



ELBIT SYSTEMS REPORTS SECOND QUARTER 2007 RESULTS

***Backlog of orders at record \$4.2bn;
Revenues reached record \$468m, up 36% year-over-year;
Cash flow of \$130 million for first six months, up 24% year-over-year***

Haifa, Israel, August 14, 2007 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT), the international defense company, today reported its consolidated results for the second quarter ended June 30, 2007.

Completion of Acquisition of Tadiran Communications. On April 26, 2007, the Company completed the acquisition of the outstanding shares of Tadiran Communications Ltd. ("Tadiran"). Following the acquisition, the Company fully consolidated the results of Tadiran. On July 12, 2007, the Company reported that it anticipated the acquisition related expenses in the second quarter to be within a range of \$25 - 30 million. The Company recorded \$27.1 million in expenses in relation to the acquisition as follows: In-Process Research & Development (“IPR&D”) write-off of \$16.6 million recorded under operating expenses, and restructuring expenses of \$10.5 million recorded under cost of good sold.

Backlog of orders as of June 30, 2007 reached a record \$4,196 million, compared with \$3,786 million as of December 31, 2006. 73% of the backlog is for sales outside Israel, and approximately 61% of the backlog is scheduled to be performed by the end of 2008. The majority of the balance is scheduled to be performed in 2009 and 2010.

Consolidated revenues for the second quarter of 2007 increased by 36% to \$468.2 million, from \$344.8 million in the second quarter of 2006.

Reported gross profit for the second quarter of 2007 increased by 30% to \$116.5 million (24.9% of revenues), as compared with gross profit of \$89.6 million (26.0% of revenues) in the second quarter of 2006. Gross profit for the quarter included the \$10.5 million restructuring charge relating to the completed acquisition of Tadiran. Excluding this charge, gross profit in the second quarter of 2007 increased by 42% to \$127.0 million (27.1% of revenues).

Reported consolidated net loss for the second quarter of 2007, including the \$27.1 million (\$24.4 million net) in expenses recorded in relation with the completed acquisition of Tadiran, was \$0.7 million, compared with a net income of \$15.1 million (4.4% of revenues) in the second quarter of 2006. Loss per diluted share for the second quarter of 2007 was \$0.02, as compared with earnings per diluted share of \$0.36 for the second quarter of 2006. Consolidated net income for the second quarter of 2007, excluding the IPR&D write-off and restructuring expenses was \$23.7 million, or \$0.56 per diluted share.



Operating Cash flow generated during the first six months of the year reached a record \$129.7 million.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "We are pleased to report another quarter of growth that is highlighted by record backlog and cash flow. I would like to underline our organic growth that amounted to more than 20% and made a substantial contribution to our overall growth of 36% following the acquisition of Tadiran. We have found that Tadiran has highly professional and talented employees, advanced technologies and a strong presence in the worldwide market. We believe the combined company will quickly evolve into a world leader in the areas of ground systems, communications and C4I. Together with our integration of Tadiran, and based upon the Group's highly qualified and dedicated personnel, strong global presence, growing backlog, continued investment in R&D and solid cash flow, we are confident of our continued success for the future".

The Board of Directors declared a dividend of \$0.16 per share for the second quarter of 2007. The dividend's record date is August 28, 2007, and the dividend will be paid on September 10, 2007, net of taxes and levies, at the rate of 16.6%.

Conference Call

The Company will also be hosting a conference call today, August 14, 2007 at 8:30 am EDT. On the call, management will review and discuss its second quarter 2007 results and will be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 10 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Numbers: 1 800 994 4498

UK Dial-in Number: 0 800 032 3367

ISRAEL Dial-in Number: 03 918 0685

INTERNATIONAL Dial-in Number: +972 3 918 0685

at:

8:30 am Eastern Time, 5:30 am Pacific Time, 1:30 pm UK Time, 3:30 pm Israel Time

This call will be broadcast live on Elbit Systems' web-site at <http://www.elbitsystems.com>. An online replay will be available from 24 hours after the call ends.

Alternatively, for two days following the end of the call, investors will be able to dial a replay number to listen to the call. The dial-in numbers are either:

1 888 254 7270 (US) ; 0 800 028 6837 (UK); or +972 3 925 5921 (International).

**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. The Elbit Systems Group, which includes the company and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance ("C4ISR"), unmanned air vehicle (UAV) systems, advanced electro-optics, electro-optic space systems, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and radios. The Group also focuses on the upgrading of existing military platforms and developing new technologies for defense, homeland security and commercial aviation applications.

