approval, be as follows:

- A. From the date his service commences and until the end of service of the Company’s external directors whose service was approved prior to the date on which the Company ceased being a dual-listed company (expected to take place on October 1, 2020), Ehud Rassabi’s terms of service will be unchanged, and he shall be entitled to remuneration and reimbursement of costs in the maximum amounts determined for the compensation payable to an external director in a dual listed company, as defined in the Reliefs Regulations for Dual Listed Companies, which consist of an annual fee of NIS115,400 and a per meeting fee of NIS3,470, in each case linked to the consumer price index of December 2007 (as of the date hereof, an annual fee of NIS133,232 and a per meeting fee of NIS 4,006).

- B. Commencing from the date indicated in sub-section (A) above, Mr. Ehud Rassabi will be entitled to remuneration and reimbursement of costs in the maximum amounts determined under the Israeli Companies Regulations (Rules for Remuneration and Reimbursement of Costs to an External Director), 5760-2000 as they apply to the remuneration payable to an expert external director in a company with an equity capital in the Company's level (as of the date of this report, company in level D).

Mr. Ehud Rassabi's candidacy to serve an additional term as an external director is being proposed by the Company's board of directors. Mr. Ehud Rassabi has accounting and financial expertise, as such term is defined under the Israeli Companies Regulations (Conditions and Criteria for a Director with Accounting and Financial Expertise and a Director with Professional Qualifications), 5766-2005

Mr. Ehud Rassabi signed a declaration in accordance with Sections 224 (b) and 241 of the Companies Law, a copy of which is attached to this Report as Annex A.

The details regarding the candidate for additional term of office as an external director in the Company, as required under Regulation 26 to the Israeli Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the "**Immediate Reports Regulations**"), are, to the Company's best knowledge, as follows:

<b>Name:</b>	Ehud Rassabi
<b>Israel ID No.:</b>	052017142
<b>Date of Birth:</b>	July 30, 1953
<b>Address for Service:</b>	5 Gunder Avraham Street, Ramat Hasharon 4722360 Israel
<b>Citizenship:</b>	Israel
<b>Member of Board Committees:</b>	Chairman of each of the Audit Committee and the Compensation Committee; member of the Investment Committee
<b>Is the candidate an External Director?</b>	Yes
<b>Does he have Financial and Accounting, Professional qualifications or is he n expert director?</b>	Yes
<b>Is the candidate an employee of the Company or any of its subsidiaries or affiliates or any entity with a Personal Interest in the Company?</b>	No
<b>Commencement of Term:</b>	March 11, 2012

<b>Education:</b>	Bachelor of Arts degree in Accounting and Economics from Tel Aviv University
<b>Activities for the past 5 years:</b>	Accountant; provide expert opinions on economic issues, class actions, valuations and mediations; board member at companies; chairman (on a voluntary basis until June 2016) of the audit committee of the Friends of Tel Aviv University Society; President of “Lahav”, the Israel Chamber of Independent Organizations and Businesses (on a voluntary basis until October 2015); chairman of Ilan – Israel Foundation for Handicapped Children (on a voluntary basis); Honorary Consul of the Social Democratic Republic of Sri Lanka.
<b>Serves on the boards of other companies:</b>	Electra Ltd. (external director), Goldbond Group Ltd. (external director) Israeli News Company Ltd., Yehuda Reshatot Ltd.
<b>Family member of an entity with a Personal Interest in the Company:</b>	No
<b>The Company considers him as having accounting and financial expertise for the purpose of complying with the minimum number determined by the board of directors according to Section 92(A)(12) of the Companies Law</b>	Yes

It shall be noted that Mr. Yehuda Freidenberg, Mrs. Lee-Bath Nelson and Mr. Benjamin Gantz, who serve as external directors of the Company, continue to serve in the Company.

4. **Location and Time at which the Proposed Resolution in Full shall be Available for Perusal:**

A copy of the Immediate Report, the declaration of the candidate for office as external director, and the proposed resolution on the agenda of the general meeting, are available for perusal at the Company’s offices, after prior coordination with the Company's secretariat by telephone: +972-3-6075555, Sundays through Thursdays (with the exception of holiday eves and holidays) between the hours 09:00 and 16:00, until the date of convening of the meeting, and also on the ISA’s distribution website at: <https://www.magna.isa.gov.il> and the website of Tel Aviv Stock Exchange Ltd. at <http://maya.tase.co.il>. In addition, the language of the English translation of this Immediate Report will also be available on the Company’s website at: <http://www.elron.com>

5. **Required Majority for Adoption of the Resolution on the Agenda:**

5.1. The majority required for adoption of the proposed resolution specified in Section 3 is a majority of the shareholders entitled to vote and voting, either in person or by proxy (including via ballot), provided that one of the

following is met:

- (1) The count of the majority votes at the general meeting shall include a majority of all of the votes of shareholders who are neither controlling shareholders of the Company nor have a personal interest in the approval of the appointment, other than personal interest that does not result from relations with the controlling shareholder, who participate in the vote. The count of the total of votes of such shareholders shall exclude the abstaining votes;
- (2) The total of dissenting votes from among the shareholders specified in Subsection (1) above shall not exceed two percent of all of the voting rights in the Company.

