

-EARNING RELEASE-

ELRON ELECTRONIC INDUSTRIES REPORTS FIRST QUARTER 2003 RESULTS

Tel Aviv, Israel, May 21, 2003 - Elron Electronic Industries Ltd. (NASDAQ:ELRN) today reported a net loss of \$8.6 million, or \$0.30 per share for the first quarter of 2003 compared to a net loss of \$8.3 million, or \$0.39 per share in the first quarter of 2002.

The results of the first quarter of 2003 give effect to the merger with Elbit Ltd., the share purchase of DEP and the consolidation of Galil Medical and Mediagate, all of which occurred after the end of the first quarter of 2002. The pro forma net loss for the first quarter of 2002 which gives effect to these transactions as if they occurred before January 1, 2002 amounted to \$17.8 million, or \$0.61 per share.

Factors contributing to Elron's results in the first quarter of 2003 and operational highlights:

Elron's results are still affected by the general market conditions, which continue to limit Elron's ability to complete successful exits and record capital gains. However, as reflected in the pro forma information, Elron reported a significant decrease in the net loss for the first quarter of 2003 as compared to the pro forma net loss of 2002, primarily as a result of the reorganization of Elron, Elbit and DEP's group companies following the merger of Elron with Elbit and DEP as well as the significant reduction in corporate costs, the decrease in the operating losses of certain of our subsidiaries and the decrease in our share in the losses of our affiliated companies, which reflects the improvement in the financial results of some of our group companies.

The following are the main first quarter events:

- The results of operations of Elron Telesoft continue to reflect a positive trend. Elron Telesoft reported operating losses in the first quarter of 2003 of \$0.2 million, and breakeven excluding \$0.2 million amortization of intangible assets, compared to an operating loss of \$0.9 million in the fourth quarter of 2002. Elron Telesoft's operating loss in the first quarter of 2002 was \$0.3 million.
- Elron Software's operating losses in the first quarter of 2003 decreased to \$1.7 million from \$2.6 million in the same period of 2002.
- Galil Medical, in which Elron directly and indirectly holds 33%, reported an increase in revenues from \$0.9 million in the first quarter of 2002 to \$1.7 million in the first quarter of 2003, mainly as a result of the growing awareness and acceptance of the cryotherapy (hyper-cooling) technology as an effective treatment for prostate cancer. Galil Medical's operating loss in the first quarter of 2003 amounted to \$2.7 million compared to \$2.3 million in the same period in 2002 mainly due to increased selling and marketing expenses resulting from its effort to market its products.

On April 22, 2003, Galil Medical announced the signing of a definitive agreement to merge Amersham (LSE, NYSE, OSE: AHM) Health's brachytherapy business with Galil Medical's urology business. The new company will provide minimally invasive treatment options for prostate cancer using Amersham's brachytherapy technology and Galil Medical's cryotherapy technology. The transaction is subject to regulatory approvals and is expected to close before the end of July 2003.

- Elbit Systems (Nasdaq: ESLT), in which Elron holds approximately 20%, increased its revenues in the first quarter of 2003 as compared to first quarter of 2002 by 8.8% to \$202.2 million and posted net income of \$12.3 million as compared to \$11.7 million in the first quarter of 2002.
- Given Imaging (Nasdaq: GIVN) in which Elron directly and indirectly holds 18%, recorded revenues of \$8.6 million in the first quarter of 2003 as compared with \$5.2 million in the same period of 2002. Net loss in the first quarter of 2003 decreased to \$3.6 million from \$5.7 million in the first quarter of 2002.
- During the first quarter of 2003, we completed an investment of \$2.0 million in Notal, an Israel – related medical device company operating in the field of early detection of Age Related Macular Deterioration (AMD), in return for a 25% interest. During the first quarter of 2003, Notal signed a distribution agreement with a strategic partner, Carl Zeiss Meditec, Inc., one of the leading manufacturers of professional optics equipment.

Liquidity and Shareholders Equity

As of March 31, 2003, Elron and Elbit had cash, debentures, deposits and marketable securities (including short and long-term) of approximately \$87.1 million. Bank loans to wholly owned subsidiaries amounted to \$70.7 million, substantially all of which are guaranteed by Elron. Elron's financial position enabled continued investments and, during the first quarter of 2003, Elron invested approximately \$6.9 million mainly in its group companies.

Shareholders' equity at March 31, 2003, was \$255.4 million, which represents 66% of Elron's total assets.

