

-EARNINGS RELEASE-

ELRON ELECTRONIC INDUSTRIES ANNOUNCES THIRD QUARTER 2006 RESULTS

Tel Aviv, Israel, November 14, 2006 - Elron Electronic Industries Ltd. (NASDAQ & TASE: ELRN) today reported a net loss for the third quarter and for the first nine months of 2006 of \$4.4 million, or \$0.16 per share, and \$14.4 million, or \$0.5 per share, respectively. In the third quarter and first nine months of 2005, Elron reported net income of \$4.8 million, or \$0.16 per share, and \$46.9 million, or \$1.59 per share, respectively.

Elron's net loss in the third quarter and the first nine months of 2006 resulted primarily from Elron's share in the net losses of its group companies, amounting to \$7.2 million and \$19.1 million, respectively.

The net income Elron reported in the first nine months of 2005 was mainly due to gains resulting from the sale of shares of Partner Communications Ltd. (NASDAQ: PTNR), which were partially offset by losses, net, which Elron recorded with respect to its group companies in the amount of \$18.2 million. Losses, net, recorded with respect to Elron's group companies in the third quarter of 2005 amounted to \$6.0 million.

Liquidity and Shareholders Equity

As of September 30, 2006, Elron's cash, debentures and deposits amounted to approximately \$98.7 million compared with \$133.8 million at December 31, 2005. During the first nine months of 2006, Elron invested approximately \$36.9 million in new and existing group companies, including a \$10 million purchase of additional shares of Given Imaging.

Shareholders' equity at September 30, 2006, was approximately \$292.5 million, representing approximately 87% of total assets compared with \$302.1 million, representing approximately 85% of total assets at December 31, 2005.

Investment completed during the third quarter and subsequently:

Neurosonix Ltd. ("Neurosonix"). On August 27, 2006, Elron completed an investment of \$5 million, in two tranches, in Neurosonix Ltd. out of an aggregate financing round of \$12 million, for approximately 18% of Neurosonix on a fully diluted basis. Neurosonix, based in Israel, is engaged in the development and commercialization of medical devices for the prevention of acute cerebral embolism during open-heart cardiac surgery as well as other invasive and minimally-invasive procedures.

Atlantium Inc. ("Atlantium"). On October 23, 2006, Elron completed first investment in the water technology field by investing \$10 million in Atlantium Inc., out of an aggregate financing round of \$17 million for approximately 26% of Atlantium on a fully diluted basis. Atlantium, headquartered in Israel, provides innovative water disinfection solutions employing its proprietary Hydro-Optic Disinfection (HOD) technology. Atlantium offers a cost-effective and environment-friendly process, which delivers unprecedented microbe inactivation, at industrial and municipal water flow rates.

Enure Networks Ltd., 34% held by Elron, completed a \$4 million financing round of which Elron invested \$0.5 million and \$3.5 million was invested by a new investor.

Other developments in our group companies:

3DV Systems Ltd, 3DV Systems Ltd ("3DV"), 62% held by Elron directly and through its subsidiary, RDC-Rafael Development Corporation Ltd., is in advanced negotiations to complete a substantial round of financing from leading new investors with one of whom 3DV has reached a conditional definitive agreement.

ChipX, Inc., 29% held by Elron, is in advanced negotiations to acquire a business unit with annual sales of approximately \$20 million which, if consummated, is expected to position ChipX as an important supplier in the Application Specific IC market in North America.

There is no assurance that any of the above potential transactions will be completed.

"In 2006, we are mainly focusing on building our group companies and have seen an increased level of business activity, evidenced by private placements, the launch of new products, and progress in product development including human clinical trials in our medical device start-ups. These activities will pave the way towards building value in 2007" said Doron Birger Elron's President & CEO. "In addition, we continue to invest in new companies and entered the new promising field of water technology."

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

Conference call details:

Wednesday, November 15, 2006 10:00 a.m. (EST); 17:00 p.m. Israel

Dial in numbers:

In the US: 1-800 994 4498

In the UK: 0 800 917 5108

In Israel: 03 918 0688

International Participants: +972 3 918 0688

For your convenience, a **replay of the call** will be available starting two hours after the call ends until Wednesday, November 17, 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 three months on the company website.

