



Elbit Systems Announces the Effect on its Financial Results of Tadiran Communications Share Purchase

Haifa, Israel, July 24, 2005, Elbit Systems Ltd. (NASDAQ: ESLT) (the "Company") reported that it has completed a review of the effect on its financial results of its purchase to date of shares in Tadiran Communications Ltd. (TASE: TDCM) ("Tadiran"). The Company notes that these effects are due to the implementation of the accounting standards applicable to the transaction as described below and apply only to its financial reporting. Accordingly, they do not reflect a change in the operating results of the Company.

As previously reported by the Company on December 27, 2004, and July 6, 2005, the Company entered into agreements with Koor Industries Ltd. (NYSE: KOR) ("Koor") to purchase Koor's holdings in Tadiran and the Koor's holdings in Elisra Electronic Systems Ltd. ("Elisra"), respectively. On April 18, 2005 the Company reported that it has completed the first stage of the transaction to acquire Koor's shares in Tadiran, increasing the Company's holdings in Tadiran to approximately 20%.

As reported by the Company on May 17, 2005 in its financial report for the first quarter of 2005, the Company will account for its investment in Tadiran under the equity method of accounting. As a result of the Company obtaining shareholder rights to exercise significant influence over Tadiran, as defined in the applicable accounting standards, the Company's investment in Tadiran, which had been previously accounted for as "available-for-sale securities", will be accounted for, retroactively, under the equity method of accounting ("step-by-step acquisition"). Implementing the step-by-step acquisition method will result in the restatement of the Company's prior financial results for the last quarter of 2004 and the first quarter of 2005, in which the Company's investment in Tadiran was accounted for as available-for-sale securities.

Accordingly, the Company's net income for the fourth quarter of 2004 and the first quarter of 2005 will be reduced by approximately \$1.1 million and \$0.5 million, respectively. As a result, the Company's net income will be restated as \$13 million for the fourth quarter of 2004 and \$12.6 million for the first quarter of 2005, rather than the reported net income of \$14.1 million and \$13.1 million, respectively.

The excess of the amount paid for the Tadiran shares acquired until the end of the second quarter of 2005 over their book value is approximately \$62 million and is attributable to In Process R&D ("IPR&D"), tangible and intangible assets, and goodwill.

Based on a purchase price allocation analysis ("PPA") performed by independent advisors, the effect of the above transaction on the Company's results for the second quarter of 2005 is expected to be approximately \$5.6 million in net expenses recorded, which will be partially offset by the inclusion of the Company's respective portion of

HAIFA	P.O.B 539	ISRAEL 31053	TEL. 972-4-8315315	FAX. 972-4-8550002
KARMIEL	P.O.B 650	ISRAEL 20101	TEL. 972-4-9901111	FAX. 972-4-9986522



Tadiran's net profit in the second quarter of 2005. These effects will be reflected as part of the Company's equity in net earnings of affiliated companies. The above amount consists mainly of IPR&D write-off, as well as the on-going amortization of the amounts allocated to tangible and intangible assets acquired, in accordance with their expected respective useful lives.

Further effects on the Company's financial results are expected to occur in the event of the consummation of the additional purchases of Tadiran shares from Koor in accordance with the amendments to the agreements with Koor, announced on July 6, 2005 and the purchase of Koor's shares in Elisra, subject to receipt of the required approvals. The effect on the Company's financial results of future purchases of shares of Tadiran as well as future purchase of shares in Elisra will be reported following completion of the respective purchases.

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.

Contacts:

Company contact

Ilan Pacholder, Corporate Secretary and
Vice President Finance & Capital Markets

Elbit Systems Ltd.

Tel: 972-4 831-6632

Fax: 972-4 831-6659

pacholder@elbit.co.il

IR Contacts

Ehud Helft/Kenny Green

GK International

Tel: 1-866-704-6710

Fax: 972-3-607-4711

ehud@gk-biz.com

kenny@gk-biz.com

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