

-EARNINGS RELEASE-

ELRON ELECTRONIC INDUSTRIES ANNOUNCES SECOND QUARTER 2006 RESULTS

Tel Aviv, Israel, August 14, 2006 - Elron Electronic Industries Ltd. (NASDAQ:ELRN) today reported a net loss for the second quarter and for the first half of 2006 of \$6.4 million, or \$0.22 per share, and \$9.9 million, or \$0.34 per share, respectively. In the first quarter and first half of 2005, Elron reported net income of \$47.2 million, or \$1.60 per share, and \$42.1 million, or \$1.43 per share, respectively.

Elron's net loss in the second quarter and the first half of 2006 resulted from Elron's share in the net losses of its group companies, amounting to \$7.0 million and \$12.0 million, respectively, and from the absence of gains from sales of shares of group companies in both periods.

The net income Elron reported in the second quarter and first half of 2005 was mainly due to gains resulting from sale of shares of group companies, which were partially offset by losses, net, which Elron recorded with respect to its group companies in the amount of \$7.4 million and \$12.2 million in the second quarter and first half of 2005, respectively.

Liquidity and Shareholders Equity

As of June 30, 2006, Elron's cash, debentures and deposits amounted to approximately \$113.8 million compared with \$133.8 million at December 31, 2005. During the first half of 2006, Elron invested approximately \$21.1 million in new and existing group companies.

Shareholders' equity at June 30, 2006, was approximately \$291.4 million, representing approximately 87% of the total assets compared with \$302.1 million representing approximately 85% of the total assets at December 31, 2005.

"During the second quarter, we continued to invest in and build our group companies. NetVision's advanced negotiations to acquire Barak and Globecall, Wavion's product launch and the completion of a \$14 million private placement in AMT, are examples of recent developments which will result in future value to shareholders" said Doron Birger, Elron's President and CEO. "In addition, our strong cash position enables us to continue investing in our group companies as well as in new opportunities".

Mr. Birger added, "We and our group companies have operated continuously throughout the recent events which have affected the north of Israel. Currently, the impact on us and our group companies, if any, has not been significant."

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

Conference call details:

Monday, August 14, 2006 10:00 a.m. (EST); 17:00 p.m. Israel

Dial in numbers:

In the US: 1-866 229 7198

In the UK: 0 800 917 5108

In Israel: 03 918 0610

International Participants: +972 3 918 2700

For your convenience, a **replay of the call** will be available starting two hours after the call ends until Wednesday, August 16, 2006. To access the replay please dial **1-866-276-1485(US), 972-3-925-5942 (Israel) and 0-800-917-4256 (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 communications 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.

Tables to follow

ELRON ELECTRONIC INDUSTRIES LTD. AND ITS SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

In thousands of U.S. Dollars

	June 30, 2006	December 31, 2005
	<u>Unaudited</u>	
ASSETS		
Total current assets	\$ 133,857	\$ 155,201
INVESTMENTS AND LONG-TERM RECEIVABLES		
Investments in affiliated companies	97,633	102,780
Investments in other companies and long-term receivables	82,063	73,931
Deferred taxes	6,374	6,521
Severance pay deposits	2,290	1,971
Total Investments and long-term Receivables	188,360	185,203
PROPERTY AND EQUIPMENT, NET	8,043	7,809
INTANGIBLE ASSETS	5,551	5,560
Total assets	<u>\$ 335,811</u>	<u>\$ 353,773</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 16,651	\$ 19,044
LONG-TERM LIABILITIES		
Long-term loans from banks and others	3,439	1,477
Accrued severance pay and retirement obligations	3,179	2,635
Deferred taxes	8,343	9,494
Total long-term liabilities	14,961	13,606
MINORITY INTEREST	12,777	19,007
Total Shareholders' Equity	291,422	302,116
Total liabilities and shareholders' equity	<u>\$ 335,811</u>	<u>\$ 353,773</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

	Six months ended		Three months ended		Year ended December 31, 2005
	June 30,		June 30,		
	2006	2005	2006	2005	
	<u>Unaudited</u>				
INCOME					
Net revenues	\$ 7,138	\$ 6,246	\$ 3,816	\$ 3,261	\$ 12,646
Equity in losses of affiliated companies	(11,866)	(7,827)	(8,371)	(4,244)	(17,522)
Gain (loss) from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	(7)	22,389	(23)	22,399	23,328
Other income, net	3,367	56,533	738	56,255	58,648
Financial income, net	2,280	4,267	1,196	3,370	5,483
	<u>912</u>	<u>81,608</u>	<u>(2,644)</u>	<u>81,041</u>	<u>82,583</u>
COSTS AND EXPENSES	<u>17,788</u>	<u>12,085</u>	<u>9,274</u>	<u>6,520</u>	<u>26,097</u>
Income (loss) before taxes on income	(16,876)	69,523	(11,918)	74,521	56,486
Tax benefit (Taxes on income)	(99)	(25,867)	183	(26,034)	(10,461)
Income from continuing operations after taxes on income	(16,975)	43,656	(11,735)	48,487	46,025
Minority interest in losses of subsidiaries	7,037	645	5,310	451	5,160
Income from continuing operations	(9,938)	44,301	(6,425)	48,938	51,185
Loss from discontinued operations	-	(2,214)	-	(1,738)	(3,850)
Net income (loss)	<u>(9,938)</u>	<u>42,087</u>	<u>(6,425)</u>	<u>47,200</u>	<u>47,335</u>
Income (loss) per share:					
Basic:					
Income (loss) from continuing operations	(0.34)	1.51	(0.22)	1.66	1.74
Loss from discontinued operations	-	(0.08)	-	(0.06)	(0.13)
Net income (loss)	<u>(0.34)</u>	<u>1.43</u>	<u>(0.22)</u>	<u>1.60</u>	<u>1.61</u>
Diluted:					
Income (loss) from continuing operations	(0.35)	1.49	(0.22)	1.66	1.73
Loss from discontinued operations	-	(0.07)	-	(0.06)	(0.13)
Net income (loss)	<u>(0.35)</u>	<u>1.42</u>	<u>(0.22)</u>	<u>1.60</u>	<u>1.60</u>
Weighted average number of ordinary shares used in computing basic net income per share (thousands)	<u>29,523</u>	<u>29,415</u>	<u>29,532</u>	<u>29,416</u>	<u>29,437</u>
Weighted average number of ordinary shares used in computing diluted net income per share (thousands)	<u>29,523</u>	<u>29,543</u>	<u>29,532</u>	<u>29,538</u>	<u>29,550</u>