



Earning Release

ELBIT SYSTEMS REPORTS SECOND QUARTER 2011 RESULTS

***Backlog of orders increased to \$5.65 billion;
Revenues at \$692 million; Net income at \$38.9 million;
Diluted net earnings per share at \$0.90***

Haifa, Israel, August 16, 2011 – Elbit Systems Ltd. (the “Company”) (NASDAQ and TASE: ESLT), the international defense electronics company, today reported its consolidated financial results for the second quarter ended June 30, 2011.

In this release, the Company is providing its US-GAAP (“GAAP”) results as well as additional non-GAAP financial data, which are intended to provide investors a more comprehensive understanding of the Company's business results and trends. Unless otherwise stated, all financial data presented is GAAP financial data.

Management Comment:

Joseph Ackerman, President and CEO of Elbit Systems, commented: “We are encouraged by the continued growth in our backlog over the past five quarters, which is further highlighted by the Company's growth in revenues. The geographical diversity in our revenues attests to the success of our strategy to broaden our geographic diversity and continue to develop target markets, specifically in countries with growing defense budgets in Asian Pacific and Latin America, and that helps to compensate for the decline in other markets around the globe. These factors, in addition to the progress achieved in incorporating recently acquired companies, and the encouraging results of our R&D efforts, provide a solid basis for the continued growth of the Company.”

Second quarter 2011 results:

Revenues were \$691.6 million in the second quarter of 2011, as compared to \$603.3 million in the second quarter of 2010. The leading contributors to the Company's revenues were the C4I systems and Airborne areas of operations.

Gross profit was \$200.5 million (29.0% of revenues) in the second quarter of 2011, as compared to \$183.6 million (30.4% of revenues) in the second quarter of 2010. The reduced gross profit rate was mainly a result of a mix of programs sold during the second quarter of 2011.

Research and development expenses, net were \$55.4 million (8.0% of revenues) in the second quarter of 2011, as compared to \$56.8 million (9.4% of revenues) in the second quarter of 2010.

Marketing and selling expenses were \$57.4 million (8.3% of revenues) in the second quarter of 2011, as compared to \$50.3 million (8.3% of revenues) in the second quarter of 2010.

General and administrative expenses were \$35.1 million (5.1% of revenues) in the second quarter of 2011, as compared to \$32.1 million (5.3% of revenues) in the second quarter of 2010.

Operating Income was \$52.6 million (7.6% of revenues), compared to \$49.1 million (8.1% of revenues) in the second quarter of 2010.

Financial expenses, net were \$9.4 million in the second quarter of 2011, as compared to \$1.0 million in the second quarter of 2010. Financial expenses were comparatively higher in the second quarter of 2011 due to currency hedging related expenses as well as due to higher expenses related to the increased net debt of the Company.



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Taxes on income were \$5.4 million (effective tax rate of 12.4%) in the second quarter of 2011, as compared to taxes on income of \$6.5 million (effective tax rate of 13.5%) in the second quarter of 2010.

Other income, net in the second quarter of 2010 reflected a net gain of \$4.8 million related to the revaluation of the previously held Azimuth Technologies Ltd. shares at the acquisition date due to its accounting treatment as a business combination achieved in stages.

Equity in net earnings of affiliated companies and partnerships was \$2.4 million (0.3% of revenues) in the second quarter of 2011, as compared to \$5.4 million (0.9% of revenues) in the second quarter of 2010.

Net income attributable to non-controlling interests was \$1.5 million in the second quarter of 2011, as compared to \$2.3 million in the second quarter of 2010.

Net income attributable to the Company's ordinary shareholders in the second quarter of 2011 amounted to \$38.9 million (5.6% of revenues), as compared to \$44.8 million (7.4% of revenues) for the second quarter of 2010.

Diluted net earnings per share attributable to the Company's ordinary shareholders were \$0.90 for the second quarter of 2011, as compared with \$1.04 for the second quarter of 2010.

