

-EARNING RELEASE-

**ELRON ELECTRONIC INDUSTRIES REPORTS FOURTH QUARTER
AND YEAR END RESULTS FOR 2002**

Tel Aviv, Israel, March 12, 2003 - Elron Electronic Industries Ltd. (NASDAQ:ELRN) today reported a net loss of \$7.9 million, or \$0.27 per share for the fourth quarter of 2002 compared to a net loss of \$18.5 million, or \$0.88 per share in the fourth quarter of 2001. The net loss in 2002 amounted to \$39.3 million, or \$1.50 per share, compared to a net loss of \$50.8 million or \$2.40 per share in 2001.

Pro forma net loss for the fourth quarter of 2001, which gives effect to the merger with Elbit Ltd., the share purchase of DEP and the consolidation of Galil Medical and Mediagate as if such events occurred at the beginning of the reporting period, was \$35.1 million, or \$1.20 per share. Pro forma net loss for 2002 and 2001, was \$52.4 million, or \$1.80 per share and \$90.2 million, or \$3.10 per share, respectively.

Factors contributing to Elron's results in the fourth quarter of 2002 and operational highlights:

The pro forma financial results present on a more comparable basis the significant reduction in losses in the fourth quarter of 2002 as compared to the same period last year and reflects the improvement in the financial results of our group companies as well as the benefits achieved from the merger with Elbit Ltd. and the share purchase of DEP which were completed in May 2002.

Elron's results are still affected by the general market conditions, which continue to limit Elron's ability to complete successful exits.

The following are the main fourth quarter events:

- Elron Telesoft significantly reduced its operating loss. Operating loss in the fourth quarter and twelve month period of 2002 amounted to \$0.9 million and \$4.3 million, respectively, as compared to \$3.3 million and \$11.5 million in the same periods of 2001. Pro forma operating loss (excluding restructuring charges and amortization of intangible assets) in the fourth quarter of 2002 amounted to \$0.2 million, down from \$2.3 million in the fourth quarter of 2001. 2002 pro forma operating loss (excluding restructuring charges and amortization of intangible assets) amounted to \$2.2 million as compared to \$7.9 million in 2001. This positive trend is expected to continue in 2003.

- Elbit Systems (Nasdaq: ESLT), in which Elron holds 20%, increased its revenues in the fourth quarter of 2002 as compared to fourth quarter 2001 by 6% to \$238.3 million and posted net income of \$13.1 million as compared to \$ 7.7 million in the fourth quarter of 2001.

In the fourth quarter, Elron sold 380,000 shares, (approximately 1% of Elbit System's share capital) and recorded a gain of approximately \$1.8 million.

- Given Imaging (Nasdaq: GIVN) in which Elron directly and indirectly holds 18%, recorded revenues of \$9.0 million in the fourth quarter and \$28.9 million in the twelve month period of 2002 . Losses in the fourth quarter decreased to \$3.7 million from \$4 million in the third quarter.

By year end 2002, cumulative deliveries of the Given Diagnostic System reached more than 1,000 and approximately 30,000 capsules have been sold to date. Given Imaging expects its revenues for 2003 to increase approximately 100% over 2002 revenues of \$28.9 million and to reach breakeven and achieve sustainable profitability in the second half of 2003.

Liquidity and Shareholders Equity

At December 31, 2002, Elron and Elbit had cash and other liquid investments of approximately \$94.1 million. Bank loans to wholly owned subsidiaries amounted to \$69.7 million. Elron's financial position enabled continued investments and, in 2002, Elron invested approximately \$29.5 million in its group companies and in new investments as compared to approximately \$19.8 million in 2001. Shareholders' equity at December 31, 2002, was \$266.5 million, which represents 65% of Elron's total assets.

" In 2002, we continued our intensive efforts to strengthen Elron. We successfully merged our two group holding companies, Elbit Ltd and DEP into Elron, invested and increased holdings in our promising private holdings, completed private placements in some of our privately held group companies, and expanded our holdings by entering a new field, amorphous metals through our investment in Advanced Metal Technology," said Doron Birger, Elron's President and CEO.

"The reduction in our losses in the fourth quarter as compared to same period last year reflects the success of many of our group companies in improving their operating results. In addition, we are seeing the benefits from the merger with Elbit Ltd. and DEP, by achieving more than \$5 million in annualized cost savings as a result of combining Elron's and Elbit's headquarters. We begin 2003 with a strong balance sheet and sufficient cash resources to enable us to foster growth in our group companies, " Mr. Birger concluded.

