

-FOR IMMEDIATE RELEASE-

ELRON ELECTRONIC INDUSTRIES ANNOUNCES:

- **\$ 47.3 MILLION NET INCOME IN 2005;**
- **\$47 MILLION INVESTMENTS IN 2005; AND**
- **\$134 MILLION CASH BALANCE AT YEAR-END.**

Tel Aviv, Israel, March 15, 2006 - Elron Electronic Industries Ltd. (Nasdaq and TASE: ELRN) today reported 2005 net income of \$47.3 million, or \$1.61 per share.

Completed Significant Exits in 2005.

The net income that Elron reported in 2005 was mainly due to the following gains from exits and changes in holdings of group companies:

- i. A gain, net of tax, of approximately \$45.4 million resulting from the sale of shares in Partner Communications Company Ltd. (Nasdaq: PTNR) for \$94.0 million;
- ii. A gain, net of tax, of approximately \$17.2 million resulting from the sale of Elron's holding in Oren Semiconductor, Inc. to Zoran Corporation (NASDAQ: ZRAN) for \$20.3 million; and
- iii. A gain of approximately \$3.0 million from the decrease in Elron's interest in NetVision following its initial public offering on the Tel-Aviv Stock Exchange.

The above gains were offset in part by Elron's share in the net losses of its group companies in the amount of \$23.0 million in 2005.

In 2004, net income was \$84.1 million, or \$2.87 per share. Net income in 2004 was mainly due to a gain, net of tax, of approximately \$91.5 million resulting from the sale of Elron's holding in Elbit Systems for approximately \$197 million and a gain of approximately \$5.3 million from the sale of Elron's shares in KIT eLearning. In addition, in 2004, Elron recorded a gain, net of tax and minority interest, of approximately \$6.7 million as a result of the secondary public offering of Given Imaging.

These gains were offset in part by Elron's share in the net losses of its group companies in the amount of approximately \$23.3 million.

Invested \$47 million during 2005.

During 2005, Elron invested, directly and indirectly through RDC, approximately \$46.6 million, of which \$29.4 million were invested in six new companies namely, *Teledata Networks Ltd.*, which provides telecommunication access products, *NuLens Ltd.*, a developer of innovative intra-ocular lenses, *BrainsGate Ltd.*, a developer of innovative technologies for neuro-stimulation treatments of brain diseases, *Enure Networks Ltd.* (formerly Gaia Broadband Services Management Ltd.), which develops unique solutions in the field of broadband services management and home networks; *Safend Ltd.*, which develops comprehensive desktops and laptops endpoint security solutions and *Medingo Ltd.*, which was established by RDC at the end of 2005, that develops a miniature disposable insulin dispenser.

Distributed \$89 million dividend in 2005. Cash balance at year-end was \$134 million.

As of December 31, 2005, Elron's cash, debentures and deposits amounted to approximately \$133.8 million compared with \$175.7 million at December 31, 2004.

Shareholders' equity at December 31, 2005, was approximately \$302.1 million, which represented approximately 85% of Elron's total assets at December 31, 2005, compared to approximately \$389.1 million representing approximately 78% of Elron's total assets at December 31, 2004.

"In 2005, we completed a number of significant exits resulting in aggregate cash to Elron of approximately \$116 million. We shared the successful exits with our shareholders by distributing a cash dividend of \$3 per share, or approximately \$89 million, and invested \$47 million in our group companies including in six new companies", said Doron Birger, Elron president & CEO. "We enter 2006 with \$134 million of net cash resources and promising group companies with significant potential which we believe will create shareholder value in the future," concluded Doron Birger.

Investors may access Elron's fourth quarter 2005 financial report and a detailed management report on the company's web site: www.elron.com

Conference call details:

NOTE CORRECTED TIME: Today, Wednesday, March 15, 2006 10:30 a.m. (EST); 5:30 p.m. (Israel)

In the US: 1-866 229 7198

In the UK: 0-800 917 9141

In Israel: 03-918 0600

International Participants: +972 3 918 0600

For your convenience, a replay of the call will be available starting two hours after the call ends until Friday, March 17. To access the replay please dial 1-866-276-1485 (US), 972-3-925-5942 (Israel) and 0-800-169-8104 (UK). A replay of the call will also be available for ninety days on the company website.

Elron Electronic Industries Ltd. is a high technology holding company based in Israel. Through affiliates, Elron is engaged with a group of high technology operating companies in the fields of medical devices, information and communication technology, semiconductors and advanced materials. For further information, visit <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.

ELRON ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands of U.S. Dollars

	Year ended December 31,	
	2005	2004*
	Audited	
ASSETS		
Total current assets	\$ 155,201	\$ 202,922
INVESTMENTS AND LONG-TERM RECEIVABLES		
Investments in affiliated companies	102,780	117,124
Investments in other companies and long-term receivables	73,931	155,929
Deferred taxes	6,521	5,493
Severance pay deposits	1,971	2,136
Total investments and long-term receivables	185,203	280,682
PROPERTY AND EQUIPMENT, NET	7,809	8,057
INTANGIBLE ASSETS	5,560	9,495
Total assets	<u>\$ 353,773</u>	<u>\$ 501,156</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 19,044	\$ 40,670
LONG-TERM LIABILITIES		
Long-term loans from banks and others	1,477	4,072
Accrued severance pay and retirement obligations	2,635	3,006
Deferred taxes	9,494	41,233
Total long-term liabilities	13,606	48,311
MINORITY INTEREST	19,007	23,095
Total Shareholders' equity	302,116	389,080
Total liabilities and shareholders' equity	<u>\$ 353,773</u>	<u>\$ 501,156</u>

* Reclassified due to discontinued operations

ELRON ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year ended December 31,	
	2005	2004*
	Audited	
INCOME		
Net revenues	\$ 12,646	\$ 11,265
Equity in losses of affiliated companies	(17,522)	(10,492)
Gain from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	23,328	132,396
Other income, net	58,648	4,749
Financial income, net	5,483	1,433
	<u>82,583</u>	<u>139,351</u>
COSTS AND EXPENSES		
	<u>26,097</u>	<u>27,617</u>
Income before taxes on income	56,486	111,734
Taxes on income	(10,461)	(15,101)
Income after taxes on income	46,025	96,633
Minority interest in losses (income) of subsidiaries	5,160	(4,135)
Income from continuing operations	51,185	92,498
Loss from discontinued operations	(3,850)	(8,365)
Net income	<u>\$ 47,335</u>	<u>\$ 84,133</u>
Basic Income per share	<u>\$ 1.61</u>	<u>\$ 2.87</u>
Diluted income per share	<u>\$ 1.60</u>	<u>\$ 2.86</u>
Weighted average number of ordinary shares used in computing basic net income per share (thousands)	<u>29,437</u>	<u>29,266</u>
Weighted average number of ordinary shares used in computing diluted net income per share (thousands)	<u>29,550</u>	<u>29,385</u>

* Reclassified due to discontinued operations.