

**-FOR IMMEDIATE RELEASE-**

**ELRON ELECTRONIC INDUSTRIES ANNOUNCES  
FOURTH QUARTER AND FULL YEAR 2009 RESULTS**

- **NET LOSS IN THE FULL YEAR OF 2009 DECREASED 80% TO \$14.3 MILLION FROM A NET LOSS OF \$71.8 MILLION IN THE FULL YEAR OF 2008.**
- **NET INCOME IN THE FOURTH QUARTER OF 2009 AMOUNTED TO \$16.1 MILLION, COMPARED WITH A NET LOSS OF \$24.0 MILLION IN FOURTH QUARTER OF 2008.**
- **INVESTMENTS MADE BY ELRON AND RDC IN GROUP COMPANIES DURING 2009 AMOUNTED TO \$33.5 MILLION.**
- **COMPLETION OF SALE OF HOLDINGS IN NETVISION TO IDB GROUP COMPANIES FOR TOTAL CONSIDERATION OF NIS 228.7 MILLION (\$60.7 MILLION); AN APPROXIMATELY \$21.9 MILLION GAIN RECORDED IN FOURTH QUARTER OF 2009.**
- **VOLUNTARY DELISTING OF SHARES FROM NASDAQ AND ADOPTION OF IFRS. THE COMPANY'S SHARES CONTINUE TO TRADE ON THE TEL AVIV STOCK EXCHANGE.**

**Tel Aviv, Israel, March 18, 2010 – Elron Electronic Industries Ltd. (TASE: ELRN)** ("Elron" or the "Company") today reported its financial results for the fourth quarter and full year of 2009. The consolidated financial statements as of December 31, 2009 have been prepared, for the first time, in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS"). (See below under "Delisting and Change to IFRS").

The net income attributable to Elron's shareholders in the fourth quarter of 2009 amounted to \$16.1 million, as compared to a net loss of \$24.0 million in the fourth quarter of 2008.

Fourth quarter results included a gain in the amount of \$21.9 million resulting from the disposition of Elron's holdings in NetVision Ltd. ("NetVision") as described below. This gain was partially offset by \$6.9 million of losses recorded with respect to Elron's group companies, as compared with \$20.9 million of losses in the fourth quarter of 2008.

The net loss attributable to Elron's shareholders in the full year of 2009 amounted to \$14.3 million, compared to a \$71.8 million net loss in the comparable period last year, representing an approximately 80% decrease. The net loss for 2009 resulted mainly from Elron's share in the net losses of its group companies in the amount of \$35.2 million which was offset by gains from disposal of businesses and associates in the amount of \$31.8 million, which mainly included a \$21.9 million gain resulting from the disposition of Elron's holdings in NetVision, as described below.

Elron's non-consolidated G&A costs in the full year of 2009 amounted to \$6.9 million, compared with \$9.6 million in 2008, representing an approximately 28% decrease. The decrease was mainly due to the implementation of the Services Agreement with Discount Investment Corporation Ltd. ("DIC"), which was approved by the shareholders of the Company on April 22, 2009.

## **NOTABLE DEVELOPMENTS IN THE FOURTH QUARTER OF 2009 AND SUBSEQUENTLY**

### **SALE OF ELRON'S HOLDINGS IN NETVISION:**

On October 29, 2009, Elron completed the sale of its holding in NetVision, a leading Israeli Internet service and international long distance provider, to DIC and Clal Industries and Investments Ltd. ("CII"), following approval of the sale by the shareholders of each of Elron, DIC and CII. As a result of the sale, Elron received proceeds of NIS 228.7 million (equal to \$60.7 million). DIC and CII are both affiliates of Elron, and majority-owned subsidiaries of IDB Development Ltd.

### **DELISTING AND CHANGE TO IFRS:**

On January 6, 2010, Elron voluntarily delisted from the Nasdaq Global Select Market. Elron further intends to terminate the registration of its ordinary shares under the U.S. Securities Exchange Act of 1934 (the "Exchange Act") as soon as possible under SEC rules, thereby terminating its obligation to file annual and other reports with the SEC. Elron does not expect such deregistration to take effect earlier than the first quarter of 2011, if at all. Elron's ordinary shares continue to be listed and traded on the Tel Aviv Stock Exchange, its principal trading market. As a result of the delisting, Elron is now required to comply with reporting requirements in accordance with both Israeli and U.S applicable securities laws and regulations.

