

Elron Electronic Industries Ltd.
(the “Company”)

January 31, 2018

Israel Securities Authority
(Via Magna)

Tel Aviv Stock Exchange Ltd.
(Via Magna)

Re: Immediate Report Regarding the Convening of a Special General Meeting of the Company's Shareholders

An immediate report (the “**Report**”) is hereby issued pursuant to the Israeli Companies Law, 5759-1999 (the “**Companies Law**”), the Israeli Companies Regulations (Notice and Advertisement of General Meetings and Class Meetings in a Public Company and Addition of an Item to the Agenda), 5760-2000 (the “**General Meeting Notice Regulations**”), and the Israeli Securities Regulations (Periodic and Immediate Reports), 5730-1970 (the “**Immediate Report Regulations**”) regarding the convening of a special general meeting of the shareholders of the Company, which shall be held on March 8, 2018 at 3:00 pm (Israel time), at the Company's offices at 3 Azrieli Center, The Triangular Tower, 42nd Floor, Tel Aviv, Israel, on the agenda of which will be the issue described hereinbelow.

1. The Matter on the Agenda and a Summary of the Proposed Resolution

To re-appoint Mr. Ehud Rassabi as an external director for an additional three-year term to commence on March 1, 2018.

With respect to Mr. Ehud Rassabi's terms of service, 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.

Accordingly, Mr. Ehud Rassabi's terms of service as an external director in the Company, shall, subject to approval of his re-appointment, 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 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 has 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**.

For details regarding Mr. Ehud Rassabi per Regulation 26 of the Immediate Report Regulations, please see the ballot attached as **Annex B** to this Report.

2. **The 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.

3. **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.

4. **Required Majority**

The majority required for an affirmative vote of the resolution proposed in Item 1 above 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) Such majority shall include a majority of the votes of shareholders who are not controlling shareholders and who do not have a personal interest in approving the appointment, excluding a personal interest which does not result from a relationship with the controlling shareholder, voting at the meeting. Abstentions will be treated as neither a vote "for" nor "against";
- 2) The total number of shares voted "against" by the shareholders described in sub-section 1 above shall not exceed two percent of all the voting rights in the Company.

5. **Manner of Voting**

- 5.1. A shareholder of the Company may attend and vote at the meeting in person, may appoint a proxy who is able to attend the general meeting and vote on his behalf (in accordance with the Company's articles of association), or may vote through the electronic voting system.
- 5.2. A document appointing a proxy (the "**Letter of Appointment**"), as well as an original power of attorney by virtue of which the Letter of Appointment was signed (if any), must be deposited at the Company's registered office at least 48 hours before the time appointed for the meeting. The Letter of Appointment shall state both the full names of the principal and of his proxy, as appears at the Registrar of Companies or in the I.D. card (as the case may be), their company number at the Registrar of Companies or their I.D. numbers (as the case may be), and their place of incorporation or passport country (as the case may be).
- 5.3. Pursuant to the Israeli Companies Regulations (Proof of Share Ownership for Voting at the General Meeting), 5760-2000 (the "**Voting Regulations**"), a shareholder whose share is registered with a TASE member, which share is included in the shareholders' register in the transfer agent's name, who wishes to vote at the meeting, will provide the Company with confirmation of his ownership of the share on the Record Date, which must be obtained from the TASE member with which his right to the share is registered, as required by the said regulations.

6. **Confirmation of Ownership**

A shareholder whose shares are registered with a TASE member may receive confirmation of the ownership from the TASE member through which he holds his shares, at the TASE member's branch or via mail to his address, if so requested, provided that the request is made in advance for a specific securities account. Pursuant to the Voting Regulations, a certified electronic message according to Section 44(k)(5) of the Securities Law concerning user data in the electronic voting system is equivalent to proof of ownership with respect to any shareholder included therein.

