

-FOR IMMEDIATE RELEASE-

ELRON ELECTRONIC INDUSTRIES THIRD QUARTER RESULTS

Tel Aviv, Israel, November 12, 2002 - Elron Electronic Industries Ltd. (NASDAQ:ELRN) today reported a net loss of \$7.9 million, or \$0.27 per share, for the third quarter of 2002 compared to a net loss of \$11.2 million, or \$0.53 per share, in the third quarter of 2001. The net loss in the first nine months of 2002 amounted to \$31.4 million, or \$1.24 per share, compared to a net loss of \$32.3 million or \$1.52 per share in the first nine months of 2001.

Pro forma net loss for the third 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 each reporting period presented, was \$19.1 million, or \$0.66 per share. Pro forma net loss for the nine month period ended September 30, 2002 and 2001, was \$44.3 million, or \$1.52 per share and \$55.1 million, or \$1.89 per share, respectively.

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

The pro forma financial results present on a more comparable basis the significant reduction in losses in the third 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 last quarter.

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 factors contributing to Elron's results:

- Almost all of the companies in Elron's group experienced improved financial results in the third quarter of 2002 as compared to the corresponding period of 2001. Specifically, MediaGate recorded \$1.4 million revenues in this quarter as compared to no revenues in the same quarter last year and Wavion reached breakeven in the third quarter compared to a loss of \$1.0 million in the same period last year.
- As a result of the completion of the sale of a significant portion of V-Flash's assets to 24/7 Real Media, Inc. (Nasdaq: TFSM), Elron recorded a gain of \$2.1 million in the third quarter.

- Elbit Systems (Nasdaq: ESLT), in which Elron holds 21%, increased its revenues in the third quarter by 12% to \$210.2 million and posted net income of \$15.5 million in the third quarter.
- Given Imaging (Nasdaq: GIVN) in which Elron directly and indirectly holds 18%, recorded revenues of \$7.5 million in the third quarter and \$19.9 million in the first nine months period ended September 30, 2002 which resulted in decreased losses of \$ 3.9 million in the third quarter.
- The completion of the merger with Elbit Ltd. and the share purchase of DEP enabled Elron to achieve cost savings by combining Elron's and Elbit Ltd's headquarters, which Elron expects to result in an annual saving of more than \$4 million.

Major investments completed in the third quarter of 2002:

- In August 2002, Elron completed a \$5.0 million investment in A.M.T- Advanced Metal Technologies Ltd ("AMT") and now holds 29% of AMT. AMT develops markets and licenses technologies, through its group companies, for amorphous and nano-crystalline advanced material. AMT is focused currently on two major areas: advanced heating products and advanced coding for authentication and anti- shoplifting.
- During June and July 2002, Elron invested (together with RDC) \$3.3 million in Galil Medical thus increasing its holding, directly and indirectly, to 33%. In addition Elron invested \$2.5 million in Mediagate increasing Elron's stake to 68%.

Liquidity and Shareholders Equity

As of September 30, 2002, Elron had cash and other liquid investments of approximately \$98.2 million. Bank loans to wholly owned subsidiaries amounted to \$68.5 million. Elron's position enabled continued investments and, in the third quarter of 2002, Elron invested \$9.8 million in its group companies and in AMT. During the nine month period ended September 30, 2002, Elron invested approximately \$26.7 million mainly in group companies.

Shareholders' equity as of September 30, 2002, was \$280.0 million, which represent 66% of Elron's total assets.

"The reduction in our losses in the third quarter as compared to previous quarters reflects the success of our group companies in improving their operating results and reducing their losses mainly as a result of implementing cost reducing plans " said Doron Birger, Elron's President and CEO. "In addition, we have started seeing the benefits from the merger with Elbit Ltd. and the acquisition of full ownership of DEP, mainly from the significant cost savings achieved by combining Elron's and Elbit's headquarters. However, our ability to realize gains depends on completing successful exits, which is dependent in part on the general economic conditions in the high-tech environment. Our strong financial position, enables us to develop and support our group of companies as well as to invest in new promising opportunities." Mr. Doron Birger concluded.