The Company's backlog of orders increased to \$5,649 million as of June 30, 2011, as compared with \$5,446 million as of December 31, 2010 and \$5,358 million as of June 30, 2010. Approximately 78% of the backlog relates to orders outside of Israel. Approximately 62% of the Company's backlog as of June 30, 2011, is scheduled to be performed during the second half of 2011 and in 2012.

Operating cash flow was \$23.3 million during the first half of 2011, as compared to \$101.6 million in the first half of 2010. The reduction in operating cash flow was mainly a result of reduced net profit, increased inventories and increased trade receivables.

Non-GAAP financial data:

The following non-GAAP financial data is presented to enable investors to have additional information on the Company's business performance as well as a further basis for periodical comparisons and trends relating to the Company's financial results. The Company believes such data provides useful information to investors by facilitating more meaningful comparisons of the Company's financial results over time. Such non-GAAP information is used by our management to make strategic decisions, forecast future results and evaluate the Company's current performance. However, investors are cautioned that, unlike financial measures prepared in accordance with GAAP, non-GAAP measures may not be comparable with the calculation of similar measures for other companies.

The non-GAAP financial data below includes reconciliation adjustments regarding non-GAAP gross profit, operating income, net income and diluted EPS. In arriving at non-GAAP presentations, companies generally factor out items such as those that have a non-recurring impact on the income statements, various non-cash items, significant effects of retroactive tax legislation and changes in accounting guidance and other items which, in management's judgment, are items that are considered to be outside of the review of core operating results. In the Company's non-GAAP presentation below, the Company made the following adjustments: (1) amortization of purchased intangible assets, (2) significant reorganization, restructuring and other related expenses, (3) impairment of investments, including impairment of auction rate securities, (4) gain from changes in holdings, including revaluation of the previously held shares at the acquisition date when a business combination is achieved in stages (step-up) and (5) the income tax effects of the foregoing.



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These non-GAAP measures are not based on any comprehensive set of accounting rules or principles. The Company believes that non-GAAP measures have limitations in that they do not reflect all of the amounts associated with the Company's results of operations, as determined in accordance with GAAP, and that these measures should only be used to evaluate the Company's results of operations in conjunction with the corresponding GAAP measures. Investors should consider non-GAAP financial measures in addition to, and not as replacements for or superior to, measures of financial performance prepared in accordance with GAAP.

Reconciliation of GAAP to Non-GAAP (Unaudited) Supplemental Financial Data: (US Dollars in millions)

	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2011	2010	2011	2010	2010
GAAP gross profit	386.2	368.1	200.5	183.6	797.9
<u>Adjustments:</u>					
Amortization of purchased intangible assets	15.5	9.0	7.9	4.7	25.0
Reorganization, restructuring and other related expenses ⁽¹⁾	-	-	-	-	12.8
Non-GAAP gross profit	401.7	377.1	208.4	188.3	835.7
<i>Percent of revenues</i>	<i>30.6%</i>	<i>30.9%</i>	<i>30.1%</i>	<i>31.2%</i>	<i>31.3%</i>
GAAP operating income	93.6	98.3	52.6	49.1	207.4
<u>Adjustments:</u>					
Amortization of intangible assets	28.4	21.5	14.4	11.0	47.7
Reorganization, restructuring and other related expenses ⁽¹⁾	-	-	-	-	16.4
Impairment of investments ⁽²⁾	-	0.7	-	0.7	1.3
Gain from changes in holdings ⁽³⁾	-	(4.8)	-	(4.8)	(4.8)
Non-GAAP operating income	121.9	115.7	67.0	56.0	268.0
<i>Percent of revenues</i>	<i>9.3%</i>	<i>9.5%</i>	<i>9.7%</i>	<i>9.3%</i>	<i>10.0%</i>
GAAP net income attributable to Elbit Systems' shareholders	66.8	94.6	38.9	44.8	183.5
<u>Adjustments:</u>					
Amortization of intangible assets	28.4	21.5	14.4	11.0	47.7
Reorganization, restructuring and other related expenses ⁽¹⁾	-	-	-	-	16.4
Impairment of investments ⁽²⁾	0.5	0.7	0.5	0.7	1.3
Gain from changes in holdings ⁽³⁾	-	(17.6)	-	(4.8)	(17.6)
Related tax benefits	(6.7)	(2.4)	(3.4)	(3.0)	(8.9)
Non-GAAP net income attributable to Elbit Systems' shareholders	89.0	96.8	50.4	48.7	222.4
<i>Percent of revenues</i>	<i>6.8%</i>	<i>7.9%</i>	<i>7.3%</i>	<i>8.1%</i>	<i>8.3%</i>
Non-GAAP diluted net EPS	2.06	2.24	1.16	1.13	5.14