As a result of the delisting from Nasdaq, Elron commenced reporting in accordance with the reporting obligations under the Israel Securities Law (1968) applicable to reporting companies in Israel which are not dual-listed. As a result, Elron changed its financial reporting principles from generally accepted accounting principles in the United States ("U.S. GAAP") to IFRS. As permitted under the Exchange Act and the regulations promulgated thereunder, Elron's consolidated financial statements for the year ended December 31, 2009 were prepared in conformity with IFRS (without reconciliation to U.S. GAAP) which are the Company's initial annual financial statements prepared in accordance with IFRS. The preparation of the Company's consolidated financial statements in accordance with IFRS resulted with changes to the accounting policies as compared with the most recent annual financial statements as of December 31, 2008 and for the year then ended prepared under U.S. GAAP. Elron's significant accounting policies are more fully described in Note 2 to its consolidated financial statements. The complete set of financial statements as of December 31, 2009 will be released today and furnished to the SEC under a Form 6-K and to the Israeli Securities Authority, and will be available online on the SEC's website at [www.sec.gov](http://www.sec.gov), on the Israel Securities Authority's website at [www.magna.gov.il](http://www.magna.gov.il), and on the Company's website at [www.elron.com](http://www.elron.com). Elron's Annual Report to the SEC on Form 20-F is expected to be filed by the end of March 2010.

**NON-BINDING INDICATION OF INTEREST FOR ACQUISITION OF MEDINGO:**

On October 26, 2009, Elron announced the receipt of a non-binding indication of interest of a third party regarding a potential acquisition of Medingo Ltd. ("Medingo") (92% held by Elron, including 83% held by RDC – Rafael Development Corporation ("RDC"), Elron's 50.1% subsidiary). Medingo is engaged in the development and commercialization of a miniature insulin dispensing patch pump for the needs of insulin-dependent diabetic patients. The indication of interest relates to an acquisition of Medingo's entire share capital for a cash consideration ranging from \$150 million to \$170 million and a contingent additional cash consideration conditional upon one or more milestone(s) to be mutually agreed, which may bring the total consideration up to between \$185 million and \$213 million. The transaction would be subject mainly to (i) the parties entering into a mutually agreed definitive agreement; (ii) satisfactory completion of a full due diligence by the third party; and (iii) the parties obtaining applicable corporate and regulatory approvals. In the event of consummation of such transaction, Elron would be expected to record a net gain initially estimated at this stage to be between approximately \$57 million and approximately \$86 million, including Elron's share in the net gain expected to be recorded by RDC. There is no assurance of the occurrence, timing, the expected gain amount or terms of any such transaction.

**COMMENCEMENT OF NEGOTIATIONS FOR THE SALE OF TELEDATA:**

Elron and other shareholders of Teledata Networks Ltd. ("Teledata") (21% held by Elron) have commenced negotiations for the sale, by way of merger, of all of the outstanding shares of Teledata to a foreign (non-Israeli) publicly traded company. Teledata is a global provider of Multiservice Access solutions for Next Generation Networks. If completed, the aggregate consideration from this transaction is estimated, at this stage, at approximately \$50 million, payable partly in cash, partly in bonds and partly in stock of the acquirer. Elron's share of the consideration from the transaction will be determined following discussions with other Teledata shareholders. The completion of the transaction is subject, inter alia, to due diligence regarding the acquirer to the sellers' satisfaction, the completion of negotiations, the execution of a definitive agreement and obtaining of the necessary regulatory and other approvals. Accordingly, there is no assurance that the negotiations will lead to the execution of a definitive agreement or that the transaction will be completed.

**LIQUIDITY, INVESTMENTS & SHAREHOLDERS' EQUITY**

As of December 31, 2009, Elron's non-consolidated cash balance amounted to \$59.9 million compared with \$4.0 million at December 31, 2008. As of December 31, 2009, Elron's long-term loans, not including loans of its subsidiaries, amounted to \$46.7 million. This includes \$9.0 million of loans received during 2009 from DIC.

During 2009 Elron and RDC invested an amount of \$33.5 million in their group companies.

During 2009 Elron received dividends from Given Imaging Ltd. and NetVision in the aggregate amount of \$8.1 million.

Shareholders' equity attributable to Elron's shareholders at December 31, 2009, was \$126.5 million, which represented approximately 59% of Elron's total assets, compared with \$139.5 million, which represented approximately 64% of Elron's total assets, at December 31, 2008.

