

**-FOR IMMEDIATE RELEASE-**

**ELRON ANNOUNCES NEW INVESTMENT OF \$16 MILLION IN TELEDATA NETWORKS LTD**

**Tel Aviv, May 9, 2005 - Elron Electronic Industries Ltd. (NASDAQ and TASE: ELRN)** today announced that it has completed a new investment of \$16 million in Teledata Networks Ltd. ("Teledata"). The investment is part of an aggregate round of financing of \$19 million in which FBR Infinity II Ventures, an affiliated venture capital fund, will invest \$3 million. Teledata provides innovative access products and solutions for both traditional and next generation networks to telecom operators and service providers. Following completion of the round of investment, Elron will hold approximately 21% of Teledata and Infinity will hold approximately 4% of Teledata, each on a fully diluted basis. The other major shareholders of Teledata are Kardan Communications Ltd. and Teledata management and employees.

Doron Birger, Elron's President & CEO said: "This is one of the largest new investments made by Elron in the past few years, which is consistent with Elron's strategy to have significant investments in mature companies in parallel with additional investments in start-ups such as our last investment in Nulens in April this year."

"Looking at the achievements of Teledata over the past year, we have great confidence in the potential of Teledata to become a major company and to bring value to Elron. We look forward to partnering with Kardan and the Teledata management in further building a successful company" concluded Doron 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.*