



Earnings Release

## **ELBIT SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR RESULTS FOR 2007**

### **Record Revenues, Net Profit, Backlog and Operating Cash Flow**

**2007 revenues increased by 30% to \$1.98 billion with  
year-end backlog over \$4.6 billion**

**2007 EPS increased to \$1.81 with operating cash flow of  
\$261 million**

**Haifa, Israel, March 11, 2007 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT, TASE: ESLT), the international defense electronics company, today reported its consolidated results for the fourth quarter and year-ended December 31, 2007.**

**The Company’s backlog of orders as of December 31, 2007** reached \$4.62 billion, an increase of 22%, as compared to \$3.79 billion at the end of 2006. 70% of the backlog relates to orders outside of Israel. Approximately 70% of the Company’s backlog as of December 31, 2007 is scheduled to be performed during 2008 and 2009.

#### **Full year 2007 results**

**Consolidated revenues for the year ended December 31, 2007** increased by 30% to \$1,982 million, as compared to \$1,523 million in 2006.

**Gross profit for the year ended December 31, 2007** was \$516.4 million, as compared to gross profit of \$373.5 million in 2006, and the gross profit margin in 2007 was 26.1%, as compared to 24.5% in 2006.

The annual results were negatively affected by one-time charges related to the completion of the acquisition of Tadiran Communications on April 26, 2007, which were charged in the second quarter of 2007. 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 goods sold, which negatively affected the gross profit rate by 0.5%.



**Consolidated net earnings for the year ended December 31, 2007** increased by 6.2% to \$76.7 million, as compared to \$72.2 million in 2006. Diluted earnings per share ("EPS") in 2007 were \$1.81, as compared to \$1.72 in 2006.

Excluding the above one-time, net charges related to the acquisition of Tadiran Communications, net earnings for the year ended December 31, 2007 were \$101 million, and EPS was \$2.39.

**Operating cash flow** produced by the Company in 2007 was \$261 million, as compared to \$201 million in 2006.

#### **Fourth quarter 2007 results**

**Consolidated revenues** for the fourth quarter of 2007 increased by 26.5% to \$591.1 million, as compared to \$467.4 million in the corresponding quarter of 2006.

**Gross profit** for the fourth quarter of 2007 was \$156.2 million, as compared to gross profit of \$100.2 million in the fourth quarter of 2006, and the gross profit margin in the fourth quarter of 2007 was 26.4%, as compared to 21.4% in the fourth quarter of 2006.

During the fourth quarter of 2007, the Company had a \$10 million financial expense related to the write-off of investments Auction Rate Securities, which were rated AAA or AA when acquired, and which have experienced multiple failed auctions due to a lack of liquidity in the market for these securities.

The Company gained a one-time tax benefit of approximately \$10 million, related to prior years' adjustments arising from executing tax settlements by the Company and some of its subsidiaries in the last quarter of 2007.

**Consolidated net earnings** for the fourth quarter of 2007 increased by 33.2% to \$31.9 million, as compared to \$24.0 million for the same period of 2006. Diluted EPS for the fourth quarter of 2007 was \$0.75, as compared to \$0.57 for the fourth quarter of 2006.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "2007 was a banner year in which we continued our top line growth while producing record net profit, EPS, backlog and operating cash flow. We have been very successful in further globalizing our business, with strong growth in Europe, and we now have presence in important and diversified geographic regions, with a cutting edge comprehensive product portfolio for the evolving needs of the markets in which we are active."



He added: "The synergies of our recent acquisitions with the rest of the Company are already bearing fruit, including implementing the successful integration of Tadiran Communications and Ferranti Technologies into the Elbit Systems family. We are gaining access to increased business opportunities, by utilizing our ability to offer more comprehensive and integrated solutions. We have been able to leverage and utilize our ability to offer even more wide-ranging end-to-end systems and solutions for the benefit of our customers and to compete for even larger projects. With our dedicated and professional worldwide workforce, we believe there are still further underlying synergies between our businesses and opportunities to grow. I am confident that we will continue to be able to meet our goals in the years ahead."

The Board of Directors has declared a dividend of \$0.18 per share for the fourth quarter of 2007. The dividend will be paid on April 14, 2008, net of taxes and levies, at the rate of 16.29%. The record date of the dividend is April 1, 2008.

