

-FOR IMMEDIATE RELEASE-

**ELRON ELECTRONIC INDUSTRIES ANNOUNCES NET INCOME OF \$3.0
MILLION IN THE THIRD QUARTER OF 2003**

Tel Aviv, Israel, November 12, 2003 - Elron Electronic Industries Ltd. (Nasdaq:ELRN) today reported a net income of \$3.0 million, or \$0.10 per share, for the third quarter of 2003 compared to a net loss of \$8.7 million, or \$0.30 per share, in the third quarter of 2002.

The net loss in the nine month period ended September 30, 2003 decreased significantly to \$10.3 million, or \$0.35 per share, compared to \$33.4 million, or \$1.32, per share in the nine month period ended September 30, 2002.

The net income reported by Elron in the third quarter of 2003 is mainly due to the following transactions which Elron and its group companies completed during the third quarter of 2003:

- (i) a gain, net of minority interest and income tax, of approximately \$4.4 million, resulting from the merger of the urology therapy units of Galil Medical and Amersham;
- (ii) a gain, net after tax, of approximately \$3.9 million, resulting from the sale of 2,778,226 Partner shares in consideration for \$14.1 million; and
- (iii) a gain of approximately \$1.6 million resulting from the sale of substantially all of Elron Software's assets and business to Zix Corporation (Nasdaq: ZIXI) ("Zix").

In addition, almost all of Elron's group companies, reported improvements in their results of operations and a decrease in their net losses.

The following are the main third quarter events:

- On July 1, 2003, Galil Medical, in which Elron directly and indirectly holds approximately 33%, announced the completion of the merger of its urology business with the brachytherapy business of Amersham plc (LSE, NYSE, OSE: AHM) into a newly incorporated U.S. private company, named ONCURA. Oncura provides minimally invasive treatment options for prostate cancer using Amersham's brachytherapy technology and Galil Medical's cryotherapy technology and is expected to have a global presence in the treatment of prostate cancer.
- On July 31, 2003, Oren Semiconductor, Inc. ("Oren"), in which Elron previously held 17%, completed an \$8.0 million financing round. Zoran Corporation (Nasdaq:ZRAN) and Oren's existing shareholders, including Elron, participated in the new round of financing. Oren is a developer of chips for the worldwide digital television market. Following the transaction, Elron holds approximately 41% of Oren. Zoran and Oren have agreed to cooperate to sell

Oren's front-end solution with Zoran's back-end chips to major players in the digital television market.

- On September 2, 2003, Elron's majority owned subsidiary, Elron Software Inc., sold substantially all of its assets and business to Zix, a global provider of e-messaging protection and transaction services, in consideration for 1,709,402 shares of Zix's common stock, with a market value of approximately \$6.0 million and a 5.75% convertible note of \$1.0 million. As part of the transaction, Zix assumed certain liabilities of Elron Software in the net amount of approximately \$1.0 million.
- On October 28, 2003, Wavion increased the amount of the financing round announced on June 1, 2003 by \$6.5 million, bringing the total amount raised to \$12.5 million, of which \$3.0 million was invested by Elron. Elron's ownership interest in Wavion following the financing round is approximately 38%. Wavion, founded in 2000 by entrepreneurs together with Elron, specializes in the development of "smart antenna" technology to enhance the performance of wireless systems.

Liquidity and Shareholders Equity

As of September 30, 2003, Elron's cash, debentures and deposits (including short and long-term) increased to approximately \$101.8 million compared with \$94.1 million at December 31, 2002, mainly as a result of the sale of Partner shares. Bank loans of majority owned subsidiaries amounted to \$67.0 million (\$69.7 million at December 31, 2002), substantially all of which are guaranteed by Elron.

During the nine month period ended September 30, 2003, Elron invested approximately \$24.4 million, mainly in its group companies.

Shareholders' equity at September 30, 2003, was \$277.0 million, which represents 64% of Elron's total assets.

Commenting on the third quarter results, Doron Birger, Elron's President and CEO, said, "we are happy to report net income in the third quarter of 2003 which represents the fruits of our efforts and investments in our group companies over an extended period of time."

With regard to Elron's other achievements in the third quarter, Mr. Birger continued, "During the third quarter, we paved the way for building value for our group companies through the completion of substantial financings for Oren and Wavion and through the merger of the urology therapy units of Galil Medical and Amersham to create Oncura. In addition, almost all of our group companies improved their results of operations. We also sold the business of Elron Software to Zix and this transaction will positively affect our results of operations in future periods. Lastly, the increase in our cash resources will enable us to continue supporting our group companies, to invest in new opportunities and to build value for our shareholders."