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

Conference call details:

Wednesday, November 13, 2002 09:00a.m. (EST); 04:00 p.m. Israel

Dial in numbers:

In the US: (866) 500-4966 or (866)-500-4967

In the UK: 0(800)-169-9043

Other Israel & International Participants: 972-3-9292810

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) 500-4953 (US), (972-3) 925-5953 (Israel) and 0-800-9174256 for 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)

	September 30, 2002 (Unaudited)	December 31, 2001 (Audited)
ASSETS		
Current Assets:	117,561	121,799
Long-term assets:		
Investments in affiliated companies	139,742	162,260 (*)
Other investments	102,199	7,504 (*)
Long-term debentures	2,641	6,689
Deferred taxes	-	973 (*)
Severance pay fund	1,762	2,313
Total long - term assets	<u>246,344</u>	<u>179,739</u>
Property and equipment, net	11,910	4,971
Other assets:		
Goodwill	25,512	8,834
Other intangible assets	20,097	10,967
Total other assets	<u>45,609</u>	<u>19,801</u>
Total assets	<u><u>421,424</u></u>	<u><u>326,310</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities	85,770	30,452
Long-term liabilities	52,075	56,105
Minority interests	3,576	1,040
Shareholders' equity		
Ordinary shares	9,572	9,567
Capital surplus	267,175	165,680 (*)
Accumulated other comprehensive income	13,381	42,231 (*)
Retained earnings (accumulated deficit)	(10,125)	21,235 (*)
Total shareholders' equity	<u>280,003</u>	<u>238,713 (*)</u>
Total liabilities and shareholders' equity	<u><u>421,424</u></u>	<u><u>326,310</u></u>
(*) Restated		

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2002	2001	2002	2001	2001
	(Unaudited)		(Unaudited)		(Audited)
Income					
Revenues	17,422	26,420	5,746	6,568	32,859
Net loss from equity investments	(18,791)	(13,278) ^(*)	(3,517)	(5,115) ^(*)	(27,242) ^(*)
Gain (loss) from disposal and changes in holdings in related companies, net	5,259	(156)	3,227	15	3,179
Other income (expenses), net	319	(4,620)	35	(1,895)	(4,885) ^(*)
Finance income	2,190	4,328	667	1,608	5,215
	<u>6,399</u>	<u>12,694</u>	<u>6,158</u>	<u>1,181</u>	<u>9,126</u>
Costs and Expenses					
Cost of revenues	9,153	18,099	3,446	4,316	22,048
Research and development expenses	5,967	6,917	2,290	2,118	8,979
Marketing and selling expenses	9,484	8,086	4,627	2,470	10,587
General and administrative expenses	7,970	8,433	3,216	2,607	11,810
Amortization of other assets	1,561	2,848	666	887	3,734
Finance expenses	2,534	3,166	787	876	3,964
Restructuring charges, net	1,497	1,324	91	398	2,203
	<u>38,166</u>	<u>48,873</u>	<u>15,123</u>	<u>13,672</u>	<u>63,325</u>
Loss from continuing operations before tax benefit	(31,767)	(36,179)	(8,965)	(12,491)	(54,199)
Tax benefit	1,563	3,583	399	1,136	2,947
Loss from continuing operations after tax benefit	(30,204)	(32,596)	(8,566)	(11,355)	(51,252)
Minority interest	305	328	71	118	438
Loss from continuing operations	(29,899)	(32,268) ^(*)	(8,495)	(11,237) ^(*)	(50,814) ^(*)
Gain (loss) from discontinued operations	(1,461)	-	551	-	-
Net loss	<u>(31,360)</u>	<u>(32,268)^(*)</u>	<u>(7,944)</u>	<u>(11,237)^(*)</u>	<u>(50,814)^(*)</u>
Loss per share data					
Basic loss per share data -					
Loss from continuing operations	(1.18)	(1.52) ^(*)	(0.29)	(0.53) ^(*)	(2.40) ^(*)
Gain (loss) from discontinued operations	(0.06)	-	0.02	-	-
Net loss	<u>(1.24)</u>	<u>(1.52)^(*)</u>	<u>(0.27)</u>	<u>(0.53)^(*)</u>	<u>(2.40)^(*)</u>
Weighted average number of shares used in computing per share amounts (thousands)	<u>25,308</u>	<u>21,189</u>	<u>29,158</u>	<u>21,189</u>	<u>21,191</u>

(*) Restated