### **Conference Call**

The Company will be hosting a conference call on Tuesday, March 11, at 10.00 am EDT.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 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: 1 888 407 2553**

**UK Dial-in Number: 0 800 917 9141**

**ISRAEL Dial-in Number: 03 918 0610**

**INTERNATIONAL Dial-in Number: +972 3 918 0610**

**at:**

**10:00 am Eastern Daylight Time 7:00 am Pacific Time**

**2:00 pm Greenwich Mean Time 4:00 pm Israel Time**

This call will also 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. Please dial either: 1 888 254 7270 (US) 0 800 917 4256 (UK) or +972 3 925 5938 (Israel and 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 Company, which includes Elbit Systems 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 Company also focuses on the upgrading of existing military platforms and developing new technologies for defense, homeland security and commercial aviation applications.

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*This press release contains forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended) regarding Elbit Systems Ltd. and/or its subsidiaries (collectively the Company), to the extent such statements do not relate to historical or current fact. Forward Looking Statements are based on management's expectations, estimates, projections and assumptions. Forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, as amended. These statements are not guarantees of future performance and involve certain risks and uncertainties, which are difficult to predict. Therefore, actual future results, performance and trends may differ materially from these forward-looking statements due to a variety of factors, including, without limitation: scope and length of customer contracts; governmental regulations and approvals; changes in governmental budgeting priorities; general market, political and economic conditions in the countries in which the Company operates or sells, including Israel and the United States among others; differences in anticipated and actual program performance, including the ability to perform under long-term fixed-price contracts; and the outcome of legal and/or regulatory proceedings. The factors listed above are not all-inclusive, and further information is contained in Elbit Systems Ltd.'s latest annual report on Form 20-F, which is on file with the U.S. Securities and Exchange Commission. All forward-looking statements speak only as of the date of this release. The Company does not undertake to update its forward-looking statements.*

*(FINANCIAL TABLES TO FOLLOW)*



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

	December 31 2007	December 31 2006
	Audited	Audited
<b><u>Assets</u></b>		
Current Assets:		
Cash and short term deposits	373,955	85,400
Trade receivable and others	569,533	465,429
Inventories, net of advances	480,603	371,962
Total current assets	<u>1,424,091</u>	<u>922,791</u>
Affiliated Companies & other Investments	66,161	235,723
Long-term receivables & others	309,991	190,963
Fixed Assets, net	350,514	294,628
Other assets, net	<u>630,735</u>	<u>128,995</u>
	<u>2,781,492</u>	<u>1,773,100</u>
<b><u>Liabilities and Shareholder's Equity</u></b>		
Current liabilities	1,267,198	810,885
Long-term liabilities	957,200	461,760
Minority Interest	20,085	6,871
Shareholder's equity	<u>537,009</u>	<u>493,584</u>
	<u>2,781,492</u>	<u>1,773,100</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	
	2007	2006	2007	2006
	Audited		Unaudited	
Revenues	1,981,761	1,523,243	591,056	467,388
Cost of revenues	1,454,913	1,149,768	434,891	367,163
Restructuring expenses	10,482	-	-	-
<b>Gross Profit</b>	<b>516,366</b>	<b>373,475</b>	<b>156,165</b>	<b>100,225</b>
Research and development, net	126,995	92,232	39,401	27,869
Marketing and selling	157,411	111,880	44,277	30,853
General and administrative	107,447	77,505	34,265	20,051
IPR&D write-off	16,560	-	-	-
<b>Total operating expenses</b>	<b>408,413</b>	<b>281,617</b>	<b>117,943</b>	<b>78,773</b>
Operating income	107,953	91,858	38,222	21,452
Financial expenses, net	(19,329)	(21,456)	(10,632)	(6,093)
Other income (expenses), net	368	1,814	286	1,423
Income before income taxes	88,992	72,216	27,876	16,782
Provisions for income taxes	(13,810)	(20,694)	7,501	(4,049)
	<b>75,182</b>	<b>51,522</b>	<b>35,377</b>	<b>12,733</b>
Equity in net earnings (losses) of affiliated companies and partnership	14,565	14,743	4,544	6,554
Minority rights	(13,038)	5,977	(7,995)	4,673
<b>Net income</b>	<b>76,709</b>	<b>72,242</b>	<b>31,926</b>	<b>23,960</b>
Earnings per share				
Basic net earnings per share	1.82	1.75	0.75	0.57
Diluted net earnings per share	1.81	1.72	0.75	0.57