

-FOR IMMEDIATE RELEASE-

**ELRON ANNOUNCES SIGNING OF AGREEMENT BY ELRON'S 41% HELD
AFFILIATE, OREN SEMICONDUCTOR, FOR ITS ACQUISITION BY
ZORAN FOR \$53.5 MILLION**

May 9, 2005, Tel Aviv, Israel. Elron Electronic Industries Ltd. (NASDAQ & TASE:ELRN) today announced that Oren Semiconductor, Inc. ("Oren) approximately 41% held by Elron has signed a definitive agreement with Zoran Corporation (NASDAQ:ZRAN) ("Zoran"), a 17% shareholder of Oren, for the acquisition of Oren by Zoran. Zoran will pay \$44.6 million in cash and Zoran securities for the remaining 83% of Oren, thereby imputing a value of \$53.5 million to the transaction, including Zoran's share. Oren is a privately held company which principally develops demodulator VLSI products for DTV, Set-top boxes and personal computers. Oren is also engaged through partnerships in providing customers with a complete front- end solution. Oren sells its products through direct sales, distributors and OEMs on a worldwide basis.

The completion of the transaction is subject to certain closing conditions. The transaction is expected to be completed during the second quarter of 2005. However, there is no assurance that the transaction will be consummated or the exact timing of the closing.

Upon completion of the transaction, Elron will receive proceeds of approximately \$19 million and will record a gain in the second quarter of 2005 net of taxes, of approximately \$16 million.

Doron Birger, Elron's President & CEO said: "Elron has been a major shareholder of Oren over the past few years. We believe that this transaction is good for Oren's shareholders and employees and we wish Zoran great success with this acquisition."

"This exit is an additional step in building value for Elron and is the second exit this quarter following the sale of most of our holdings in Partner in April this year", concluded Mr. Birger.



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.