7. **Voting by Ballot and Position Statements**

- 7.1. A shareholder may vote at the meeting on the proposed resolution on the agenda via ballot, as detailed hereinbelow. The ballot and position statements for the meeting may be found on the ISA's distribution website at <https://www.magna.isa.gov.il> and on the website of the Tel Aviv Stock Exchange Ltd. at <http://maya.tase.co.il>. A shareholder may contact the Company directly and receive therefrom, free of charge, the ballot and the position statements.
- 7.2. A TASE member will send, free of charge, via e-mail, a link to the ballot and the position statements on the ISA's distribution website to any shareholder who is not included in the shareholders' register of the Company and whose shares are registered with the TASE member, unless the shareholder shall have notified such TASE member that he does not wish to receive it, and provided that the notice shall have been given with respect to a specific securities account and on a date prior to the Record Date.
- 7.3. The vote shall be cast on the second part of the ballot, posted on the ISA's distribution website, whose details appear above.

7.4. The non-electronic ballot of a shareholder who is not registered will be delivered to the Company, together with proof of ownership, such that the ballot shall arrive at the Company's registered offices **at least four hours before the time of the general meeting** (i.e. by March 8, 2018 at 11:00 am Israel time).

7.5. A shareholder who is registered in the shareholders' register shall deliver his ballot to the Company, together with a photocopy of his I.D. card, or a photocopy of his passport, or a photocopy of the certificate of incorporation, as the case may be, such that the ballot shall arrive at the Company's registered offices **at least six hours before the time of the general meeting** (i.e. by March 8, 2018 at 9:00 am Israel time).

7.6. A shareholder participating in the vote on the proposed resolution shall provide the required details specified in Section 10 below, to the extent relevant.

8. Voting through the Electronic Voting System

8.1. A shareholder may also vote on a proposed resolution on the agenda via a ballot delivered through the electronic voting system, as defined under the Voting Regulations (the "**Electronic Ballot**").

8.2. A shareholder whose shares are registered with a TASE member, is entitled to receive from the TASE member an identifying number and an access code and also additional information in connection with the meeting, and following a secured identification process, may vote through the electronic voting system. A shareholder voting via an Electronic Ballot is not required to present the Company with proof of ownership in the manner detailed above.

8.3. The Electronic Ballot is open for voting at the end of the Record Date. Voting through the electronic voting system will end **6 hours before the time of the general meeting** (i.e. by March 8, 2018 at 9:00 am Israel time), at which time, the electronic voting system will be locked.

8.4. The electronic vote may be changed or cancelled until the electronic voting system is locked, and cannot be changed through the electronic voting system thereafter. If a shareholder has voted via more than one means, his last vote shall be counted. In this regard, a vote by a shareholder voted either personally or by proxy, will be considered as a vote made later than a vote by an Electronic Ballot.

9. Position Statement and the Board's Response

9.1. The last date for delivery of position statements to the Company is ten days before the time of the meeting.

9.2. The last date for delivery of the Company's board of directors' response to position statements, insofar as shareholders submit position statements and the board of directors elects to respond to such position statements, is no later than five days before the time of the meeting.

10. Notice Regarding Personal Interest

10.1. Pursuant to Section 276 of the Companies Law, a shareholder voting on the resolution proposed in Item 1, whether personally or by proxy, shall notify the

Company before voting at the meeting, or if voting via ballot – by indicating on the designated space in Part B of the ballot, whether or not he is considered a controlling shareholder and/or has a personal interest in the approval of the proposal that is on the meeting's agenda, and the description of the relevant affiliation. The vote of a shareholder who fails to indicate the existence or absence of a personal interest and/or if he is a controlling shareholder (or who indicates that he has a personal interest but fails to specify its nature) shall not be counted.

10.2. In addition, in accordance with the Voting Regulations and in accordance with the ISA guideline dated November 30, 2011 regarding the manner of voting in general meetings by interested parties, senior officers and institutional entities (the “**Guideline**”), an interested party, a senior officer and an institutional investor (the “**Voters**”), as defined under the regulations and the Guideline, voting on the resolution proposed in Item 1 on the agenda, will provide the Company, in the framework of their vote, with the details required under regulation 36(d)d of the Immediate Report Regulations and under section 2(b) of the Guideline, and if voting by proxy, the voter or proxy will provide such details on the proxy as well. Furthermore, details will be given on any affiliation between the voter or the proxy (who does not have a personal interest) and the Company or a controlling shareholder, including employer-employee relations, business relations, etc., and details regarding the nature thereof.