6. **Note on a Shareholder being a Controlling Shareholder of the Company or having a Personal Interest**

- 6.1. A shareholder participating in the vote regarding the proposed resolution specified in Section 3, whether in person or by proxy, will notify the Company before voting at the meeting, or – if the vote is via ballot – on the ballot by indicating on Part B of the ballot, in the space designated therefor, whether or not he is deemed a controlling shareholder of the Company and/or has a personal interest in the approval of the resolutions on the agenda of the meeting, and will describe the relevant connection.

The vote of a shareholder who fails to indicate the existence or absence of personal interest and/or his being a controlling shareholder of the Company (or indicates that he has personal interest but fails to specify the nature thereof), shall not be counted.

- 6.2. According to the Voting Regulations and according to the ISA Guideline of November 30, 2011 regarding disclosure of the voting manner of interested parties, senior officers and institutional bodies at general meetings (the “**Guideline**”), an interested party, a senior officer and an institutional investor (the “**Voters**”), as defined in the Regulations and in the Directive, voting at the general meeting on the proposed resolution specified in Section 3 on the agenda, will provide the Company, in the context of their vote, with the details required under Regulation 36D(d) of the Immediate Report Regulations and Section 2(b) of the Guideline, and if voting by proxy, the Voter or the proxy shall also provide the details with respect to the proxy. In addition, details will be given with respect to any relation between the Voter or the proxy (who has no personal interest) and the Company or any of the controlling shareholders, including employment relations, business relations etc., while specifying the nature thereof.

7. **Legal Quorum and Adjourned Meeting**

A legal quorum shall be present if at least two shareholders holding, in total, more than 33.3% of the issued shares conferring voting rights in the Company attend the meeting, either in person or by proxy, within half an hour from the time appointed for the start of the meeting. If a legal quorum is not present at the general meeting within half an hour from the time appointed for the start of the meeting, the general meeting shall be adjourned to the same day the following week, at the same time and location. If no legal quorum is present at the adjourned meeting within half an hour from the time appointed for the start of the meeting, then one shareholder

holding at least 25% of the issued share capital of the Company, who is present in person or by proxy, shall constitute a legal quorum.

8. **Record Date**

The record date determining a shareholder's entitlement to participate in and vote at the meeting, pursuant to Section 182 of the Companies Law, is at the close of trading on the Tel Aviv Stock Exchange Ltd. on February 8, 2018 (the "**Record Date**"). In the event that no trade shall be carried out on the Record Date, the Record Date will be the last trading day that preceded such date.

**Method of Voting and Validity of Ballot:**

- 8.1. A shareholder whose shares are registered with a TASE member (an "**Unregistered Shareholder**") is entitled to receive confirmation of ownership from the TASE member by which he holds his shares, at a branch of the TASE member or by postal delivery to his address for postage only, if he shall have so requested, provided that a request in this regard shall be made in advance for a specific securities account. An Unregistered Shareholder may instruct that confirmation of his ownership be transferred to the Company by means of the electronic voting system.
- 8.2. The (non-electronic) ballot of an Unregistered Shareholder will be delivered to the Company together with the ownership confirmation, such that the ballot will reach the Company's registered office **no later than four hours before the time at which the meeting is convened** (i.e. – no later than March 8, 2018 at 11:00am).
- 8.3. A shareholder who is registered in the shareholders register will deliver the ballot to the Company together with a photocopy of an identity card or a photocopy of his passport or a photocopy of the incorporation certificate, such that the ballot will reach the Company's registered office **no later than six hours before the time at which the general meeting is convened** (i.e. – by March 8, 2018 at 09:00am).

9. **Internet:**

- 9.1. An Unregistered Shareholder may vote on a resolution, which is on the agenda as specified above, by means of a ballot to be transmitted via the electronic voting system (the "**E-Ballot**").
- 9.2. The E-Ballot will be available for voting at the end of the Record Date. Voting by means of the electronic voting system will end **6 hours before the time of the meeting (i.e., on March 8, 2018 at 09:00am)** at which time the electronic voting system will be locked.

10. **Address for Delivery of Ballots and Position Statements:**

The Company's offices at 3 Azrieli Center, Triangular Tower, Floor 42, Tel Aviv, Israel.

11. **Dates for Delivery of Position Statements and the Board of Directors Response**

**to Position Statements:**

- 11.1. The last date for the delivery of position statements to the Company is up to ten days before the date of the meeting.
- 11.2. The last date for the delivery of the board of directors' response to position statements, if and insofar as shareholders' position statements are submitted and the board of directors chooses to submit its response to such position statements, shall be no later than five days before the date of the meeting.

12. **Address of the Distribution Website and the TASE Website on which the Ballots and Position Statements are Available:**

The addresses of the websites of the ISA and TASE, on which the forms of the ballot and positions statements are available, are as follows: the ISA's distribution website: <http://www.magna.isa.gov.il> and the website of TASE: <http://maya.tase.co.il>.

