

-FOR IMMEDIATE RELEASE-

ELRON ELECTRONIC INDUSTRIES ANNOUNCES RECORD RESULTS
OF \$ 84.1 MILLION NET INCOME IN 2004

Tel Aviv, Israel, March 2, 2005 - Elron Electronic Industries Ltd. (Nasdaq: ELRN) today reported net income of \$ 84.1 million, or \$ 2.87 per share, in 2004 compared to a net loss of \$ 7.2 million, or \$ (0.25) per share, in 2003. The net income reported in the fourth quarter of 2004 amounted to \$ 4.1 million, or \$ 0.14 per share, compared to \$ 3.1 million, or \$ 0.11 per share, in the fourth quarter of 2003.

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 \$ 196.6 million, as well as from the following transactions which Elron and its subsidiaries completed during 2004:

- (i) A gain, net of tax and minority interest, of approximately \$ 6.7 million from the sale of Given Imaging shares by Elron's subsidiary, RDC -Rafael Development Corporation, and the decrease in Elron's direct and indirect interest in Given Imaging following the completion of Given Imaging's secondary public offering;
- (ii) A gain of approximately \$ 5.3 million, resulting from the sale of Elron's shares in KIT eLearning, a provider of online academic programs, to a subsidiary of Laureate Education, Inc. (Nasdaq:LAUR); and
- (iii) A gain, net of tax, of approximately \$ 3.6 million resulting from the sale of Elron's remaining shares in Zix Corporation (Nasdaq: ZIXI) for an aggregate consideration of \$ 8.1 million.

The gain was offset in part by Elron's share in the net losses of its group companies in the amount of approximately \$ 23.3 million which included, among others, impairment charges in the aggregate amount of \$7.6 million relating to Elron Telesoft and Mediagate and a write-off of in process research and development ("IPR&D") in the amount of approximately \$ 1.7 million related to the acquisition of additional shares in Given Imaging.

Investments in 2004:

During 2004, Elron invested approximately \$ 74.8 million in new companies and in its group companies, of which approximately \$ 44 million relates to the purchase of Given Imaging shares.

During the fourth quarter of 2004, Elron completed investments in two new companies:

- Jordan Valley, an Israeli private company engaged in developing solutions for advanced in-line thin film metrology for the semiconductor industry where Elron invested approximately \$ 6.7 million for 25% of Jordan Valley's shares.
- Impliant, a privately held medical device company, engaged in the development of a novel posterior motion preservation system for spine surgery where Elron invested \$ 7.3 million for 20% of its shares.

Liquidity and Shareholders Equity

As of December 31, 2004, Elron's cash, debentures and deposits amounted to approximately \$ 175.7 million compared with \$ 114.4 million at December 31, 2003. The increase resulted primarily from the sale of Elron's holding in Elbit Systems for approximately \$196.6 million. The increase was offset in part by approximately \$67.8 million repayment of loans of Elron's majority-owned subsidiaries and \$ 74.8 million investments.

Shareholders' equity at December 31, 2004, was approximately \$ 389.1 million, which represented approximately 78% of Elron's total assets at December 31, 2004, compared to approximately \$296.1 million representing approximately 66% of Elron's total assets at December 31, 2003.

On February 8, 2005, Elron announced that Elron and other Israeli shareholders of Partner Communication Company Ltd. (Nasdaq and TASE:PTNR; LSE; PCCD) ("Partner") have irrevocably offered to sell to Partner an aggregate of 31.7 million Partner shares (of which approximately 15.8 million shares have been offered by Elron), representing Elron's entire holdings in Partner (equal to 8.6% of Partner's outstanding ordinary shares). On February 23, 2005, Partner announced that its Board of Directors has approved the acceptance of the offer. The closing of the transaction is conditional upon various conditions precedent, including

Partner obtaining all corporate and regulatory consents and approvals required by law or Partner's general license.

Upon completion of the transaction, Elron will receive proceeds ranging between approximately \$ 90 million and \$ 116 million and will record an estimated gain, after tax, ranging between approximately \$ 33 million and \$ 44 million. There is no assurance that the transaction will be consummated.