11. Perusal of Documents

A copy of this Report, the proposed resolution, and the declaration of the candidate for the office of external director are available for perusal at the Company's offices at 3 Azrieli Center (the Triangular Tower 42nd floor) Tel Aviv, Israel, by coordinating in advance with the Company's secretarial office at 972-3-6075555, on Sunday – Thursday (except for holiday eves and holidays) between 9:00 a.m. and 4:00 p.m., until the date of the meeting, as well as on the ISA's distribution website and on the TASE's website.

In addition, a copy of the English translation of this Report will be available on the Company's website: [http:// www.elron.com](http://www.elron.com).

Annexes to this Report -

Annex A – Declaration of the candidate for the office of external director

Annex B – Ballot

Sincerely,

Elron Electronic Industries Ltd.

The identity and position of the persons signing this Report on behalf of the Company:

Ari Bronshtein, CEO

Yaron Elad, CFO

Date: January 26, 2018

To

Elron Electronic Industries Ltd (hereinafter: "the Company")

Re: Declaration of a nominee for an office of an external director in a public company traded in Israel pursuant to the Companies Law, 5759-1999 (hereinafter: "the Law")

I, the undersigned, Ehud Rassabi, bearer of I.D. number. 052017142, an Israeli citizen, whose address is 5 Gundar Avraham st., Ramat Hasharon, after being warned that I must tell the truth and that if I do not do so, I shall be subject to punishment set by statute, hereby declare and commit as follows:

1. I hereby give my consent to serve as an external director of the Company, which is a public company incorporated in Israel and whose shares are traded on the Tel Aviv Stock Exchange Ltd. and on the over-the-counter market in the US.
2. I am aware of all the Law's provisions which apply with respect to the appointment and office of an external director, including the term of office, its expiration, participation in the company's committees, etc., and I am aware that my declaration will be published to the public under an immediate report which the Company will file with the ISA and the Tel Aviv Stock Exchange, and shall be kept at the registered office of the Company for the inspection of any person.
3. I am qualified to be appointed as a director of your Company pursuant to the provisions of Sections 225 – 227 of the Law, with respect to the limitation on appointing a minor, an incompetent, limitation on appointment due to conviction or administrative enforcement committee decision or due to bankruptcy. The provisions of these sections, in their wording on the date of signing hereof, are specified in **Appendix A**, attached to this declaration and constituting an integral part thereof.
4. I am aware of my notification duties under Sections 227A and 245A of the Law, and I undertake to comply with them. The provisions of these sections, in their wording on the date of signing hereof, are specified in **Appendix A**.
5. I declare that I have all the required skills and the ability to devote the appropriate amount of time to perform the role of a director of the Company, as shall be specified below.
6. I possess professional expertise / accounting and financial expertise [delete the irrelevant], in accordance with the Companies Regulations (Conditions and Tests for a Director having Accounting and Financial Expertise and a Director having Professional Qualifications), 5766-2005 (the "**Companies Regulations**"), in their wording on the date of signing hereof, attached to my declaration as **Appendix B**.
7. I have the following academic degrees (degree, academic institute, date):
BA in Economics and Accounting, Tel Aviv University, May 26, 1980.
Documents corroborating my academic education are hereby attached as **Appendix C** to this declaration as an integral part thereof.

8. I have work experience as detailed in the CV hereby attached as **Appendix D** to this declaration as an integral part thereof. Documents evidencing the fulfillment of these roles are attached as **Appendix E** to my declaration.

9. A. Neither I, my Relative, my partner, my employer, anyone to whom I am subordinated, directly or indirectly, nor an entity in which I am a controlling shareholder, have business or professional relations with the Company, to its controlling shareholder or to a relative thereof, as at the Date of Appointment, or with Another Corporation, even if these relations are not a matter of course, except for negligible relations.

