

- FOR IMMEDIATE RELEASE -

Elron Electronic Industries 2001 Year End and Fourth Quarter Results

Tel Aviv, Israel, March 25, 2002– Elron Electronic Industries Ltd. (NASDAQ:ELRN) today reported a net loss of \$18.0 million, or \$0.85 per share, for the fourth quarter of 2001 and \$48.3 million, or \$2.28 per share, for the twelve-month period ended December 31, 2001. The net loss in the fourth quarter of 2000 was \$9.8 million, or \$0.46 per share. Net income in the twelve month period ended December 31, 2000 amounted to \$30.4 million, or \$1.43 per share.

The general slowdown in spending for technology products due to current economic condition affected the results of companies in our group and limited our ability to achieve successful exits and record capital gains. While our results in 2000 were positively affected primarily by the sale of Zoran's shares and by our share in Elbit Ltd. gains from the sale of its holding in Peach Networks and the sale of the assets of its subsidiary HyNEX Ltd, our results in 2001 were negatively affected by the net losses of our subsidiaries, Elron Software and Elron TeleSoft and our share in the net losses of our affiliated companies, primarily Elbit Ltd.

Factors contributing to our results in 2001 and operational highlights:

- Equity in net losses of Elbit Ltd. ("Elbit") in the fourth quarter and twelve month period ended December 31, 2001 amounted to \$8.1 million and \$13.1 million, respectively, as compared to equity in net losses of \$4.1 million in the fourth quarter of 2000 and a gain of \$17.4 million in the twelve month period ended December 31, 2000. Elbit's higher losses in the fourth quarter of 2001 resulted primarily from \$6.3 million in write offs attributable to the cessation of operations of Elbit's affiliate Cell Data Ltd. and the recognition of impairment in the value of certain subsidiaries and affiliates, a \$2.3 million net of tax write down in market value of Cisco Systems shares held by Elbit, a provision for severance pay of \$1.3 million to Elbit's former CEO and provisions and fees paid of approximately \$0.7 million to professional advisors and investment bankers in connection with the proposed merger with Elron.
- Elron Software's and Elron Telesoft's operating losses in the fourth quarter of 2001 amounted to \$5.7 million (which included \$0.8 million in restructuring charges) as compared to \$7.8 million in the fourth quarter of 2000. The decrease is a result of comprehensive restructuring and cost reduction programs implemented by both companies. Operating loss in the twelve month period ended December 31, 2001 amounted to \$21.3 million (which included \$2.2 million in restructuring charges) as compared to \$ 22.7 million in 2000.
- Our share in net losses of our privately held affiliates which are accounted for under the equity method of accounting amounted to approximately \$20.6 million in 2001 as compared to \$21.6 million in 2000. The decrease in net losses resulted mainly from the significant decrease in NetVision's losses and as a result of restructuring programs implemented by our group companies in order to reduce costs. NetVision reached \$0.7 million in operating profits in the fourth quarter of 2001 and positive EBITDA of \$2.0 million as compared to an operating loss of \$9.5 million and negative EBITDA of \$8.5 million in the fourth quarter of 2000.

- On October 4, 2001, Given Imaging completed its initial public offering, raising \$60 million. Its shares were listed on the Nasdaq National Market under the symbol "GIVN". Elron directly and indirectly holds approximately 12% in Given Imaging's outstanding share capital.

Liquidity and Shareholders Equity

As of December 31, 2001 Elron had cash and other liquid instruments of approximately \$112.8. (Loans in subsidiaries amounted to \$68.3 million). Our financial position enables us to continue our investment activity which resulted in \$19.8 million of investments in 2001 of which \$10.6 million was invested in our group companies to provide the necessary cash for future growth. Shareholders' equity as of December 31, 2001 amounted to \$248.2 million representing 73% of the total assets compared with \$280.0 million representing 76% of total assets at December 31, 2000.

Reorganization in Elron Group

During the fourth quarter, we made significant progress towards completion of the merger with Elbit Ltd. and on October 31, 2001 the companies announced the signing of the merger agreement. In November 2001, we signed an agreement with Discount Investment Corporation Ltd. ("DIC") (which holds 42% of Elron's shares) to acquire its 67% interest in DEP Technology Holdings Ltd. ("DEP"), in which Elron currently holds the remaining 33% shares.