- (1) Adjustment of reorganization, restructuring and other related expenses in 2010, were mainly due to write-off of inventories in the amount of approximately \$13 million related to the acquisitions of Soltam and ITL.
- (2) Adjustment of impairment in 2011 was due to investments in ARS and CDO marketable securities and during 2010 due to impairment of ICI intangible assets.
- (3) Adjustment of gain from changes in holdings in 2010 included income of \$12.8 million before tax from the sale of Mediguide shares and a gain of \$4.8 million from a "step-up" in an investment in 2010.



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Recent Events:

On May 17, 2011, the Company announced that it was awarded a contract valued at \$32.7 million to supply an Asian army with advanced training systems for its armor and infantry forces. The project will be performed over the next three years.

On May 18, 2011, the Company announced that it was awarded a contract to supply an Asian country with dozens of CoMPASSTM (Compact Multi Purpose Advanced Stabilized System) payloads for maritime patrol aircraft. The Asian country, which operates one of the largest maritime patrol fleets in the world, has selected the CoMPASSTM payload as a solution to protect its coastlines. The contract, valued at approximately \$20 million, is scheduled to be completed within two years.

On May 24, 2011, the Company announced that it was awarded a contract valued at approximately \$18.6 million to upgrade the Romanian Air Forces' C-130 transport aircraft. According to the agreement, the C-130 aircraft will be installed with various types of advanced electronic systems, including those produced by Elbit Systems' wholly owned subsidiary - Elisra Electronic Systems Ltd. ("Elisra").

On June 19, 2011, the Company announced that its subsidiary Elisra, was awarded a contract valued at approximately €5 million to supply hundreds of units of its AN/PRC-684 Personal Locator Beacon (formerly SPLB) to the French Ministry of Defense, equipping the French Air Force, Army, Navy and DGA (Direction generale de l'armement). The project will be performed within 24 months.

On June 22, 2011, the Company announced that it was awarded a contract valued in excess of \$15 million by Elettronica S.p.A to participate in a program to supply the ELT/572 DIRCM (Directed Infra-Red Countermeasures) system for installation on various platforms of the Italian Air Force, including the C130J, C27J and AW101. The contract will be performed over the next three years.

On July 25, 2011, the Company announced that it was awarded a \$40 million order by the Israel Ministry of Defense for the follow-on Digital Army Program (DAP). The total value of this phase of the program is approximately \$300 million and the additional orders are due to be received subsequently. The program will be performed over several years.

Dividend:

The Board of Directors declared a dividend of \$0.36 per share for the second quarter of 2011. The dividend's record date is August 30, 2011, and the dividend will be paid on September 12, 2011, net of taxes and levies, at the rate of 20%.



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Conference Call:

The Company will also be hosting a conference call later today, August 16, 2011 at 9:00am Eastern Time. On the call, management will review and discuss the results and will be available to answer questions.

