

**-EARNINGS RELEASE-**

**ELRON ELECTRONIC INDUSTRIES REPORTS \$2.6 MILLION NET INCOME IN  
THE FIRST QUARTER OF 2007**

Tel Aviv, Israel, May 21, 2007 - Elron Electronic Industries Ltd. (NASDAQ &TASE: ELRN) today reported a net income of \$2.6 million, or \$0.09 per share, for the first quarter of 2007, compared to a net loss of \$3.5 million, or \$0.12 per share, in the first quarter of 2006.

Elron's net income in the first quarter of 2007 resulted mainly from a \$9.1 million gain (net of tax) from the merger between NetVision, Barak and GlobCall which was completed in January 2007. This gain was offset mainly by Elron's share in the net loss of its group companies in the amount of \$7.4 million.

Elron's net loss in the three months ended March 31, 2006 resulted mainly from its share in the net loss of its group companies in the amount of \$5.0 million and from the absence of gains from sales of shares of group companies or changes in holding in its group companies.

**MAJOR INVESTMENTS AND EVENTS DURING THE FIRST QUARTER OF 2007 AND SUBSEQUENTLY**

- *NetVision* completed the merger with Barak International Telecommunications Services and Globcall Communications on January 25, 2007, creating a company with over \$250 million in revenues. Elron now holds approximately 18% in NetVision.
- *ChipX* (a 29% holding), completed the acquisition of certain U.S. based business assets of Oki Semiconductor Company, which will potentially double ChipX's revenues in 2007.
- On March 15, 2007, Elron completed the acquisition of approximately 34% of the outstanding shares of *AqWise Wise Water Solutions Ltd.*, in consideration for approximately \$3.4 million. AqWise provides advanced biological wastewater treatment solutions which increase capacity and nutrient removal in wastewater treatment plants, utilizing advanced bio film technology.
- On April 19, 2007, Elron completed a new investment of approximately \$1.2 million in *BPT (Bio-Pure Technology) Ltd.* out of a \$2.5 million financing round for approximately 19% of BPT's outstanding shares. BPT provides advanced membrane-based separation solutions that address the unique needs of the water, wastewater treatment and various industries generating aggressive wastewater streams.
- On April 25, 2007, a definitive agreement for the sale by Elron's subsidiary, Elbit Ltd., of its real estate in Carmiel, Israel, was signed for approximately \$11.6 million. The sale is expected to be completed during the second quarter of 2007. Upon completion of the sale, Elron expects to record a gain, after tax of approximately \$3.5 million.
- Three of Elron's group companies, *BrainsGate Ltd.* (22% held), *Starling Advanced Communications Ltd.* (50% held directly and indirectly), and *SELA – Semiconductor Engineering Laboratories Ltd.* (39% held directly and indirectly), are involved in an initial public offering process of their respective shares on the Tel-Aviv Stock Exchange. It is the intention of each of these companies to list on the TASE, subject to receiving a permit from the Israeli Securities Authority and market conditions. If these

proposed public offerings occur, Elron intends to participate by investing an aggregate amount of up to \$15 million. There is no assurance when or if at all, any of the proposed offerings will take place.

- Elron has purchased, in a series of open market transactions, approximately 391,000 ordinary shares of *Given Imaging Ltd. ("Given Imaging")* (*Nasdaq & TASE: GIVN*) for an aggregate purchase consideration of approximately \$9.9 million and its direct and indirect ownership interest in Given Imaging increased from approximately 20.8% to approximately 22.1% of Given Imaging's outstanding ordinary shares. In parallel transactions, Discount Investment Corporation Ltd. ("DIC"), a 49% shareholder of Elron, purchased the same number of shares of Given Imaging for the same aggregate consideration. It is the intention of each of Elron and DIC, subject to market conditions, to seek purchasing in parallel and on equal terms, of up to 2.5% of Given Imaging's outstanding shares, including the aforementioned purchases. There is no assurance that Elron and DIC will purchase the whole amount.
- On May 15, 2007 DIC, filed with the U.S. Securities and Exchange Commission, a preliminary statement on a Schedule TO-C regarding the possible purchase of additional shares of Elron, representing up to approximately 10% of Elron's outstanding shares, by way of a tender offer or in another manner. No timing, size or terms of such purchase have been determined and there is no assurance that such purchase will take place.

## **LIQUIDITY AND SHAREHOLDERS' EQUITY**

As of March 31, 2007, Elron's cash, debentures and deposits amounted to approximately \$110.1 million compared with \$123.5 million at December 31, 2006. During the first quarter of 2007, Elron invested approximately \$6.6 million in new and existing group companies.

Shareholders' equity at March 31, 2007, was approximately \$301.1 million, representing approximately 94% of the total assets compared with \$297.5 million representing approximately 91% of total assets at December 31, 2006.

