

**-FOR IMMEDIATE RELEASE-**

**ELRON ELECTRONIC INDUSTRIES FIRST QUARTER RESULTS**

**Tel Aviv, Israel, May 14, 2002- Elron Electronic Industries Ltd. (NASDAQ:ELRN)** today reported a net loss of \$7.5 million, or \$0.36 per share, for the first quarter of 2002 compared to a net loss of \$9.4 million, or \$0.44 per share, in the first quarter of 2001. The net loss for the first quarter of 2001, adjusted to exclude amortization expenses related to items that are no longer being amortized commencing January 1, 2002, in accordance with the new accounting standard, SFAS 142, was \$8.9 million, or \$0.42 per share.

Although we continue to record net losses, mainly as a result of the net losses of our subsidiary Elron Software and our share in the net losses of Elbit Ltd., the restructuring plans and cost reduction programs implemented by some of our group companies during 2001 enabled many of our group companies to significantly reduce their losses. Moreover, some of the more mature companies, such as Elron TeleSoft, NetVision and Chip Express, reported positive EBITDA for the quarter.

**Factors contributing to our results in the first quarter of 2002 and operational highlights:**

- Elron's Q1 results were mainly affected by its share in the net loss of Elbit Ltd. which amounted to \$5.3 million in the first quarter of 2002 compared to \$1.0 million in the first quarter of 2001. The increase in the net loss in the first quarter of 2002 resulted primarily from the operating losses of Elbit's new subsidiary, Elbit V-Flash and from a \$3.6 million charge in respect of costs relating to Elbit's merger with Elron.
- Elron Telesoft's operating losses in the first quarter of 2002 amounted to \$0.2 million (excluding the effect of amortization of intangible assets and restructuring charges, Elron Telesoft achieved breakeven), compared to an operating loss of \$2.7 million in the first quarter of 2001. Elron Telesoft's results reflect its effort to reduce costs and restructure its operations to focus on the telecommunication market.
- As a result of the cost reduction plan implemented by Elron Software, operating losses fell by 10% from \$2.9 million in the first quarter of 2001 to \$2.6 million in the first quarter of 2002.
- Elron's share in net losses of its privately held affiliates decreased to \$2.2 million in the first quarter of 2002 compared to \$3.6 million in the first quarter of 2001, resulting mainly from the significant improvements in NetVision which recorded in the first quarter of 2002 net income of

\$ 1.6 million compared to a \$1.3 million net loss in the first quarter of 2001. In addition, other group companies, such as Mediagate, reported lower losses as a result of the restructuring programs implemented in 2001.

- Given Imaging (Nasdaq: GIVN), recorded revenues of \$ 5.2 million in the first quarter of 2002, its second full quarter of sales.

### **Liquidity and Shareholders Equity**

As of March 31, 2002, Elron had cash and other liquid instruments of approximately \$110.6 million. Loans to subsidiaries amounted to \$68 million. Elron's financial position enabled it to continue its investment activity and in the first quarter of 2002, \$2.6 million was invested in its group companies to secure their cash needs for future growth.

Shareholders' equity at March 31, 2002, was \$225.3 million representing 72% of total assets.

### **Reorganization in Elron Group**

On May 15, 2002 Elron will complete its merger with Elbit Ltd. (Nasdaq: ELBT) . On May 6, 2002 Elron completed the purchase of DEP Technology Holdings Ltd. ("DEP"). Upon the completion of these two transactions, the two holding companies in the Elron group, Elbit Ltd. and DEP, will become wholly owned subsidiaries.

"Upon completing the merger with Elbit and the DEP purchase, Elron will have a more efficient, focused, and transparent corporate structure and will benefit from potential synergies and cost savings. This will form the foundation for growth over the next years" said Doron Birger, Elron's President." We believe this will simplify and streamline our 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. At the same time, despite continued demand weakness in the technology sector, in the first quarter of 2002, there was a significant reduction in losses in almost every subsidiary and affiliate company in the Elron group, reflecting the success of the restructuring and cost reduction programs implemented by our group companies during 2001. Our financial position remains strong and we intend to use our considerable cash resources to continue to build and support our group companies."

" We also welcome Tal Raz who, following the completion of the merger with Elbit, will join us as

Vice President and CFO of Elron”.

Investors can access Elron's first quarter financial report and Management Report on the company's web site: [www.elron.com](http://www.elron.com)

**Conference call details:**

**Wednesday, May 15, 2002 10:00a.m. (EST); 05:00 p.m. Israel**

In the US call: 1-877-332-1105 or 1-866-500-4966

In the UK call: 0-800-169-9043

Other International Participants call: (972) 3 -9292810

Participants in Israel call: (03) 9292810

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

In the US call: 1- 866-500-4965

In Israel call: (03) 9255948

International: (972) 3-9255948

***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>***

**Contact: Doron Birger - Elron Electronic Industries Ltd. - Tel. 972-3-6075555**

**[doron@elron.net](mailto:doron@elron.net)**

*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)

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
<b>ASSETS</b>		
<b>Current Assets:</b>	120,844	121,799
<b>Long-term assets:</b>		
Investments in affiliated companies	140,979	155,967
Other investments	24,659	27,484
Long-term deposits and debentures	7,450	6,689
Severance pay fund	1,232	2,313
Total long – term assets	174,320	192,453
<b>Property and equipment, net</b>	2,952	4,971
<b>Other assets, net</b>	15,284	19,801
<b>Total assets</b>	<u>313,400</u>	<u>339,024</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities</b>	27,904	30,453
<b>Long-term liabilities</b>	59,122	59,359
<b>Minority interest</b>	1,084	1,040
<b>Shareholders' equity</b>		
Ordinary shares	9,567	9,567
Capital surplus	162,159	162,109
Accumulated other comprehensive income	34,356	49,745
Retained earnings	19,208	26,751
Total shareholders' equity	225,290	248,172
<b>Total liabilities and shareholders' equity</b>	<u>313,400</u>	<u>339,024</u>

## CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands of U.S dollars except per share data)

	Three Months Ended March 31,		Year Ended December 31,
	<u>2002</u>	<u>2001</u>	<u>2001</u>
<b>Income</b>			
Revenues	5,906	9,603	32,859
Net loss from equity investments	(4,960)	(2,192)	(24,558)
Gain (loss) from disposal and changes in holdings in related companies, net	140	(144)	3,179
Other income (expenses), net	488	(3,210)	(5,105)
Finance income	906	1,793	5,215
	<u>2,480</u>	<u>5,850</u>	<u>11,590</u>
<b>Costs and Expenses</b>	<u>10,874</u>	<u>17,743</u>	<u>63,325</u>
<b>Loss before tax benefit</b>	(8,394)	(11,893)	(51,735)
Tax benefit	733	2,420	(2,947)
<b>Loss after tax benefit</b>	(7,661)	(9,473)	(48,788)
Minority interest	118	118	438
<b>Net loss</b>	<u>(7,543)</u>	<u>(9,355)</u>	<u>(48,350)</u>
<b>Earnings(loss) per share:</b>			
<b>Basic per share data -</b>			
Basic net loss per share	<u>(0.36)</u>	<u>(0.44)</u>	<u>(2.28)</u>
Weighted average number of shares outstanding used in computing per share amounts (thousands)	<u>21,214</u>	<u>21,189</u>	<u>21,191</u>