

-FOR IMMEDIATE RELEASE-

**ELRON ELECTRONIC INDUSTRIES EXPECTS TO RECORD INCREASED
LOSSES IN THE FOURTH QUARTER OF 2001**

Tel Aviv, February 26, 2002- Elron Electronic Industries Ltd. (NASDAQ:ELRN), today announced that, based on preliminary estimates, it anticipates reporting a net loss of approximately \$18.0 million for the fourth quarter of 2001. The anticipated net loss for 2001 is forecasted to be approximately \$48.0 million.

The increase in the anticipated net loss for the fourth quarter of 2001 over the \$10.6 million net loss in the third quarter of 2001 is primarily due to the increase in the net losses of our 44% held affiliate, Elbit Ltd. (Nasdaq:ELBT) estimated to be approximately \$19 million in the fourth quarter of 2001 as reported by Elbit today.

The above data are subject to change in connection with the year end audit of the Company's financial statements, which has not been completed. The Company anticipates that the audit will be completed by the end of March 2002.

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 and semiconductors. For further information, visit <http://www.elron.com>

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. Additional information about potential factors that may affect Elron's financial results is included in its periodic reports, including, without limitation, under the caption "Management's Discussion and Analysis of Financial Condition and Results of Operations". Additional information about potential factors that may affect Elron's and the combined company's business and financial results is included in the registration statement on Form F-4 containing a prospectus relating to the shares to be issued to Elbit stockholders filed by Elron on November 15, 2001 including, without limitation, under the caption "Risk Factors". Each of these documents is on file with the SEC and is available free of charge. Elron does not undertake to update any forward-looking statement that may be made from time to time by it or on behalf of Elron.

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