PFIC STATUS

With the announcement of the sale of Elron's shares in Elbit Systems, Elron announced that, as a result of the transaction, Elron may be characterized as a "passive foreign investment company" (PFIC) for U.S. federal income tax purposes for 2004. This would result in adverse tax consequences for Elron's U.S. shareholders but not for Elron.

In addition, the sale of Elron's shares in Partner in 2005, if completed, would generate significant passive income. As a result, Elron believes that it is likely that Elron will be treated as a PFIC in 2005 as well as in 2004. U.S. shareholders are encouraged to consult with their tax advisors.

"With our record results, 2004 was one of the best years in our history" said Mr. Doron Birger Elron's President & CEO.

"In 2004, we completed the sales of our holdings in Elbit Systems and KIT and invested in two new companies. We completed two private placement rounds in ChipX and AMT and have seen improvement in the operating results of most of our group companies. We also invested a record amount of \$ 74.8 million in our group companies and in new companies. Elron enters 2005 with a promising group of companies and a very strong balance sheet with substantial cash resources which will enable us to continue and build our group companies and invest in new opportunities".

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

Conference call details:

Tomorrow, Thursday, March 3, 2005 10:00 a.m. (EST); 5:00 p.m. (Israel)

In the US: 1-866 860 9642

In the UK: 0-800 917 5108

In Israel: 03-918 0610

International Participants: +972 3 918 0610

For your convenience, a replay of the call will be available starting two hours after the call ends until Sunday, March 6. To access the replay please dial 1-866-276-1002 (US), 972-3-925-5942 (Israel) and 0-800-917-4256 (UK).

Elron Electronic Industries Ltd. is a multinational 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, communication, IT-software, 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,	
	2004	2003
	Audited	
ASSETS		
Total current assets	\$ 198,662	\$ 130,067
INVESTMENTS AND LONG-TERM RECEIVABLES		
Investments in affiliated companies	117,124	156,819
Investments in other companies and long-term receivables	155,929	128,799
Long-term debentures	-	700
Deferred taxes	5,493	1,871
Severance pay deposits	2,637	2,144
Total investments and long-term receivables	281,183	290,333
PROPERTY AND EQUIPMENT, NET	8,064	8,317
INTANGIBLE ASSETS	13,247	21,987
Total assets	\$ 501,156	\$ 450,704
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 39,845	\$ 73,035
LONG-TERM LIABILITIES		
Long-term loans from banks and others	4,072	17,221
Accrued severance pay and retirement obligations	3,809	2,850
Deferred taxes	41,233	40,684
Other	22	103
Total long-term liabilities	49,136	60,858
MINORITY INTEREST	23,095	20,681
Total Shareholders' equity	389,080	296,130
Total liabilities and shareholders' equity	\$ 501,156	\$ 450,704

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,	
	2004	2003
	Audited	
INCOME		
Net revenues	\$ 16,330	\$ 16,547
Equity in losses of affiliated companies	(10,492)	(8,698)
Gain from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	132,396	25,754
Other income, net	4,784	14,665
	<u>143,018</u>	<u>48,268</u>
COSTS AND EXPENSES		
	<u>39,164</u>	<u>37,497</u>
Income before taxes on income	103,854	10,771
Taxes on income	(15,132)	(6,834)
Income after taxes on income	88,722	3,937
Minority interest in losses (income) of subsidiaries	(4,135)	(10,907)
Income (loss) from continuing operations	84,587	(6,970)
Loss from discontinued operations	(454)	(235)
Net income (loss)	<u>\$ 84,133</u>	<u>\$ (7,205)</u>
Basic Income (loss) per share	<u>\$ 2.87</u>	<u>\$ (0.25)</u>
Diluted income (loss) per share	<u>\$ 2.86</u>	<u>\$ (0.25)</u>
Weighted average number of ordinary shares used in computing basic net income (loss) per share (thousands)	<u>29,266</u>	<u>29,194</u>
Weighted average number of ordinary shares used in computing diluted net income (loss) per share (thousands)	<u>29,385</u>	<u>29,194</u>