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

Conference call details:

Thursday, March 13, 2003 10:00a.m. (EST); 05:00 p.m. Israel

Dial in numbers:

In the US: (866) 527-8676 or (866)-485-2399

In the UK: 0(800)-917-4613

Other Israel & International Participants: 972-3-9180610

For your convenience, a **replay of the call** will be available starting one hour after the call ends for a period of 24 hours. To access the replay please dial **(866) 500-4965 (US)**, **(972-3) 925-5948 (Israel)** and **0-800-169-8104 (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 advanced defense electronics, communication, software, information technology, medical devices, semiconductors and amorphous metals. 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.

Tables to follow

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars)

	December 31	
	<u>2002</u>	<u>2001 (*)</u>
	(Audited)	
ASSETS		
Current Assets:	\$ 87,044	\$ 106,361
Long-term assets:		
Investments in affiliated companies	131,256	162,260
Investments in other companies and long- term receivables	97,158	7,504
Long-term debentures and deposits	28,928	22,127
Deferred taxes	2,990	973
Severance pay deposits	2,262	2,313
Total long - term assets	<u>262,594</u>	<u>195,177</u>
Property and equipment, net	11,576	4,971
Other assets:		
Goodwill	21,538	8,833
Other intangible assets	18,577	10,968
	<u>40,115</u>	<u>19,801</u>
Total assets	<u>\$ 401,329</u>	<u>\$ 326,310</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities	\$ 55,253	\$ 30,452
Long-term loans from banks and others	49,389	51,808
Accrued severance pay and retirement obligations	2,921	3,914
Deferred taxes	23,650	-
Other	414	383
Long-term liabilities	<u>76,374</u>	<u>56,105</u>
Minority interests	3,185	1,040
Shareholders' equity:		
Ordinary shares	9,572	9,567
Additional paid-in capital	267,482	165,680
Accumulated other comprehensive income	7,529	42,231
Retained earnings (deficit)	<u>(18,066)</u>	<u>21,235</u>
Total shareholders' equity	<u>266,517</u>	<u>238,713</u>
Total liabilities and shareholders' equity	<u>\$ 401,329</u>	<u>\$ 326,310</u>

(*) Restated

CONSOLIDATED STATEMENTS OF OPERATIONS

(US Dollars in thousands except share and per share data)

	For the Year ended December 31		For the Three months ended December 31	
	2002	2001 (*)	2002	2001
Income				
Revenues	\$ 23,468	\$ 32,859	\$ 6,331	\$ 6,439
Equity in losses of affiliated companies' investments	(21,911)	(27,242)	(3,120)	(13,964)
Gain from disposal and changes in holdings in subsidiaries and affiliated companies, net	6,888	3,179	1,629	3,335
Other income (expenses), net	(743)	(4,885)	(1,062)	(265)
	<u>7,702</u>	<u>3,911</u>	<u>3,778</u>	<u>(4,455)</u>
Costs and Expenses				
Cost of revenues	11,557	22,048	2,935	3,949
Research and development costs, net	7,818	8,979	1,944	2,062
Marketing and selling expenses, net	14,428	10,587	5,064	2,501
General and administrative expenses	11,272	11,810	3,631	3,377
Restructuring costs	2,318	2,203	821	879
Amortization of intangible assets	2,058	3,734	497	886
Financial expenses (income), net	474	(1,251)	139	(89)
	<u>49,925</u>	<u>58,110</u>	<u>15,031</u>	<u>13,565</u>
Income (loss) before taxes on income	(42,223)	(*) (54,199)	(11,253)	(18,020)
Taxes on income (tax benefit)	(2,855)	(2,947)	(1,292)	636
Income (loss) from continuing operations after taxes on income	(39,368)	(*) (51,252)	(9,961)	(18,656)
Minority interest in losses of subsidiaries	2,823	438	2,518	110
Income (loss) from continuing operations	(36,545)	(*) (50,814)	(7,443)	(18,546)
Loss from discontinued operations	(2,756)	-	(497)	-
Net income (loss)	<u>\$ (39,301)</u>	<u>\$ (*) (50,814)</u>	<u>\$ (7,940)</u>	<u>\$ (18,546)</u>
Income (loss) per share:				
Basic income (loss) per share data -				
Income (loss) from continuing operations	\$ (1.39)	\$ (*) (2.40)	\$ (0.25)	\$ (0.88)
Income (loss) from discontinued operations	(0.11)	-	(0.02)	-
Net income (loss)	<u>(1.50)</u>	<u>(2.40)</u>	<u>(0.27)</u>	<u>(0.88)</u>
Weighted average number of ordinary shares used in computing basic net income (loss) per share (thousands)	<u>26,272</u>	<u>21,191</u>	<u>29,158</u>	<u>21,191</u>

(*) Restated