"We completed over the past six months three new investments in highly innovative water technology companies, making us an influential player in this emerging global market. In addition, we continue to build our group companies and to use our significant cash resources to invest in new companies as well as in our group companies", said Doron Birger, Elron's President and CEO.

Investors may access Elron's first quarter financial report and a detailed management report on the company's web site: [www.elron.com](http://www.elron.com)

### **Conference call details:**

**Monday, May 21, 2007 10:00 a.m. (EDT); 5:00 p.m. Israel**

**Dial in numbers:**

**In the US: 1 888 642 5032**

**In the UK: 0 800 051 8913**

**In Israel: 03 918 0691**

**International Participants: +972 3 918 0691**

For your convenience, a **replay of the call** will be available starting two hours after the call ends until Wednesday, May 23, 2007. To access the replay please dial **1-888-782-4291 (US)**, **+972-3-925-5927 (Israel)** and **0-800-028-6837 (UK)**.

*Elron Electronic Industries Ltd. (TASE & NASDAQ: ELRN), a member of the IDB Holding group, is a leading Israel-based technology holding company directly involved in the long-term performance of its group companies. Elron identifies potential technologies, creates strategic partnerships, secures financing, and recruits highly qualified management teams. Elron's group companies currently comprise a diverse range of publicly-traded and privately held companies primarily in the fields of medical devices, information & communications technology, clean technology and semiconductors. For further information, please visit [www.elron.com](http://www.elron.com)*

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(Any statements in this press release that may be considered forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially. Actual results may differ from such forward-looking statements due to the risk factors discussed in periodic reports filed by the Company with the Securities and Exchange Commission, which the Company urges investors to consider).

Tables to follow

**ELRON ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

In thousands of U.S. Dollars

	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>ASSETS</b>		
Total current assets	\$ 124,391	\$ 134,033
<b>INVESTMENTS AND LONG-TERM RECEIVABLES</b>		
Investments in affiliated companies	112,481	100,392
Investments in other companies and long-term receivables	69,009	68,215
Deferred taxes	7,475	9,182
Severance pay deposits	1,712	1,662
Total long-term assets	190,677	179,451
<b>PROPERTY AND EQUIPMENT, NET</b>	1,269	7,223
<b>INTANGIBLE ASSETS</b>	5,538	5,542
Total assets	<u>\$ 321,875</u>	<u>\$ 326,249</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Total current liabilities	\$ 13,674	\$ 20,535
<b>LONG-TERM LIABILITIES</b>		
Long-term loans from banks and others	2,147	2,113
Accrued severance pay and retirement obligations	2,405	2,209
Deferred taxes	1,365	1,408
Total long-term liabilities	5,917	5,730
<b>MINORITY INTEREST</b>	1,137	2,480
Total Shareholders' Equity	301,147	297,504
Total liabilities and shareholders' equity	<u>\$ 321,875</u>	<u>\$ 326,249</u>

**ELRON ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

In thousands of U.S. Dollars, except share and per share data

	<b>Three months ended March 31,</b>		<b>Year ended December 31,</b>
	<b>2007</b>	<b>2006</b>	<b>2006</b>
	<b>Unaudited</b>		<b>Audited</b>
<b>INCOME</b>			
Revenues	\$ 981	\$ 3,322	\$ 12,863
Equity in losses of affiliated companies	(5,308)	(3,495)	(17,740)
Gain from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	11,714	16	2,547
Other income, net	473	2,629	29,310
Financial income, net	1,406	1,084	4,051
	<u>9,266</u>	<u>3,556</u>	<u>31,031</u>
<b>COSTS AND EXPENSES</b>	<u>6,811</u>	<u>8,514</u>	<u>36,113</u>
Income (loss) before taxes on income	2,455	(4,958)	5,082
Taxes on income	(1,522)	(282)	(1,110)
Income (loss) after taxes on income	933	(5,240)	6,192
Minority interest in losses (income) of subsidiaries	1,635	1,727	9,224
Net income (loss)	<u>\$ 2,568</u>	<u>\$ (3,513)</u>	<u>\$ 3,032</u>
Income (loss) per share:			
Basic:			
Net income (loss)	<u>\$ 0.09</u>	<u>\$ (0.12)</u>	<u>\$ 0.10</u>
Diluted:			
Net income (loss)	<u>\$ 0.09</u>	<u>\$ (0.12)</u>	<u>\$ 0.07</u>
Weighted average number of ordinary shares used in computing basic net income (loss) per share (thousands)	<u>29,601</u>	<u>29,514</u>	<u>29,532</u>
Weighted average number of ordinary shares used in computing diluted net income (loss) per share (thousands)	<u>29,696</u>	<u>29,514</u>	<u>29,624</u>