Elron Electronic Industries Ltd., 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 senior 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, semiconductors and clean technology. For further information, please visit 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

	September 30, 2006	December 31, 2005
	Unaudited	
ASSETS		
Total current assets	\$ 115,215	\$ 155,201
INVESTMENTS AND LONG-TERM RECEIVABLES		
Investments in affiliated companies	105,941	102,780
Investments in other companies and long-term receivables	93,727	73,931
Deferred taxes	5,839	6,521
Severance pay deposits	2,420	1,971
Total investments and long-term receivables	207,927	185,203
PROPERTY AND EQUIPMENT, NET	7,770	7,809
INTANGIBLE ASSETS	5,547	5,560
Total assets	<u>\$ 336,459</u>	<u>\$ 353,773</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 16,620	\$ 19,044
LONG-TERM LIABILITIES		
Long-term loans from banks and others	3,863	1,477
Accrued severance pay and retirement obligations	3,294	2,635
Deferred taxes	9,656	9,494
Total long-term liabilities	16,813	13,606
MINORITY INTEREST	10,511	19,007
Total Shareholders' Equity	292,515	302,116
Total liabilities and shareholders' equity	<u>\$ 336,459</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

	Nine months ended		Three months ended		Year ended
	September 30,		September 30,		December 31,
	2006	2005	2006	2005	2005
	<u>Unaudited</u>				
INCOME					
Net revenues	\$ 9,522	\$ 9,131	\$ 2,384	\$ 2,885	\$ 12,646
Equity in losses of affiliated companies	(16,566)	(13,074)	(4,701)	(5,254)	(17,522)
Gain (loss) from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	2,278	23,513	2,283	1,124	23,328
Other income, net	4,012	58,024	645	1,491	58,648
Financial income, net	3,410	5,238	1,133	977	5,483
	<u>2,656</u>	<u>82,832</u>	<u>1,744</u>	<u>1,223</u>	<u>82,583</u>
COSTS AND EXPENSES	<u>25,927</u>	<u>18,961</u>	<u>8,137</u>	<u>6,875</u>	<u>26,097</u>
Income (loss) before taxes on income	(23,271)	63,871	(6,393)	(5,652)	56,486
Tax benefit (Taxes on income)	(122)	(16,183)	(23)	9,684	(10,461)
Income (loss) from continuing operations after taxes on income	(23,393)	47,688	(6,416)	4,032	46,025
Minority interest in losses of subsidiaries	9,021	2,104	1,982	1,459	5,160
Income (loss) from continuing operations	(14,372)	49,792	(4,434)	5,491	51,185
Loss from discontinued operations	-	(2,943)	-	(729)	(3,850)
Net income (loss)	<u>\$ (14,372)</u>	<u>\$ 46,849</u>	<u>\$ (4,434)</u>	<u>\$ 4,762</u>	<u>\$ 47,335</u>
Income (loss) per share:					
Basic:					
Income (loss) from continuing operations	\$ (0.49)	\$ 1.69	\$ (0.15)	\$ 0.18	\$ 1.74
Loss from discontinued operations	-	(0.10)	-	(0.02)	(0.13)
Net income (loss)	<u>\$ (0.49)</u>	<u>\$ 1.59</u>	<u>\$ (0.15)</u>	<u>\$ 0.16</u>	<u>\$ 1.61</u>
Diluted:					
Income (loss) from continuing operations	\$ (0.50)	1.69	\$ (0.16)	\$ 0.18	\$ 1.73
Loss from discontinued operations	-	(0.10)	-	(0.02)	(0.13)
Net income (loss)	<u>\$ (0.50)</u>	<u>\$ 1.59</u>	<u>\$ (0.16)</u>	<u>\$ 0.16</u>	<u>\$ 1.60</u>
Weighted average number of ordinary shares used in computing basic net income(loss) per share (thousands)	<u>29,526</u>	<u>29,421</u>	<u>29,533</u>	<u>29,433</u>	<u>29,437</u>
Weighted average number of ordinary shares used in computing diluted net income(loss) per share (thousands)	<u>29,526</u>	<u>29,537</u>	<u>29,533</u>	<u>29,523</u>	<u>29,550</u>