

-FOR IMMEDIATE RELEASE-

ELRON ELECTRONIC INDUSTRIES ANNOUNCES NET INCOME OF \$3.1 MILLION IN THE FOURTH QUARTER OF 2003 AND A SUBSTANTIAL DECREASE IN THE NET LOSS FOR THE FULL YEAR 2003 TO \$7.2 MILLION FROM \$41.6 MILLION IN 2002

Tel Aviv, Israel, March 10, 2004 - Elron Electronic Industries Ltd. (Nasdaq: ELRN) today reported a net income of \$3.1 million, or \$0.11 per share, for the fourth quarter of 2003 compared to a net loss of \$8.2 million, or \$0.28 per share, in the fourth quarter of 2002.

The net loss in 2003 decreased significantly to \$7.2 million, or \$0.25 per share, compared with a net loss of \$41.6 million, or \$1.58 per share, in 2002.

The net income reported by Elron in the fourth quarter of 2003 was mainly due to the following:

- (i) A decrease, net, of \$7.6 million in losses Elron recorded in the fourth quarter of 2003 with respect to its group companies as compared to the fourth quarter of 2002, which reflects the improvements in the results of operation of most of Elron's group companies; and
- (ii) A gain of approximately \$5.7 million (in addition to \$1.6 million recorded in the third quarter of 2003) resulting from the sale of substantially all of Elron Software's assets and business to Zix Corporation (Nasdaq: ZIXI) ("Zix") and the subsequent sale of a portion of Zix shares received in consideration for Elron Software assets.

The significant decrease in Elron's net losses in 2003 as compared to 2002 was mainly due to approximately \$19.7 million decrease, net, in losses Elron recorded with respect to its group companies as well as from the following transactions which Elron and its subsidiaries completed during 2003:

- (i) An aggregate gain, net of tax, of approximately \$7.3 million resulting from the sale of substantially all of Elron Software's assets and business to Zix and the subsequent sale of a portion of Zix shares.
- (ii) a gain, net after tax, of approximately \$7.1 million, resulting from the sale of approximately 6.3 million shares of Partner Communications in consideration for \$29.3 million; and
- (iii) 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.

Liquidity and Shareholders Equity

As of December 31, 2003, Elron's cash, debentures and deposits (including short and long-term) increased to approximately \$107.3 million compared with \$94.1 million at December 31, 2002, mainly as a result of the sale of Partner Communications shares. Bank loans of majority owned subsidiaries amounted to \$67.5 million (\$69.7 million at December 31, 2002), substantially all of which are guaranteed by Elron.

During 2003, Elron invested approximately \$25.9 million, mainly in its group companies.

Shareholders' equity at December 31, 2003, was \$296.1 million, which represents 66% of Elron's total assets.

"In 2003, we began to reap the fruits of our ongoing efforts and investments in our group companies", said Doron Birger, Elron's President and CEO.

"The growth of Given Imaging, the completion of substantial financings for Oren and Wavion and the merger of the urology therapy units of Galil Medical and Amersham to create Oncura, resulted in a significant growth of value for our shareholders".

"With the right combination of a strong group of promising public and private companies, a positive outlook of recovery in the technology sector, and substantial resources, we begin 2004 with an optimistic outlook to continue to build value in our group companies and invest in new attractive opportunities offered by the Israeli high-tech market, in order to continue to increase value for our shareholders".

Investors may access Elron's financial report as of and for the year ended December 31, 2003 and a detailed management report on the company's web site: www.elron.com

Conference call details:

Tomorrow, Thursday, March 11, 2004 10:30 a.m. (EST); 5:30 p.m. (Israel)

US Dial-in Number: 1-866-500-4964 or 1-866-500-4953

UK Dial-in Number: 0-800-917-4256

ISRAEL Dial-in Number: 03-925-5910

INTERNATIONAL Dial-in Number: +972 3 925 5910

At:

10:30 am Eastern Standard Time

7:30 am Pacific Standard Time

3:30 pm Greenwich Mean Time

5:30 pm Israel Time

For your convenience, a replay of the call will be available starting two hour after the call ends until Monday, March 15, 12:30 am ET. To access the replay please dial:
1-888-269-0005 (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 advanced materials. 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

ELRON ELECTRONIC INDUSTRIES LTD.
AND ITS SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

In thousands of U.S. Dollars

	December 31,	
	2003	2002
	(Audited)	(Audited)
ASSETS		
Total current assets	\$ 130,067	\$ 87,044
Long-term assets:		
Investments in affiliated companies	156,819	(*)132,204
Investments in other companies and long-term receivables	128,799	(*) 89,134
Debentures and bank deposits	700	28,928
Deferred taxes	1,871	2,990
Severance pay deposits	2,144	2,262
Total long-term assets	290,333	255,518
Property and equipment, net	8,317	11,576
Intangible assets	21,987	40,115
Total assets	<u>\$ 450,704</u>	<u>\$ 394,253</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Total current liabilities	\$ 73,035	\$ 55,253
Long-term liabilities:		
Long-term loans from banks and others	17,221	49,389
Accrued severance pay and retirement obligations	2,850	2,921
Deferred taxes	40,684	23,650
Other	103	414
Total long-term liabilities	60,858	76,374
Minority interest	20,681	3,185
Total shareholders' equity	296,130	(*)259,441
Total liabilities and shareholders' equity	<u>\$ 450,704</u>	<u>\$ 394,253</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").

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 three months ended December 31		For the Year ended December 31	
	2003	* 2002	2003	* 2002
	(Unaudited)		(Audited)	
INCOME				
Net revenues	\$ 3,992	\$ 4,302	\$ 16,547	\$ 15,179
Equity in losses of affiliated companies	(647)	*(3,356)	(8,698)	*(24,189)
Gain from disposal of businesses and affiliated companies and changes in holdings in affiliated companies, net	109	1,629	25,754	6,888
Other income (expenses), net	4,952	(1,062)	14,665	(743)
	<u>8,406</u>	<u>1,513</u>	<u>48,268</u>	<u>(2,865)</u>
COSTS AND EXPENSES	<u>7,648</u>	<u>11,229</u>	<u>37,497</u>	<u>33,076</u>
Income (loss) before taxes on income	758	*(9,716)	10,771	*(35,941)
Tax benefit (taxes on income)	(1,099)	1,283	(6,834)	2,862
Income (loss) from continuing operations after taxes on income	(341)	*(8,433)	3,937	*(33,079)
Minority interest in losses (income) of subsidiaries	1,008	2,518	(10,907)	2,823
Income (loss) from continuing operations	667	*(5,915)	(6,970)	*(30,256)
Gain (loss) from discontinued operations	2,447	(2,262)	(235)	(11,323)
Net income (loss)	<u>\$ 3,114</u>	<u>*(8,177)</u>	<u>\$ (7,205)</u>	<u>\$ (*41,579)</u>
Basic and diluted income (loss) per share	<u>\$ 0.11</u>	<u>\$ *(0.28)</u>	<u>\$ (0.25)</u>	<u>\$ *(1.58)</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").