B. Neither I nor my Relative, my partner, my employer, anyone to whom I am subordinated directly or indirectly, nor an entity in which I am a controlling shareholder, at the Date of Appointment or during the preceding two years, have an Affiliation to the Company, to its controlling shareholder or to a relative thereof at the date of appointment, or to Another Corporation.

For the purposes of this declaration –

“Affiliation” – employer-employee relations, business or professional relations, in general or through control, service as an officer, excluding service as a director appointed to serve as an external director in a company which is about to effect an initial public offering.

“Another Corporation” – a corporation in which the controlling shareholder, as at the Date of Appointment or during the preceding two years, is the Company or its controlling shareholder.

“The Date of Appointment” – the date on which the general meeting will appoint me as an external director, in accordance with the provisions of Section 239B to the Law.

“Relative” – a spouse, a brother or sister, a parent, the parents of a parent, a child, and also a child, brother, sister or parent of spouse or spouse of any of the foregoing.

10. Please mark **X** in the applicable box:

Notwithstanding Section 9 above, there are negligible business or negligible professional relations between me and the Company, at the Date of Appointment or during the preceding two years, which commenced at a date prior to the date of my appointment as an external director, and which do not constitute an “Affiliation”, as such term is defined in the Companies Regulations (Issues that do not constitute an affiliation) – 2006 (the “**Affiliation Regulations**”). The relevant provisions from the Affiliation Regulations, in their wording on the date of signing hereof, are specified in **Appendix F** attached to this declaration. These relations are as detailed below¹:

11. I am not a Relative of the Company’s controlling shareholder.

12. My other roles and occupations do not and are not liable to create a conflict of interest with my position as an external director and will not undermine my ability to serve as an external director.

¹ A description of the business or professional relations of the candidate with the Company, and supporting evidence that these relations are negligible.

13. In each company in which I serve today as a director, there is no person that serves as an external director who is a director in your company.
14. I am not employee of the ISA or of a stock exchange in Israel.
15. I did not receive any reward, directly or indirectly, for my office as a director in the Company, in addition to the compensation and the expense reimbursement to which I am entitled, due to my office as an external director of the Company. For the purposes of this section, the grant of an exemption, indemnification obligation, indemnification or insurance shall not be deemed as a reward.
16. I am not the chairman of the board of directors and I am not employed by the Company or by its controlling shareholder, or by a corporation controlled by the controlling shareholder. In addition, I do not, on a permanent basis, provide services to the Company, its controlling shareholder or to a corporation controlled by its controlling shareholder, and my livelihood does not predominantly come from the controlling shareholder.
17. I have not served on the board of directors of the Company for more than 9 consecutive years.
18. I undertake to meet all the legal requirements applicable to directors and external directors, and that I shall fulfill my duties in the best possible way and for the benefit of the Company. In addition, I undertake that should a concern arise of which I will be aware and/or that shall be brought to my attention, according to which I shall cease to meet any of the above conditions and/or declarations, or should there be a concern that I may breach my fiduciary duty towards the Company (as defined in Section 254 of the Law), I shall immediately notify the chairman of the board and the Company.
19. I am aware that according to the Law, the Company, its controlling shareholder and a corporation under its control, will not be entitled to grant benefits to me, my spouse or my child, whether directly or indirectly, and further shall not appoint me, my spouse or my child, as an officer of the Company or of a corporation under the control of the controlling shareholder; shall not employ me and shall not receive any professional services from me with compensation, directly or indirectly, including through a corporation under my control, unless two years have lapsed from the end of my term of office as an external director of the Company, and for my relative who is not my spouse or child – one year from the lapse of my term of office as an external director.
20. I am aware that my declaration herein shall be brought before the appointing organ prior to convening a general meeting on which agenda is my appointment, and that it will be used by the appointing organ to examine whether I am qualified to serve as an external director of the Company.
21. I am aware that I will receive compensation on terms similar to the compensation payable to external directors serving in the Company on the date of my appointment, and consent thereto.
22. This is my name, this is my signature and the facts stated in this declaration above are true.

