

Elron Electronic Industries Ltd.
(the "Company")

August 20, 2020

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 is hereby made (the "Report") in accordance with the Companies Law, 5759-1999 (the "**Companies Law**"), the Securities Law, 5728-1968 (the "**Securities Law**"), the Securities Regulations (Immediate and Periodic Reports), 5730-1970 (the "**Immediate Report Regulations**"), the Companies Regulations (Notice and Announcement of General Meetings and Class Meetings in a Public Company and the Addition of an Issue to the Agenda), 5760-2000 (the "**Notice and Announcement Regulations**"), the Companies Regulations (Voting in Writing and Position Statements) 5766-2005 (the "**Voting Regulations**"), Securities Regulations (Private Offering of Stock of a Registered Company) 5760 - 2000 (the "**Private Offering Regulations**"), concerning the convening of a special general meeting of the shareholders of the Company, which will be held on Thursday, September 24, 2020, at 15:00 (Israel time), in the Company's offices at 144 Yigal Alon St., TOHA Tower, Floor 27, Tel Aviv (the "**Company's Offices**"), the agenda of which meeting shall consist of the issues described in this Report below.

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

To re-appoint Ms. Lee-Bath Nelson as an external director for an additional three-year term to commence on October 29, 2020.

On October 2, 2017, the Annual General Meeting of the Company's shareholders approved the appointment of Ms. Lee-Bath Nelson as an external director of the Company for a second term of three (3) years, ending on October 28, 2020. It is proposed to approve the appointment of Ms. Lee-Bath Nelson as an external director of the Company, for an additional (third) term of three (3) years, beginning on October 29, 2020. Regarding the terms of office and employment of Ms. Lee-Bath Nelson, the following conditions will 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, Ms. Lee-Bath Nelson's terms of service and employment as an external director in the Company, shall, subject to approval of her re-appointment, be as follows:

Ms. Lee-Bath Nelson 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 C which is not a dual listed company)

Ms. Lee-Bath Nelson's candidacy to serve an additional term as an external director is being proposed by the Company's board of directors. Ms. Lee-Bath Nelson has accounting and financial expertise and professional qualifications, as such terms are 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.

Ms. Lee-Bath Nelson 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 Ms. Lee-Bath Nelson per Regulation 26 of the Immediate Report Regulations, please see the ballot attached as **Annex B** to this Report.

Proposed Resolution: To re-appoint Ms. Lee-Bath Nelson as an external director of the Company for an additional (third) three-year term to commence on October 29, 2020

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 August 27, 2020 (the "**Record Date**"). In the event that no trading 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, Thursday October 1, 2020, 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 at the Record Date, is entitled to participate in the Meeting and vote, in person or to appoint a proxy or through a ballot within the meaning thereof in Section 87 of the Companies Law, in accordance with the Company's Articles of Association, the provisions of the Companies Law and as detailed below. A shareholder under Section 177(1) of the Companies Law, that is, a shareholder in whose favor a share is registered with a member of the TASE and that share is included among the shares registered in the shareholders' register (Hereafter: "**Unregistered Shareholder**"), may also vote via an electronic ballot that will be sent to the Company through the electronic voting system that operates under Article B' of Chapter G2 of the Securities Law (hereinafter: the "**Electronic Voting**", "**Electronic Voting System**" and "**Electronic Ballot**", respectively).

5.2 Proxy - A document appointing a proxy for voting (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 signed by the appointer or by the person authorized in writing, and if the appointer is a corporation, the Letter of Appointment shall be prepared and signed in a manner which is binding upon the corporation and deposited at the Company's registered office at least 48 hours before the time scheduled for the meeting. The Company has the right to require that it shall be handed over with a confirmation in writing, confirming, to its satisfaction, the authority of the signatories to bind the corporation. 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 number at the Registrar of Companies or their I.D. numbers (as the case may be), and the place of their incorporation or their passport country (as the case may be).

6. Confirmation of Ownership and Proxy Card

6.1. Pursuant to the Companies Regulations (Proof of Share Ownership for the Purpose of Voting at the General Meeting), 5760-2000 ("**Confirmation of Ownership Regulations**"), a shareholder in whose favor a share is registered with a TASE member, who wishes to vote at the Meeting, will provide the Company with confirmation regarding his ownership of the share on the Record Date, which must be received from the TASE member with which his right to the share is registered, as required by the Confirmation of Ownership Regulations ("**Confirmation of Ownership**").

6.2. 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 a branch of the TASE member or by mail to his address, if he shall have so requested, provided that a request in this regard shall be made in advance for a specific securities account. According to the Confirmation of Ownership Regulations, an electronic message approved under Section 44K5 of the Securities Law, concerning the data of users of the electronic voting system – is deemed a confirmation of ownership for every shareholder included therein.