"Most of our group companies continue to show improvements in their operating results in the first quarter of 2003 despite the tough economic conditions" said Doron Birger, Elron's President and CEO. "The signing of a definitive agreement to merge Amersham Health's brachytherapy business with Galil Medical's urology business is a significant step in building the value of Galil Medical. The new company will have a major global presence in the treatment of prostate cancer with combined sales which reached approximately \$90 million in 2002".

"Looking ahead, we are confident that Elron will benefit and harvest the fruit of other investments made by us over the last year" Mr. Birger concluded.

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

Conference call details:

Thursday, May 22, 2003 10:00a.m. (EST); 05:00 p.m. Israel

Dial in numbers:

In the US: (888) 269-0005 or (866)-500-4953

In the UK: 0(800)-169-8104

Other Israel & International Participants: 972-3-9255910

For your convenience, a **replay of the call** will be available starting one hour after the call ends until Monday, May 26, 10:00am ET. To access the replay please dial **(866) 500-4964(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>

Contact:

Tal Raz

Elron Electronic Industries Ltd.

Tel. 972-3-6075555

raz@elron.net

Marilena LaRosa

The Anne McBride Company

Tel: 212-983-1702

mlarosa@annembride.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. 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)

	March 31, 2003	December 31, 2002
	(Unaudited)	(Audited)
ASSETS		
Current Assets:	\$ 76,128	\$ 87,044
Long-term assets:		
Investments in affiliated companies	132,080	131,256
Investments in other companies and long- term receivables	90,544	97,158
Long-term debentures and deposits	30,129	28,928
Deferred taxes	3,491	2,990
Severance pay deposits	2,358	2,262
Total long-term assets	258,602	262,594
Property and equipment, net	11,462	11,576
Other assets:		
Goodwill	21,538	21,538
Other intangible assets	18,101	18,577
	39,639	40,115
Total assets	\$ 385,831	\$ 401,329
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total Current Liabilities	\$ 50,981	\$ 55,253
Long-term loans from banks and others	50,180	49,389
Accrued severance pay and retirement obligations	3,083	2,921
Deferred taxes	22,391	23,650
Other	552	414
Total long-term liabilities	76,206	76,374
Minority interest	3,279	3,185
Shareholders' equity:		
Ordinary shares	9,572	9,572
Additional paid-in capital	267,817	267,482
Accumulated other comprehensive income	4,653	7,529
Accumulated deficit	(26,677)	(18,066)
Total shareholders' equity	255,365	266,517
Total liabilities and shareholders' equity	\$ 385,831	\$ 401,329

CONSOLIDATED STATEMENTS OF OPERATIONS

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

	Three Months Ended March 31,		Year Ended December 31,
	<u>2003</u>	<u>2002^(*)</u>	<u>2002</u>
	(Unaudited)		(Audited)
Net revenues	\$ 5,591	\$ 5,906	\$ 23,468
Equity in losses of affiliated companies	(2,295)	(5,678)	(21,911)
Gain from disposal and changes in holdings in subsidiaries and affiliated companies, net	371	140	6,888
Other income (expenses), net	(1,223)	488	(743)
	<u>2,444</u>	<u>856</u>	<u>7,702</u>
Costs and Expenses			
Cost of revenues	2,480	3,020	11,557
Research and development costs, net	2,089	1,921	7,818
Marketing and selling expenses, net	5,134	2,439	14,428
General and administrative expenses	3,272	2,361	11,272
Restructuring costs	-	22	2,318
Amortization of intangible assets	549	435	2,058
Financial expenses (income), net	320	(230)	474
	<u>13,844</u>	<u>9,968</u>	<u>49,925</u>
Loss before taxes on income	(11,400)	(9,112)	(42,223)
Tax benefit	363	733	2,855
Loss from continuing operations after taxes on income	(11,037)	(8,379)	(39,368)
Minority interest in losses of subsidiaries	1,972	118	2,823
Loss from continuing operations	(9,065)	(8,261)	(36,545)
Gain (loss) from discontinued operations	454	-	(2,756)
Net loss	<u>\$ (8,611)</u>	<u>\$ (8,261)</u>	<u>\$ (39,301)</u>
Loss per share:			
Basic and diluted loss per share data - Loss from continuing operations	\$ (0.31)	\$ (0.39)	\$ (1.39)
Gain (loss) from discontinued operations	0.01	-	(0.11)
Net loss	<u>\$ (0.30)</u>	<u>\$ (0.39)</u>	<u>\$ (1.50)</u>
Weighted average number of ordinary shares used in computing basic and diluted net loss per share (thousands)	<u>29,181</u>	<u>21,214</u>	<u>26,272</u>

(*) Restated