Upon completion of these two important transactions, anticipated in the first half of 2002, the two holding companies in our group, Elbit Ltd. and DEP, will become wholly owned subsidiaries, which will simplify and streamline the organizational structure with higher cash resources directly accessible. Savings will also be realized on the operating and management level. The new structure presents the company with an opportunity to enhance shareholder value and achieve potential synergies among the holdings of Elron, Elbit, and DEP.

"2001 financial results reflects the general downward in the high-tech industry and volatile market conditions" said Doron Birger, Elron's President. "The trend also impinged on one of our primary sources of income – our ability to complete successful exits.

Companies in our group, which are still in their earlier stage, were undergoing a restructuring and cost reduction plans in order to adjust to the downturn in the economy. Minimizing cash burn rate without adversely affecting core activities was the foremost objective of management. More mature companies such as Elron Software, Elron Telesoft, NetVision and Chip Express, implemented cost reduction programs in order to achieve profitability and turn cash flow positive. The process, begun in 2001, of merging Elbit Ltd. into Elron and acquiring DIC's holdings in DEP will form the foundation for growth over the next years.

Our financial position remains strong and we intend to use our considerable cash resources to continue to build and support our group companies while adhering faithfully to our creed – to invest in, nurture, and build high-potential technology companies in order to achieve the most profitable exit strategies providing maximum value to our shareholders."

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

Conference call details:

Monday, March 25, 2002 10:00a.m. (EST); 05:00 p.m. Israel

In the US call: 1-1-866-500-4953 or 1-866-500-4964

In the UK call: 0-800-169-8104

Other International Participants call: (972) 3 -9255910

Participants in Israel call: (03) 9255910

Replay: Beginning two hours after the call ends for a period of 24 hours

In the US call: 1- 866-500-4964

In Israel call: (03) 9255946

International: (972) 3-9255946

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 annual report on Form 20-F, 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 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 available free of charge. Elron does not undertake to update any forward-looking statements that may be made from time to time by it or on behalf of Elron.

Contact: Doron Birger - Elron Electronic Industries Ltd. - Tel. 972-3-607 5555 doron@elron.net

Tables to follow

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. Dollars)

	December 31, <u>2001</u>	December 31, <u>2000</u>
ASSETS		
Current Assets:	121,799	133,144
Long-term assets:		
Investments in affiliated companies	155,967	175,399
Other investments	27,484	16,186
Long-term deposits and debentures	6,689	8,268
Deferred taxes	-	909
Severance pay fund	2,313	2,744
Total long – term assets	<u>192,453</u>	<u>203,506</u>
Property and equipment, net	4,971	7,479
Other assets, net	19,801	26,216
Total assets	<u>339,024</u>	<u>370,345</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities	30,453	41,478
Long-term liabilities	59,359	47,363
Minority interest	1,040	1,461
Shareholders' equity		
Ordinary shares	9,567	9,567
Capital surplus	162,109	158,916
Accumulated other comprehensive income	49,745	36,459
Retained earnings	26,751	75,101
Total shareholders' equity	<u>248,172</u>	<u>280,043</u>
Total liabilities and shareholders' equity	<u>339,024</u>	<u>370,345</u>

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Year Ended December 31,		Three Months Ended December 31,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Income				
Revenues	32,859	39,162	6,439	9,817
Net earnings (losses) from equity investments	(24,558)	(7,218)	(13,214)	(10,058)
Gain (loss) from disposal and changes in holdings in related companies, net	3,179	26,400	3,335	(537)
Other income (expenses), net	(5,105)	43,458	(485)	11,350
Finance income	5,215	7,009	887	1,281
	<u>11,590</u>	<u>108,811</u>	<u>(3,038)</u>	<u>11,853</u>
Costs and Expenses	<u>63,325</u>	<u>70,541</u>	<u>14,452</u>	<u>19,527</u>
Income (loss) before income taxes	(51,735)	38,270	(17,490)	(7,674)
Provision (credit) for income taxes	(2,947)	8,079	636	2,267
Income (Loss) after income taxes	(48,788)	30,191	(18,126)	(9,941)
Minority interest	438	171	110	155
Net income (loss)	<u>(48,350)</u>	<u>30,362</u>	<u>(18,016)</u>	<u>(9,786)</u>
Earnings per share:				
Basic per share data				
Basic net income (loss) per ordinary share	<u>(2.28)</u>	<u>1.43</u>	<u>(0.85)</u>	<u>(0.46)</u>
Weighted average number of ordinary shares outstanding used in computing per share amounts (thousands)	<u>21,191</u>	<u>21,172</u>	<u>21,189</u>	<u>21,185</u>