



10.3.04

לכבוד
הרשות לניירוט ערך
רחוב כנפי נשרים 22
ירושלים

א.ג.ג.,

הندון : אלביט מערכות בע"מ ("החברה") – הودעה לעיתונות

מצ"ב הودעה לעיתונות (Press Release) בדבר תוצאות פעילות החברה רביעון הרביעי
ובשנה שהסתיימו ב-31 בדצמבר 2003, שבכונתנו לפרסם באלה"ב ולהגישה כדוח
K6 לרשות ניירות ערך האמריקאית.

בכבוד רב,

אלון פולדר
מצחיר החברה



Earnings Release

ELBIT SYSTEMS REPORTS FOURTH QUARTER AND YEAR-END RESULTS FOR 2003

Increased Revenues, Net Earnings and Order Backlog in 2003

- **Consolidated Revenues - \$898 million**
- **Consolidated Net Earnings - \$45.9 million**
- **Backlog of Orders - \$1.75 billion**

Haifa, Israel, March 10, 2004 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT), the international defense electronics company, today reported its consolidated results for the fourth quarter and year-ended December 31, 2003.

Consolidated revenues for the year ended December 31, 2003 increased by 8.5% to \$898 million from \$827.5 million in 2002.

Consolidated revenues for the fourth quarter of 2003 increased by 10.3% to \$262.8 million from \$238.3 million in the corresponding quarter in 2002.

Consolidated net earnings for the year ended December 31, 2003 were \$45.9 million compared to \$45.1 million in 2002. Diluted earnings per share in 2003 were \$1.14 as compared with \$1.13 in 2002.

Consolidated net earnings for the fourth quarter of 2003 were \$12.5 million compared to \$13.1 million in the same period in 2002. Diluted earnings per share for the fourth quarter of 2003 were \$0.31 as compared with \$0.33 for the fourth quarter of 2002.

The employees' phantom stock option plan non-cash expense (after tax) for the fourth quarter and the year ended December 31, 2003 was \$1.1 million and \$3.8 million, respectively.

Excluding the effect of the employees' phantom stock option plan, the Company's consolidated net earnings for the year ended December 31, 2003 were \$49.7 million and the diluted EPS was \$1.24.

In 2002, the Company's financial results were effected by a \$9.8 million (before tax) non-recurring charge due to an agreement reached with the Israeli Office of the Chief Scientist (“OCS”), and a \$2.8 million reduction in tax expenses due to adjustments for prior years.

Excluding the effect of the above events and the non-cash effect of the employees' phantom option plan, consolidated net earnings in 2002 were \$49.4 million, and the diluted earnings per share were \$1.24.

Excluding the effect of the phantom stock option plan, the Company's consolidated net profit for the fourth quarter of 2003 was \$13.6 million and the fully diluted EPS was \$0.34, as compared to \$13.1 million and \$0.33 in the fourth quarter of 2002.

Gross profit for the year ended December 31, 2003, was \$224.4 million, as compared with gross profit of \$222.1 million in 2002.

Excluding the effect of the employees' phantom stock option plan, gross profit in the year ended December 31, 2003 was \$227 million. Gross profit for the year ended December 31, 2002, excluding the effect of the OCS agreement and the phantom stock option plan, was \$231.4 million.

Gross profit for the fourth quarter of 2003 was \$54.1 million, as compared with gross profit of \$67.2 million in the fourth quarter of 2002.

Excluding the effect of the employees' phantom stock option plan, gross profit in the fourth quarter of 2003 was \$54.8 million as compared to \$67.2 million in the fourth quarter of 2002.

The Company's gross profit margin in the fourth quarter of 2003 was affected mainly by its ongoing involvement in cutting edge engineering projects in the areas of aerial reconnaissance, space-based electro-optic payloads and advanced airborne systems that required investment of increased costs in order to achieve project milestones. In addition, the gross profit was negatively impacted by the increase in the exchange rate of the New Israeli Shekel against the U.S. dollar. The impact of the reduction in gross profit on net earnings was partially offset by the Company's share in earnings of affiliates operating in the Company's core business areas, such as electro-optics and airborne systems, that generated increased profits.

The Company produced operating cash flow of \$91.4 million in 2003.

The Company's backlog of orders as of December 31, 2003 reached \$1,752 million as compared with \$1,689 million at the end of 2002. 63% of the backlog relates to orders outside of Israel, and approximately 80% of the Company's backlog as of December 31, 2003 is scheduled to be performed during 2004 and 2005.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "We are pleased to report a year in which our revenues, net profit and backlog of orders increased. We believe that these numbers reflect our technological and marketing capabilities, as well as our ability to adapt to challenging market conditions. The results were achieved in part thanks to the fruits of our investments in core technology businesses in affiliated companies

that contributed to the Company's profitability. We shall continue to work diligently to grow the Company's revenues and improve its profitability."

