



## **Earnings Release**

### **ELBIT SYSTEMS REPORTS SECOND QUARTER 2005 RESULTS**

**Revenues Increased by 5.2% to \$243.8 Million**

**Backlog of Orders Reached a New Record of \$ 2.4 Billion**

**Excluding One-Time In Process R&D Write-Off Related to Tadiran Share Purchase, Net Profit and EPS Reached \$14.4 Million and \$0.35, Respectively**

**Haifa, Israel, August 9, 2005 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT), the international defense company, today reported its consolidated results for the second quarter ended June 30, 2005.**

**The Company’s backlog of orders as of June 30, 2005** reached \$2,401 million, an 11.5% increase as compared with \$2,154 million at the end of 2004. Approximately 65% of the backlog relates to orders outside of Israel. Approximately 60% of the Company’s backlog as of June 30, 2005 is scheduled to be performed over the next two quarters of 2005 and during 2006.

**Consolidated revenues for the second quarter of 2005** increased by 5.2% to \$243.8 million from \$231.6 million in the second quarter of 2004.

**Gross profit for the second quarter of 2005** was \$66.1 million (27.1% of revenues), as compared with gross profit of \$59.9 million (25.9% of revenues) in the second quarter of 2004.

**Reported consolidated net income for the second quarter of 2005** was \$10.9 million (4.5% of revenues), as compared with \$13.3 million (5.7% of revenues) in the second quarter of 2004. Reported diluted earnings per share for the second quarter of 2005 were \$0.26, as compared with \$0.33 for the second quarter of 2004.

Excluding the one time in-process R&D write-off related to the Tadiran Communications Ltd. (“Tadiran”) share purchase, the Company’s net income for the second quarter of 2005 was \$14.4 million (or 5.9% of revenues) and the diluted EPS was \$0.35.

As previously reported, the Company’s financial results for the second quarter of 2005 were affected by its acquisition of Tadiran shares from Koor Industries Ltd. (“Koor”). As a result of the completion of the first stage of the agreement to acquire Koor’s holdings in Tadiran, and the adoption of the required accounting standards, the Company recorded a \$5.6 million expense in

the second quarter of 2005, which was partially offset by its share in Tadiran's net profit for the second quarter of 2005, resulting in a \$3.2 million net expense for the quarter. All the effects of the Tadiran transaction are recorded as part of the Company's earnings from affiliated companies on its income statement

During the first six months of 2005 the Company produced an operating cash flow of \$85.8 million.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "The second quarter results indicate the continued growth of our revenues, profits and backlog of orders. Our strategic growth plan continues on course as we progress with the Elisra and Tadiran acquisitions, and we believe that both acquisitions, involving leading companies in their respective fields, will enable all of us to be even more competitive in the international defense markets. In the meantime we continue to carry out our higher than usual investments in R&D with the expectation that our efforts will contribute to our future growth. We are also very pleased with the recent Watchkeeper contract signed by Thales, in which Elbit will play a significant role, and expect that it will solidify our position in the growing global UAV market, enhancing our presence in major defense programs."

The Board of Directors declared a dividend of \$0.13 per share for the second quarter of 2005. The dividend's record date is September 6, 2005, and the dividend will be paid on September 19, 2005, net of taxes and levies, at the rate of 22.1%.

## **Conference Call**

*The Company will be hosting a webcast and conference call today, August 9th at 9:30 am EST. On the call, management will review and discuss the results, and will be available to answer investor questions.*

*To participate, please access Elbit Systems' investor relations web-site at <http://www.elbitsystems.com>. An online replay will be available from 2 hours after the call end, and will be available for 30 days.*

*Alternatively, please call one of the teleconferencing numbers that follow. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using one of the toll-free numbers, please try the international dial-in number.*

*US Dial-in Numbers: 1 866 860 9642*

*UK Dial-in Number: 0 800 917 5108*

*ISRAEL Dial-in Number: 03 918 0600*

*INTERNATIONAL Dial-in Number: +972 3 918 0600*

*At: 09:30am Eastern Standard Time, 6:30am Pacific Standard Time, 2:30pm UK Time or 4:30pm Israel Time.*

*In addition, a replay of the call will be available by telephone starting two hours after the call ends until Thursday, May 19, 10:00 am EST. To access the replay please dial: 1-888-269-0005 (US) or +972-3-925-5945 (international and Israel)*

**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 (C4ISR) 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](http://www.elbitsystems.com)

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***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)

	June 30 2005	December 31 2004
	Unaudited	(*) (**)
<b>Assets</b>		
Current Assets:		
Cash and short term deposits	55,051	34,847
Trade receivable and others	243,654	*267,903
Inventories, net of advances	296,603	249,041
Total current assets	<u>595,308</u>	<u>551,791</u>
Affiliated companies & other investments	129,142	*59,618
Long-term receivables & others	82,836	85,100
Fixed assets, net	252,990	244,288
Other assets, net	<u>94,017</u>	<u>95,987</u>
	<u>1,154,293</u>	<u>1,036,784</u>

**Liabilities and Shareholder's Equity**

Current liabilities	434,010	378,450
Long-term liabilities	269,243	221,810
Minority Interest	4,067	4,340
Shareholder's equity	<u>446,973</u>	<u>*432,184</u>
	<u>1,154,293</u>	<u>1,036,784</u>

\* Restated due to the Tadiran share purchase transaction

\*\* Derived from the Company's 2004 audited financial statements

**ELBIT SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousand of US Dollars, except for per share amounts)

	Six Months Ended		Three Months Ended		Year Ended
	June 30		June 30		December 31
	2005	**2004	2005	**2004	2004
	Unaudited		Unaudited		(*) (***)
Revenues	474,470	445,317	243,782	231,645	939,925
Cost of revenues	346,821	328,839	177,695	171,759	689,626
Gross Profit	127,649	116,478	66,087	59,886	250,299
Research and development, net	32,961	27,027	17,795	13,733	66,846
Marketing and selling	34,386	35,160	17,740	18,662	69,912
General and administrative	25,424	22,731	12,932	11,169	47,832
Total operating expenses	92,771	84,918	48,467	43,564	184,590
Operating income	34,878	31,560	17,620	16,322	65,709
Financial expenses, net	(3,197)	(1,301)	(1,466)	(822)	(5,852)
Other income, net	(185)	(84)	(75)	(299)	770
Income before income taxes	31,496	30,175	16,079	15,201	60,627
Taxes on income	8,043	7,779	4,056	3,704	15,219
	23,453	22,396	12,023	11,497	45,408
Company's share of partnerships and affiliated companies income, net	(127)	2,970	(1,168)	1,612	*6,645
Minority rights	273	188	54	193	(180)
Net income	<u>23,599</u>	<u>25,554</u>	<u>10,909</u>	<u>13,302</u>	<u>*51,873</u>
Earnings per share					
Basic net earnings per share	<u>\$ 0.58</u>	<u>\$ 0.64</u>	<u>\$ 0.27</u>	<u>\$ 0.33</u>	<u>*\$ 1.30</u>
Diluted net earnings per share	<u>\$ 0.57</u>	<u>\$ 0.63</u>	<u>\$ 0.26</u>	<u>\$ 0.33</u>	<u>*\$ 1.26</u>

\* Restated due to the Tadiran share purchase transaction

\*\* Restated due to the adoption of SFAS 123

\*\*\* Derived from the Company's 2004 audited financial statements