Ehud Rassabi
Name

052017142
I.D.

Signature

Appendix A

Sections 225-227A of the Companies Law, 5759-1999

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| Duty of disclosure | 225 | (a) | <p>A person who is a candidate to hold office as a director shall disclose to the person appointing him:</p> <ol style="list-style-type: none">(1) whether he has been convicted by an offence as stated in section 226(a), where the period during which he is precluded from serving as a director pursuant to section 226 has not yet elapsed;(2) whether he has been convicted by a judgment of an offence as stated in section 226(a1), where the period set by the court pursuant to said sub-section has not yet elapsed;(3) whether the Administrative Enforcement Committee imposed on him any enforcement means precluding him from serving as a director in a public company, where the period set by the Administrative Enforcement Committee in its decision as aforesaid has not yet elapsed. |
| | | (b) | <p>In this section -
"Enforcement means" - enforcement means as stated in Section 52(56) of the Securities Law, imposed pursuant to Chapter H4 of the Securities Law, Chapter G2 of the Regulating Engagement in Investment Advice, Investment Marketing and Investments Portfolio Management Law, 5755-1995, or Chapter J1 of the Joint Investment Trust Law, 5754-1994, as applicable;
"Administrative Enforcement Committee" – the committee appointed pursuant to Section 52(32)(a) of the Securities Law;
"Judgment" – a judgment at the first instance.</p> |
| Restriction on appointment due to conviction | 226 | (a) | <p>A person convicted by a judgment of one of the following offenses shall not hold office as a director in a public company unless five years have passed since the date on which the judgment by which he was convicted was given:</p> <ol style="list-style-type: none">(1) offenses under sections 290 to 297, 392, 415, 418 to 420 and 422 to 428 of the Penal Law, 5737-1977, and under sections 52C, 52D, 53(a) and 54 of the Securities Law;(2) conviction by a court outside Israel of the offenses of bribery, deceit, offenses by managers of a corporate body or offenses involving misuse of inside information;(3) (Deleted) |

- (a1) A person convicted by a judgment, as stated in section 225(b) of an offense not listed in sub-section (a) shall not be appointed to an office of a director in a public company, if the court determined that due to the nature, severity or circumstances of the offense, he is not adequate to serve as a director in a public company, for the period set by the court which shall not exceed five years from the date the judgment was given.
- (b) The court may determine, at the date of the conviction or thereafter, on the application of a person interested in being appointed as a director, that despite his conviction of offenses as laid down in sub-section (a), and taking into account, *inter alia*, the circumstances in which the offense took place, such person is not precluded from holding office as director of a public company, or that the period during which he is precluded from holding office as director of a public company shall be shorter than five years.
- (c) The Minister may prescribe additional offenses to those laid down in sub-section (a)(1).
- (d) The court, and if an appeal was filed – an appellant court, may order to delay the execution of the appointment limitations or of the office expiration under this section to such date and under such conditions as it shall see fit.

Limitation on appointment due to a decision of the Administrative Enforcement Committee 226 A Where the Administrative Enforcement Committee imposes on a person an enforcement means precluding him from holding office as a director of a public company, said person shall not be appointed as a director in a public company in which he is precluded from holding office as a director pursuant to said decision; in this section, "enforcement means" and "the Administrative Enforcement Committee" – as defined in section 225(B).

Limitation on appointment 227 . (a) A person who is minor, legally incompetent, or who has been declared bankrupt shall not be appointed as a director for so long as such person remains undischarged, nor shall a corporation that has resolved to enter into voluntary liquidation or in respect of which a winding up order has been issued.

(b) A candidate to an office of a director who meets the content of sub-section (a) shall disclose that to the person appointing him.

Duty of notice 227 A. A director in respect of whom any term required for his office as a director pursuant to the law ceased to be met or who meets grounds for the expiry of his office as a director, shall immediately notify the Company accordingly and his office shall expire on the time the notice is given.

Duty of Notice 245 A An external director, in respect of whom any term required for his office as an external director pursuant to the law ceased to be met, shall immediately notify the Company accordingly and his office shall expire on the time the notice is given.