13. **Receipt of Ballots and Position Statements:**

An Unregistered Shareholder is entitled to receive from the TASE Member by which he holds his shares, via email (to the address held by the TASE Member), free of charge, a link to the forms of the ballot and position statements on the distribution website, unless he shall have notified the TASE Member that he does not wish to receive such link or that he wishes to receive ballots by postal delivery for a charge. His notice in respect of ballots shall also be applicable to the receipt of position statements.

14. **Inspection of Ballots:**

One or more shareholders holding on the Record Date shares at a rate that represents five percent (5%) or more of the total of all voting rights at the Company, and also the holder of such rate out of the total of all voting rights not held by a controlling shareholder of the Company, as defined in Section 268 of the Companies Law (the "**Controlling Shareholder**"), is entitled, in person or by a proxy on his behalf, after the convening of the general meeting, to inspect at the Company's office (the address of which is specified in Section 4 above), during normal business hours, the ballots as specified in Regulation 10(a) of the Regulations .

- 14.1. The number of shares representing 5% of the total of all voting rights at the Company is 1,487,188 ordinary shares of the Company
- 14.2. The number of shares representing 5% of the total of all voting rights at the Company not held by the Controlling Shareholder, including through institutional bodies controlled thereby, is 738,871 ordinary shares of the Company

15. **Changes in the Agenda of the Meeting**

Subsequently to the release of the ballot, there may possibly be changes in the agenda, including the addition of an issue to the agenda, position statements may be released, and the up-to-date agenda and the released position statements will be available for perusal in the Company's reports on the distribution website, the address of which was specified in Section 13 above.

16. **Last Date for Delivery of an Amended Ballot**

If the addition of an issue to the agenda is requested and the Company releases an updated ballot (which includes such additional issue/s), the Company shall then release such updated ballot on the date of release of the updated agenda of the meeting, which shall be in accordance with the timetables prescribed by Regulation 5B of the Israeli Companies Regulations (Notice and Announcement of General Meetings and Class Meetings in Public Companies and the Addition of Issue to the Agenda), 5760-2000.

**A shareholder shall indicate his vote in respect of the issues on the agenda on the second part of the Ballot**

**Ballot – Second Part**

**Name of Company:** Elron Electronic Industries Ltd., Public Company 520028036.

**Address of Company (for depositing and sending Ballots):** 3 Azrieli Center, Triangular Tower, Floor 42, Tel Aviv, Israel.

**Time of meeting:** March 8, 2018, at 15:00.

**Type of meeting:** Special general meeting.

**Record date determining a shareholder's entitlement to vote at the general meeting:** The close of trading on the Tel Aviv Stock Exchange Ltd. on February 8, 2018 (the “**Record Date**”). If no trade is carried out on the Record Date, the Record Date shall be the last trading day preceding such date

**Details of the Shareholder**

Name of the shareholder: \_\_\_\_\_

Identification number: \_\_\_\_\_

If the shareholder does not have an Israeli identity card –

Passport number: \_\_\_\_\_

The country in which it was issued: \_\_\_\_\_

Valid until: \_\_\_\_\_

If the shareholder is a corporation –

Corporation number: \_\_\_\_\_

Country of incorporation: \_\_\_\_\_

**If the shareholder is a Voter as specified in Section 6 of the first part of the Ballot above –**

Specify any relation between the Voter (who does not have a personal interest) or his proxy and the Company or any of the controlling shareholders or a senior officer of the Company, including employment relations, business relations, etc., and specify their nature:



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**Vote:**

Issues on the Agenda	Vote <sup>1</sup>		For the purpose of appointment of an outside director (Section 239(b) of the Companies Law) – Are you a controlling shareholder, an interested party, a holder of a personal interest in the approval of the appointment, senior officer or institutional investor <sup>2</sup>		
	For	Abstaining	Against	Yes*	No
1. Appointment of Mr. Ehud Rassabi as an external director of the Company for a term of office of additional three years commencing from March 11, 2018, as specified in Section 3.1 above.					

Are you an interested party, senior officer or institutional investor? Yes \_\_ No \_\_

\* If you have indicated that you are deemed an interested party, senior officer of the Company<sup>3</sup> or institutional investor<sup>4</sup>, please specify:

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\* If you have indicated that you are deemed a controlling shareholder or holder of a personal interest in the resolution, please specify:

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<sup>1</sup> No indication shall be deemed as abstention from voting on that issue.

<sup>2</sup> The vote of a shareholder who fails to fill-in this column or indicates "yes" and fails to specify shall not be counted. It is not required to specify a personal interest in the approval of the appointment which does not result from relations with the Controlling Shareholder.

<sup>3</sup> According to the definition of the term "Senior Officer" in Section 37(d) of the Securities Law.

<sup>4</sup> According to the definition of the term "Institutional Investor" in Regulation 1 of the Israeli Companies Regulations (Voting in Writing and Position Statements), 5766-2005.

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**Date**

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**Signature**

To shareholders holding shares through a TASE Member (according to Section 177(1) of the Israeli Companies Law, 5759-1999) – this ballot is only valid with the attachment of a confirmation of ownership.

To shareholders registered in the Company's shareholders register – the ballot is only valid with the attachment of a photocopy of the identity card / passport / certificate of incorporation.

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