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

Conference call details:

Today, Wednesday, November 12, 2003 10:00 a.m. (EST); 05:00 p.m. Israel

**US Dial-in Number: 1-888-269-0005
CANADA Dial-in Number: 1 866 500 4964
UK Dial-in Number: 0 800 169 8104
ISRAEL Dial-in Number: 03 925 5910
INTERNATIONAL Dial-in Number: +972 3 925 5910**

**At:
10:00 am Eastern Standard Time
7:00 am Pacific Standard Time
3:00 pm Greenwich Mean Time
5:00 pm Israel Time**

For your convenience, a replay of the call will be available starting two hour after the call ends until Sunday, November 16, 12:00 am ET. To access the replay please dial:
1-888-269-0005 (US), 1-888-787-7662 (Canada), 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

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

ELRON ELECTRONIC
INDUSTRIES LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

In thousands of U.S. Dollars

	September 30, 2003 (Unaudited)	December 31, 2002 (Audited)
ASSETS		
Total current assets	\$ 133,130	\$ 87,044
Long-term assets:		
Investments in affiliated companies	158,762	(*)132,204
Investments in other companies and long-term receivables	98,256	(*) 89,134
Debentures and bank deposits	725	28,928
Deferred taxes	1,878	2,990
Severance pay deposits	2,372	2,262
Total long-term assets	<u>261,993</u>	<u>255,518</u>
Property and equipment, net	<u>8,813</u>	<u>11,576</u>
Intangible assets	<u>29,131</u>	<u>40,115</u>
Total assets	<u>\$ 433,067</u>	<u>\$ 394,253</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	<u>\$ 91,789</u>	<u>\$ 55,253</u>
Long-term liabilities:		
Long-term loans from banks and others	1,544	49,389
Accrued severance pay and retirement obligations	3,069	2,921
Deferred taxes	35,155	23,650
Other	103	414
Total long-term liabilities	<u>39,871</u>	<u>76,374</u>
Minority interest	<u>24,416</u>	<u>3,185</u>
Total shareholders' equity	<u>276,991</u>	<u>(*)259,441</u>
Total liabilities and shareholders' equity	<u>\$ 433,067</u>	<u>\$ 394,253</u>

ELRON ELECTRONIC INDUSTRIES LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

In thousands of U.S. Dollars, 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
	2003	2002	2003	2002	(Audited)
	(Unaudited)		(Unaudited)		
Income					
Net revenues	\$ 12,555	\$ 10,877	\$ 4,724	\$ 3,479	\$ 15,179
Equity in losses of affiliated companies	(8,051)	(*) (20,833)	(1,178)	(*) (4,277)	(*) (24,189)
Gain from disposal and changes in holdings in subsidiaries and affiliated companies, net	4,391	5,259	3,132	3,227	6,888
Other income (expenses), net	30,967	319	24,907	35	(743)
	<u>39,862</u>	<u>(4,378)</u>	<u>31,585</u>	<u>2,464</u>	<u>(2,865)</u>
Costs and Expenses	<u>29,849</u>	<u>21,847</u>	<u>9,418</u>	<u>9,865</u>	<u>33,076</u>
Income (loss) before tax benefit (taxes on income)	10,013	(26,225)	22,167	(7,401)	(35,941)
Tax benefit (taxes on income)	(5,735)	1,579	(3,897)	403	2,862
Income (loss) from continuing operations after tax benefit (taxes on income)	4,278	(24,646)	18,270	(6,998)	(33,079)
Minority interest in losses (income) of subsidiaries	(11,915)	305	(15,569)	71	2,823
Income (loss) from continuing operations	(7,637)	(24,341)	2,701	(6,927)	(30,256)
Income (loss) from discontinued operations	(2,682)	(9,061)	319	(1,777)	(11,323)
Net income (loss)	<u>\$ (10,319)</u>	<u>\$ (*) (33,402)</u>	<u>\$ 3,020</u>	<u>\$ (*) (8,704)</u>	<u>\$ (*) (41,579)</u>
Basic income (loss) per share -					
Income (loss) from continuing operations	\$ (0.26)	\$ (*) (0.96)	\$ 0.09	\$ (*) (0.24)	\$ (*) (1.15)
Income (loss) from discontinued operations	(0.09)	(0.36)	0.01	(0.06)	(0.43)
Net income (loss)	<u>\$ (0.35)</u>	<u>\$ (*) (1.32)</u>	<u>\$ 0.10</u>	<u>\$ (*) (0.30)</u>	<u>\$ (*) (1.58)</u>
Diluted income (loss) per share -					
Income (loss) from continuing operations	\$ (0.26)	\$ (*) (0.97)	\$ 0.09	\$ (*) (0.24)	\$ (*) (1.15)
Income (loss) from discontinued operations	(0.09)	(0.36)	0.01	(0.06)	(0.43)
Net income (loss) gain	<u>\$ (0.35)</u>	<u>\$ (*) (1.33)</u>	<u>\$ 0.10</u>	<u>\$ (*) (0.30)</u>	<u>\$ (*) (1.58)</u>
Weighted average number of shares used in computing basic and diluted net income (loss) per share (thousands)	<u>29,190</u>	<u>25,308</u>	<u>29,203</u>	<u>29,158</u>	<u>26,272</u>

(*) Restated – as a result of the increase in the ownership interest in Oren Semiconductors ("Oren") and in accordance with APB 18, Elron's interest in Oren is accounted for retroactively under the equity method of accounting ("step-by step acquisition"). See also Note 3(G) to the Condensed Interim Consolidated Financial Statements as of September 30, 2003.