Company Contact:

Joseph Gaspar, Corporate VP & CFO
Dalia Rosen, Director of Corporate Communications
Elbit Systems Ltd.
Tel: +972-4-8316663
Fax: +972-4-8316944
E-mail: gspr@elbit.co.il
daliarosen@elbit.co.il

IR Contact:

Ehud Helft / Kenny Green

G.K. Investor Relations
Tel: 1-646-201-0246
Fax: + 972-3-6074711
E-mail: info@gkir.com

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(FINANCIAL TABLES TO FOLLOW)

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

| | June 30 2007 <u>Unaudited</u> | December 31 2006 <u>Audited</u> |
|--|-------------------------------------|---------------------------------------|
| <u>Assets</u> | | |
| Current Assets: | | |
| Cash and short term deposits | 133,007 | 85,400 |
| Available for sale marketable securities | 210,259 | 2,106 |
| Trade receivable and others | 486,439 | 463,323 |
| Inventories, net of advances | 428,644 | 371,962 |
| Total current assets | <u>1,258,349</u> | <u>922,791</u> |
| Affiliated Companies & other Investments | 60,397 | 235,723 |
| Long-term receivables & others | 262,523 | 190,963 |
| Fixed Assets, net | 326,483 | 294,628 |
| Other assets, net | 627,104 | 128,995 |
| | <u><u>2,534,856</u></u> | <u><u>1,773,100</u></u> |
| <u>Liabilities and Shareholder's Equity</u> | | |
| Current liabilities | 1,092,151 | 810,885 |
| Long-term liabilities | 936,929 | 461,760 |
| Minority Interest | 8,586 | 6,871 |
| Shareholder's equity | 497,190 | 493,584 |
| | <u><u>2,534,856</u></u> | <u><u>1,773,100</u></u> |

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

| | Six Months Ended June 30 | | Three Months Ended June 30 | | Year Ended December 31 |
|--|-----------------------------|----------------|-------------------------------|----------------|---------------------------|
| | 2007 | 2006 | 2007 | 2006 | 2006 |
| | Unaudited | | Unaudited | | (Audited) |
| Revenues | 871,758 | 679,185 | 468,158 | 344,815 | 1,523,243 |
| Cost of revenues | 641,266 | 502,067 | 341,204 | 255,237 | 1,149,768 |
| Restructuring expenses | 10,482 | - | 10,482 | - | - |
| Gross Profit | <u>220,010</u> | <u>177,118</u> | <u>116,472</u> | <u>89,578</u> | <u>373,475</u> |
| Research and development, net | 53,074 | 39,789 | 28,981 | 18,351 | 92,232 |
| Marketing and selling | 71,577 | 53,630 | 39,206 | 27,382 | 111,880 |
| General and administrative | 44,418 | 37,727 | 24,100 | 18,720 | 77,505 |
| IPR&D write-off | 16,560 | - | 16,560 | - | - |
| Total operating expenses | <u>185,629</u> | <u>131,146</u> | <u>108,847</u> | <u>64,453</u> | <u>281,617</u> |
| Operating income | 34,381 | 45,972 | 7,625 | 25,125 | 91,858 |
| Financial expenses, net | (7,962) | (10,918) | (5,034) | (6,677) | (21,456) |
| Other income (expenses), net | <u>95</u> | <u>160</u> | <u>(18)</u> | <u>(748)</u> | <u>1,814</u> |
| Income before income taxes | 26,514 | 35,214 | 2,573 | 17,700 | 72,216 |
| Taxes on income | <u>12,122</u> | <u>9,366</u> | <u>5,389</u> | <u>4,762</u> | <u>20,694</u> |
| | 14,392 | 25,848 | (2,816) | 12,938 | 51,522 |
| Equity in net earnings of affiliated companies and partnership | 5,773 | 3,614 | 2,373 | 1,347 | 14,743 |
| Minority rights | <u>(1,757)</u> | <u>77</u> | <u>(248)</u> | <u>786</u> | <u>5,977</u> |
| Net income (loss) | <u>18,408</u> | <u>29,539</u> | <u>(691)</u> | <u>15,071</u> | <u>72,242</u> |
| Earnings per share | | | | | |
| Basic net earnings (loss) per share | <u>\$ 0.44</u> | <u>\$ 0.72</u> | <u>\$ (0.02)</u> | <u>\$ 0.37</u> | <u>\$ 1.75</u> |
| Diluted net earnings (loss) per share | <u>\$ 0.43</u> | <u>\$ 0.71</u> | <u>\$ (0.02)</u> | <u>\$ 0.36</u> | <u>\$ 1.72</u> |