**ABOUT ELRON ELECTRONIC INDUSTRIES**

*Elron Electronic Industries Ltd. (TASE: ELRN), a member of the IDB Holding group, is a technology holding company traded on the Tel-Aviv Stock Exchange. Elron's group companies currently comprise public and privately held companies engaged in a diverse range of technological activities. These companies, at various levels of maturity and progress, are primarily in the fields of medical devices, information & communications technology and clean technology, and have the potential to be technology leaders, each in their respective fields. Elron focuses on identifying and developing unique technology companies. Current group companies include Given Imaging, Medingo, BrainsGate, NuLens, Aqwise and Starling. 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. These risks are detailed from time to time in the Company's Annual Report on Form 20-F and other periodic reports filed by the Company with the Securities and Exchange Commission, which the Company urges investors to consider. Elron assumes no obligation to update the information in this press release and disclaims any obligation to publicly update or revise any such forward-looking statements to reflect any change in its expectations or in events, conditions, or circumstances on which any such statements may be based, or that may affect the likelihood that actual results will differ from those set forth in the forward-looking statements. Reference to Elron's website above does not constitute incorporation of any of the information thereon into this press release.*

**\*\*\* FINANCIAL TABLES FOLLOW \*\*\***

**Consolidated Balance Sheets as of**

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	<b>December 31 2009</b>	<b>December 31 2008</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Assets:</b>		
<b>Current assets</b>		
Cash and cash equivalents	64,747	17,364
Restricted cash	60	143
Trade receivables, net	2,084	1,150
Other current assets	3,391	5,787
Inventories	3,582	2,002
	<u>73,864</u>	<u>26,446</u>
<b>Non-current assets</b>		
Investments in associates	113,237	168,366
Other investments (accounted as available for sale)	14,527	7,511
Property, plant and equipment, net	2,991	4,458
Intangible assets, net	7,521	12,798
Other long-term receivables	940	-
	<u>139,216</u>	<u>193,133</u>
<b>Total assets</b>	<u><u>213,080</u></u>	<u><u>219,579</u></u>

**Consolidated Balance Sheets as of**

	<b>December 31 2009</b>	<b>December 31 2008</b>
	<b>\$ thousands</b>	<b>\$ thousands</b>
<b>Liabilities:</b>		
<b>Current liabilities</b>		
Short terms credit and loans	10,865	3,780
Trade payables	4,273	3,829
Other current liabilities	9,627	12,486
Convertible Debentures	1,172	-
	<u>25,937</u>	<u>20,095</u>
<b>Long-term liabilities</b>		
Long term loans from banks and others	36,981	35,141
Long term loan from shareholders	16,737	6,176
Convertible Debentures	2,211	2,161
Royalty bearing government grants	8,685	8,814
Employee benefits	194	991
Other long term liabilities	242	150
	<u>65,050</u>	<u>53,433</u>
<b>Total Liabilities</b>	<u>90,987</u>	<u>73,528</u>
<b>Equity attributable to the Company's shareholders</b>		
Issued capital	9,573	9,573
Share premium	190,328	190,328
Retained earnings (accumulated deficit)	(83,499)	(70,052)
Other capital reserves	10,067	9,657
<b>Non-controlling interests</b>	<u>(4,376)</u>	<u>6,545</u>
<b>Total equity</b>	<u>122,093</u>	<u>146,051</u>
<b>Total liabilities and equity</b>	<u>213,080</u>	<u>219,579</u>

## Consolidated Statements of Loss

	For the year ended December 31 2009	For the year ended December 31 2008
	\$ thousands	\$ thousands
	(except for loss per share data)	
<b><u>Income</u></b>		
Sales of goods	9,904	6,237
Gain from disposal of businesses and associates and changes in holding in associates, net	31,802	783
Financial income	1,413	6,259
	<u>43,119</u>	<u>13,279</u>
<b><u>Cost and Expenses</u></b>		
Cost of sales	4,824	3,200
Research and development expenses, net	25,699	29,911
Selling and marketing expenses	8,985	7,525
General and administrative expenses	15,865	19,065
Equity in losses of associates, net	10,514	40,146
Amortization of intangible assets	1,416	1,061
Other expenses, net	2,230	257
Financial expenses	5,434	4,800
	<u>74,967</u>	<u>105,965</u>
<b>Loss before tax benefit</b>	31,848	92,686
Tax benefit	2,453	32
<b>Net Loss</b>	<u>29,395</u>	<u>92,654</u>
<b>Attributable to:</b>		
The Company's shareholders	14,304	71,834
Non-controlling interests	15,091	20,820
	<u>29,395</u>	<u>92,654</u>
<b>Net loss per share attributable to the Company's shareholders (in \$)</b>		
Basic loss per share	<u>0.48</u>	<u>2.43</u>
Diluted loss per share	<u>0.49</u>	<u>2.44</u>