Appendix B

Regulations 1-3 to Companies Regulations (Terms and Criteria for a Director with financial and accounting Expertise and for a Director with Professional Qualification), 2005

Director with accounting and financing expertise

1. a director with accounting and financial expertise is a person who, due to his education, experience and skills, has high proficiency in and understanding of business-accounting matters and financial statements such that he can profoundly understand the company's financial statements and facilitate discussion with respect to the manner of presentation of the financial data; the assessment of the accounting and financial expertise of a director shall be made by the board of directors, which shall take into consideration, *inter alia*, the director's education, experience and knowledge in the following subjects:

- 1) The accounting and auditing accounting issues which are characteristic of the industry in which the company is active, and of companies that are of the company's size and complexity;
- 2) The roles of the auditor and the duties imposed on him;
- 3) The preparation of financial statements and their approval pursuant to the Companies Law and the Securities Law.

Director with professional qualifications

2. 1) a director with professional qualifications is a person who meets one of the following conditions:

- A. He has an academic degree in one of the following professions: economics, business administration, accounting, law, public administration;
- B. He has a different academic degree or has completed other higher education studies in the field in which the company is primarily involved, or in a field that is

relevant to the position;

C. He has at least five years of experience in any of the following, or cumulative experience of at least five years in two or more of the following:

a. In a senior position in the business management of a corporation whose business is of a significant scope;

b. In a senior public office or in a senior position in the public service;

c. In a senior position in the field in which the company is primarily involved.

2) The assessment of a candidate to serve as a director as stated under (1) above, shall be made by the board of directors.

Declaration

3. 1) In a declaration under section 241 to the law, the candidate will declare of its education and experience, if relevant, in order to examine whether the terms and criteria under these regulations apply, and further will enclose documents and certificates evidencing this declaration.

2) A director that the board of directors is required to estimate his financial and accounting expertise for compliance with the minimum number determined under Section 92A(12) to the law, will declare as specified under (1) above.

Appendix C

Documents Evidencing Academic Degrees

Appendix D

CV

Education:	BA, Accounting and Finance, Tel Aviv University.
Activities during the past 5 years:	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.
Services on the boards of other companies:	Electra Ltd. (external director), Goldbond Group Ltd. (external director) Israeli News Company Ltd., Yehuda Reshatot Ltd.

Appendix E

Documentation Evidencing Positions Held

Appendix F

Regulations 4 and 5 to Companies Regulations (Matters that are not considered Affiliation) - 2006

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| Affiliation to another corporation while it was under another person's control | 4. | A person who had an affiliation to a corporation under the control of a controlling shareholder of a publicly traded company, only during the period in which the corporation's controlling shareholder was not the current controlling shareholder, shall not be deemed as having an affiliation during the two years preceding the date of appointment; in this Regulation – "a corporation under the control of a controlling shareholder" – excludes the publicly traded company or a corporation under its control. |
| Negligible Relations | 5. | Business or professional relations will not be considered an affiliation if all of the following were met: <ol style="list-style-type: none">(1) The relations are negligible, both from the candidate's and the company's perspective;(2) The relations commenced prior to the date of appointment;(3) The audit committee has approved, prior to the appointment and based on facts presented to it, that the condition in (1) above applies;(4) The existence of the aforesaid business or professional relations and the approval of the audit committee, were brought before the general meeting prior to the approval of the appointment. |

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 and on the website of Tel Aviv Stock Exchange Ltd. at 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:

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

Education:	Bachelor of Arts degree in Accounting and Economics from Tel Aviv University
Activities for the past 5 years:	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.
Serves on the boards of other companies:	Electra Ltd. (external director), Goldbond Group Ltd. (external director) Israeli News Company Ltd., Yehuda Reshatot Ltd.
Family member of an entity with a Personal Interest in the Company:	No
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	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:

Vote:

Issues on the Agenda	Vote ¹		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 ²		
	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 Company³ or institutional investor⁴, please specify:

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

¹ No indication shall be deemed as abstention from voting on that issue.

² 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.

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

⁴ 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.

Date

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.

* * *