

16.11.04

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א.ג.נ.,

**הנדון : אלביט מערכות ("החברה") – דיווח מיידי**

מצ"ב הודעה לעתונות (Press Release) בדבר תוצאות פעילות החברה ברבעון השלישי של שנת 2004, שבכוונתנו לפרסם בארה"ב ולהגישה כדו"ח 6K לרשות ניירות ערך האמריקאית.

בכבוד רב,

אילן פכולדר  
מזכיר החברה



## Earnings Release

### ELBIT SYSTEMS REPORTS THIRD QUARTER 2004 RESULTS

*Backlog of Orders Reaches a Record \$1.96 billion  
Revenues Increase to \$223.8 million from \$214.3 million in the Third Quarter Last Year  
Net Profit Increases to \$13.7 million from \$12.0 million in the Third Quarter Last Year  
Earnings Per Share Increase to \$0.33 from \$0.30 in the Third Quarter Last Year*

**Haifa, Israel, November 16, 2004 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT),** the international defense company, today reported its consolidated results for the third quarter ended September 30, 2004.

**Consolidated revenues for the third quarter of 2004** increased by 4.5% to \$223.8 million from \$214.3 million in the corresponding quarter in 2003.

**Consolidated revenues for the nine-month period ended September 30, 2004** increased by 5.3% to \$669.2 million from \$635.2 million in the same period in 2003.

**Consolidated net income for the third quarter of 2004** increased by 14.2% to \$13.7 million (6.1% of revenues), from \$12.0 million (5.6% of revenues) in the same period in 2003. Diluted earnings per share (“EPS”) for the third quarter of 2004 was \$0.33 as compared with \$0.30 for the third quarter of 2003.

The Company’s financial results in the reported periods were effected by the changes in the Company’s share price during the reported periods, due to the non-cash effect related to the employees “phantom” option plan.

Excluding the phantom option plan effect, net income in the third quarter of 2004 was \$14.1 million (6.3% of revenues), and the diluted EPS was \$0.34, as compared to net income of \$9.6 million (4.5% of revenues) and diluted EPS of \$0.24 in the third quarter of 2003.

**Consolidated net income for the first nine months of 2004** was \$37.7 million (5.6% of revenues), as compared with \$33.5 million (5.3% of revenues) for the same period in 2003.

**Diluted EPS for the nine months period ended September 30, 2004** was \$0.92, as compared with \$0.83 for the corresponding period in 2003.

Excluding the phantom option plan effect, net income in the first nine months of 2004 was \$41.1 million (6.1% of revenues), and the diluted EPS was \$1.00, as compared to net income of \$36.2 million (5.7% of revenues) and diluted EPS of \$0.90 in the first nine months of 2003.

**Gross profit for the third quarter of 2004** was \$61.5 million (27.5% of revenues), as compared with gross profit of \$57.1 million (26.7% of revenues) in the third quarter of 2003.

Excluding the effect of the Company's phantom option plan, gross profit in the quarter ended September 30, 2004 was \$61.8 million, or 27.6% of revenues, as compared with \$55.5 million, or 25.9% of revenues in the quarter ended September 30, 2003.

**Gross profit for the first nine months of 2004** was \$177.0 million (26.4% of revenues) as compared with \$171.2 million (26.9% of revenues) during the same period in 2003.

Excluding the Company's phantom option plan effect, gross profit for the nine-month period ended September 30, 2004 was \$179.2 million, or 26.8% of revenues, as compared with \$173.0 million, or 27.2% of revenues in the nine-month period ended September 30, 2003.

**Backlog of orders as of September 30, 2004** reached \$1,958 million, as compared with \$1,752 million at the end of 2003. 66% of the backlog relates to orders outside of Israel, and approximately 53% of the Company's backlog as of September 30, 2004 is scheduled to be performed over the fourth quarter of 2004 and during the year 2005.

Joseph Ackerman, President and CEO of Elbit Systems, commented: "We are pleased with our third quarter results, which showed increased revenues and better margins than last year. The continued organic growth of our Company, coupled with yet another record backlog of firm orders, are the successful result of the our work plan and investments made in our growth engines, for which we are seeing growing demand. We continue to be committed to investing in the development of new technologies and markets, and to maintaining high quality employees, with the aim of ensuring the Company's continued stability and growth in revenues and profitability."

The Board of Directors declared a dividend of \$0.13 per share for the third quarter of 2004. The record date of the dividend is November 30, 2004 and the dividend will be paid on December 13, 2004, net of taxes and levies at the rate of 20.58%.

## Conference Call

Elbit Systems will host a conference call today, **Tuesday, November 16, 2004** at 10:30 AM ET. To take part in the conference call, please dial 1-866-500-4953 (U.S.), 0800-917-4256 (U.K.) or +972-3-925-5910 (International and Israel) a few minutes before 10:30 AM EST.

This call will also be broadcasted live on: **www.elbitsystems.com**. An online replay will be available, immediately following the call.

## About Elbit Systems

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, land and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance ("C4ISR"), advanced electro-optic and space technologies. The Company focuses on the upgrading of existing military platforms and developing new technologies for defense and homeland security applications.

For more about Elbit Systems, please visit our website at [www.elbitsystems.com](http://www.elbitsystems.com)

## Contacts

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TABLES TO FOLLOW

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

	September 30 2004 <u>Unaudited</u>	December 31 2003 <u>Audited</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and short term deposits	60,277	76,846
Trade receivable and others	231,021	251,644
Inventories, net of advances	267,652	249,225
Total current assets	<u>558,950</u>	<u>577,715</u>
 Affiliated Companies & other Investments	 38,261	 38,223
Long-term receivables & others	79,772	78,565
Fixed Assets, net	233,686	229,221
Other Assets, net	96,189	100,012
	<u>1,006,858</u>	<u>1,023,736</u>
 <b><u>Liabilities and Shareholder's Equity</u></b>		
Current liabilities	383,264	378,731
Long-term liabilities	198,204	188,811
Minority Interest	3,699	4,115
Shareholder's equity	421,691	452,079
	<u>1,006,858</u>	<u>1,023,736</u>

**ELBIT SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**

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

	Nine Months Ended September 30		Three Months Ended September 30		For the Year Ended December 31
	2004	2003	2004	2003	2003
	Unaudited		Unaudited		Audited
Revenues	669,150	635,223	223,883	214,275	897,980
Cost of revenues	492,198	464,062	162,319	157,129	672,712
Gross Profit	176,952	171,161	61,514	57,146	225,268
Research and development, net	43,639	43,006	16,518	14,518	54,919
Marketing and selling	50,932	50,696	15,488	15,573	69,943
General and administrative	35,307	33,924	12,103	11,035	46,077
Total operating expenses	129,878	127,626	44,109	41,126	170,939
Operating income	47,074	43,535	17,405	16,020	54,329
Financial expenses, net	(2,878)	(3,467)	(1,577)	(161)	(4,870)
Other income (expenses), net	(61)	(488)	23	(708)	54
Income before income taxes	44,135	39,580	15,851	15,151	49,513
Provisions for income taxes	11,432	10,502	4,031	3,900	11,334
	32,703	29,078	11,820	11,251	38,179
Company's share of partnerships and affiliated Companies income, net	4,585	3,938	1,616	989	7,209
Minority rights	458	456	271	(234)	557
Net income	37,746	33,472	13,707	12,006	45,945
Earnings per share					
Basic Earnings per share	0.95	0.86	0.34	0.31	1.18
Diluted net earnings per share	0.92	0.83	0.33	0.30	1.14