7. Voting by Ballot and Position Statements

7.1. According to the Voting Regulations, a shareholder may vote at the Meeting on the proposed resolution that is on the agenda, as detailed in Section 1 above, by a voting card as specified below. The language of the voting card and position statements in

respect of the Meeting may be found on the Distribution Website of the Israel Securities Authority at <https://www.magna.isa.gov.il> and on the website of the Tel Aviv Stock Exchange Ltd. at <http://maya.tase.co.il>. A shareholder may approach the Company directly and receive therefrom, free of charge, the language of the voting card and the position statements.

- 7.2. A TASE member will send, free of charge, via e-mail, a link to the language of the voting card and the position statements on the Distribution Website of the Israel Securities Authority to any shareholder who is not registered in the shareholders' register of the Company, unless the shareholder shall have notified such TASE member that he is not interested therein, 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 voting card, as posted on the Distribution Website of the Israel Securities Authority, which is stated above.
- 7.4. The (non-electronic) voting card of a non-registered shareholder will be provided to the Company together with the Confirmation of Ownership, such that the voting card will reach the Company's registered office **no later than four hours before the time of convening the meeting** (i.e. – no later than until Thursday, September 24, 2020 at 11:00). In this respect, the delivery time is the time on which the voting card and its attachments have reached the Company's Offices.
- 7.5. A shareholder who is registered in the shareholders' register, will deliver to the Company the voting card together with a photocopy of an identity card or a photocopy of the incorporation certificate, such that the voting card will reach the Company's Registered Office **up to six hours before the time of convening of the general meeting** (i.e. – until Thursday, September 24, 2020, at 09:00).
- 7.6. A shareholder may approach the Registered Office of the Company and after proving his identity, may withdraw his voting card and Confirmation of Ownership up to 24 hours prior to the time of the Meeting.
- 7.7. **A shareholder participating in a vote with respect to a resolution on the agenda, will provide the details required as specified in Section 10 below, insofar as the provisions of the section are relevant to him.**
- 7.8. A voting card to which a Confirmation of Ownership is not attached (or alternatively, a confirmation of ownership has not been submitted via the electronic voting system) or with regard to a record shareholder, his identity document, passport, or certificate of incorporation, as applicable, has not been attached, will be invalid.

8. **Voting through the Electronic Voting System**

- 8.1. As provided hereinabove, a shareholder may vote on the resolutions that are on the agenda also via a voting card to be transmitted via E-Voting Card.
- 8.2. A shareholder in whose favor a share is registered with a member of Tel Aviv Stock Exchange Ltd. (TASE) is entitled to receive from the TASE member an identifying number and an access code as well as additional information with respect to the meeting, and after a secure identification process, will be able to vote through the

electronic voting system. A shareholder voting via the E-Voting Card is not required to furnish the Company with a Confirmation of Ownership in the manner specified above.

8.3. The E-Voting Card will be available for voting at the end of the Record Date. Voting by the electronic voting system will end 6 hours before the time of the Meeting (i.e., on Thursday, September 24, 2020 at 09:00), at which time the electronic voting system will be locked.

8.4. The electronic voting may be modified or revoked until the electronic voting system is locked and may not be modified through the electronic voting system after such time. If a shareholder shall have voted by more than one method, his later vote shall be counted. For this purpose, the vote of a shareholder in person or by proxy shall be deemed as the later to a vote via an E-Voting Card.

9. **Position Statement and the Board's Response**

9.1. The last date for delivery of position statements to the Company **is ten (10) 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 (5) 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 Section 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 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. **Changes in the agenda; the deadline for submission of a request to add an issue to agenda by a shareholder**

11.1. After the publication of this Report, there may be changes in the agenda, including adding an issue to the agenda. In such a case, it will be possible to review the latest agenda and position statements in the Company's reports that will be published on the Distribution Website and on the TASE Website.

11.2. A shareholder's request under section 66(b) of the Companies Law to include an issue in the agenda of the General Meeting shall be furnished to the Company up to seven days after the general meeting is convened. If such a request is made, the issue may be added to the agenda and its details will appear on the Distribution Website. In such a case, the Company will publish a revised Notice Convening the Meeting no later than seven days after the deadline for the submission of a shareholder's request to include an issue on the agenda, as stated above.

12. **Inspection 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 144 Yigal Alon St., TOHA Tower, Floor 27, 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 – Voting Card

Sincerely,

Elron Electronic Industries Ltd.

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

Yaron Elad, CEO

Niv Levy, CFO