The Board of Directors has declared a dividend of \$0.11 per share for the fourth quarter of 2003. The dividend will be paid on April 19, 2004, net of taxes and levies, at the rate of 19%. The record date of the dividend is April 7, 2004. The total dividend to be paid for 2003 is \$0.40 per share.

Conference Call

Elbit Systems cordially invites you to participate in our interactive conference call on Wednesday, March 10, 2004 at 10:30 AM ET. To take part in the conference call, please dial 1-866-500-4964 (U.S. and Canada) or 1-866-500-4953 (U.S.) or 0-800-917-4256 (UK) or +972-3-925-5910 (International) a few minutes before the 10:30 AM ET start time.

For your convenience, an instant replay will be available starting at 12:30 PM ET the same day until Sunday, March 14, 2004 at 10:30 AM ET. The replay telephone number is 1-877-332-1104 (U.S.), 0 800 917 4256 (UK), or + 972-3-925-5945 (International).

This call will be broadcasted live on www.elbitsystems.com

About Elbit Systems Ltd.

Elbit Systems Ltd. is an international defense Electronics Company engaged in a wide range of defense-related programs throughout the world, in the areas of aerospace, ground and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance (C4I ISR) and advanced electro-optic technologies. The Company focuses on the upgrading of existing military platforms and developing new technologies for defense applications. For further information, please visit the Company web site at www.elbitsystems.com

Company Contact:

Ilan Pacholder, V.P. Finance
Elbit Systems Ltd
Tel: +972-4 831-6632
Fax: +972-4 831-6659
E-mail: pacholder@elbit.co.il

IR Contact:

Ehud Helft / Kenny Green
Gelbart Kahana
Tel: 1-866-704-6710
Fax: + 972 - 3 - 607 - 4711
E-mail: Kenny@gk-biz.com
E-mail: Ehud@gk-biz.com

STATEMENTS IN THIS PRESS RELEASE WHICH ARE NOT HISTORICAL DATA ARE FORWARD-LOOKING STATEMENTS WHICH INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES OR OTHER FACTORS NOT UNDER THE COMPANY'S CONTROL, WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR OTHER EXPECTATIONS IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DETAILED IN THE COMPANY'S PERIODIC FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

(FINANCIAL TABLES TO FOLLOW)

ELBIT SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS
(In thousand of US Dollars)

	December 31 2003	December 31 2002
	<u>Audited</u>	<u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and short term deposits	76,846	77,930
Trade receivable and others	251,644	268,471
Inventories, net of advances	249,225	220,399
Total current assets	<u>577,715</u>	<u>566,800</u>
Affiliated Companies & other Investments	38,223	33,051
Long-term receivables & others	78,565	91,569
Fixed Assets, net	229,221	202,961
Other assets, net	100,012	105,769
	<u>1,023,736</u>	<u>1,000,150</u>

Liabilities and Shareholder's Equity

Current liabilities	379,017	360,780
Long-term liabilities	188,525	223,292
Minority Interest	4,115	4,717
Shareholder's equity	452,079	411,361
	<u>1,023,736</u>	<u>1,000,150</u>

ELBIT SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF INCOME

(In thousand of US Dollars, except for per share amounts)

	For the Year Ended		Three Months Ended	
	December 31		December 31	
	2003	2002	2003	2002
	Audited		Unaudited	
Revenues	897,980	827,456	262,757	238,313
Cost of revenues	673,561	605,313	208,677	171,097
Gross Profit	224,419	222,143	54,080	67,216
Research and development, net	54,919	57,010	11,913	17,333
Marketing and selling	69,943	65,691	19,247	18,446
General and administrative	46,077	41,651	12,153	10,864
Total operating expenses	170,939	164,352	43,313	46,643
Operating income	53,480	57,791	10,767	20,573
Financial expenses, net	(4,870)	(3,035)	(1,403)	(2,343)
Other income (expenses), net	903	(462)	571	62
Income before income taxes	49,513	54,294	9,935	18,292
Provisions for income taxes	11,334	9,348	834	2,539
	38,179	44,946	9,101	15,753
Company's share of partnerships and affiliated	7,209	675	3,271	(1,879)
Companies income (loss), net				
Minority rights	557	(508)	101	(747)
Net income	45,945	45,113	12,473	13,127
Basic Earnings per share	1.18	1.17	0.32	0.34
Diluted net earnings per share	1.14	1.13	0.31	0.33
===== Net earnings excluding phantom plan effect in 2003 and 2002, non-recurring OCS charge and tax adjustment in 2002	49,738	49,412	13,556	13,129
Diluted earnings per share excluding phantom plan effect in 2003 and 2002, non-recurring OCS charge and tax adjustment in 2002	1.24	1.24	0.34	0.33