To participate, please call one of the teleconferencing numbers that follow. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

US Dial-in Numbers: 1 888 668 9141

UK Dial-in Number: 0 800 917 5108

ISRAEL Dial-in Number: 03 918 0609

INTERNATIONAL Dial-in Number: +972 3 918 0609

at 9:00am Eastern Time; 6:00am Pacific Time; 2:00pm UK Time; 4:00pm 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 call, investors will be able to dial a replay number to listen to the call. The dial-in numbers are:

1 888 326 9310 (US) or +972 3 925 5901 (Israel and International).



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About Elbit Systems:

Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of 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 aircraft systems ("UAS"), 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, developing new technologies for defense, homeland security and commercial aviation applications and providing a range of support services.

For additional information, visit: www.elbitsystems.com.

Attachments:

Consolidated balance sheet

Consolidated statements of income

Condensed consolidated statements of cash flow

Consolidated revenue distribution by areas of operation and by geographical regions

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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)



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ELBIT SYSTEMS LTD. CONSOLIDATED BALANCE SHEETS

(In thousands of US Dollars)

	June 30 2011 Unaudited	December 31 2010 Audited
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 68,830	\$ 151,059
Short-term bank deposits and trading marketable securities	32,353	63,486
Trade and unbilled receivables, net	743,246	702,364
Other receivables and prepaid expenses	196,843	166,124
Inventories, net of customers advances	738,872	665,270
Total current assets	1,780,144	1,748,303
Investment in affiliated companies, partnership and other companies	92,586	88,116
Available for sale marketable securities	6,130	7,179
Long-term trade and unbilled receivables	108,832	90,343
Long-term bank deposits and other receivables	45,715	44,401
Deferred income taxes, net	28,686	29,892
Severance pay fund	319,355	302,351
	601,304	562,282
Property, plant and equipment, net	529,050	503,851
Goodwill and other intangible assets, net	791,327	796,664
Total assets	\$ 3,701,825	\$ 3,611,100
<u>Liabilities and Shareholders' Equity</u>		
Short-term bank credit and loans	\$ 36,223	\$ 15,115
Current maturities of long-term loans and Series A Notes	41,098	43,093
Trade payables	322,381	360,736
Other payables and accrued expenses	663,609	645,146
Customer advances in excess of costs incurred on contracts in progress	395,320	302,691
	1,458,631	1,366,781
Long-term loans, net of current maturities	354,862	292,039
Series A Notes and convertible debentures, net of current maturities	247,019	273,357
Accrued termination liabilities	418,661	395,303
Deferred income taxes and tax liabilities, net	52,864	55,936
Customer advances in excess of costs incurred on contracts in progress	144,266	177,191
Other long-term liabilities	55,224	45,042
	1,272,896	1,238,868
Elbit Systems Ltd.'s shareholders' equity	943,281	966,693
Non-controlling interests	27,017	38,758
Total shareholders' equity	970,298	1,005,451
Total liabilities and shareholders' equity	\$ 3,701,825	\$ 3,611,100



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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF INCOME

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

	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2011	2010	2011	2010	2010
	Unaudited				Audited
Revenues	1,311,890	1,221,478	691,632	603,277	2,670,133
Cost of revenues	925,710	853,372	491,097	419,716	1,872,263
Gross profit	386,180	368,106	200,535	183,561	797,870
Operating expenses:					
Research and development, net	109,603	109,511	55,389	56,846	234,131
Marketing and selling	112,428	104,931	57,441	50,336	229,942
General and administrative	70,595	60,141	35,085	32,056	131,200
Other income, net	-	(4,756)	-	(4,756)	(4,756)
	292,626	269,827	147,915	134,482	590,517
Operating income	93,554	98,279	52,620	49,079	207,353
Financial expenses, net	(20,012)	(4,137)	(9,350)	(1,002)	(21,251)
Other income, net	374	13,089	180	108	13,259
Income before taxes on income	73,916	107,231	43,450	48,185	199,361
Income taxes	10,719	16,816	5,419	6,489	24,037
	63,197	90,415	38,031	41,696	175,324
Equity in net earnings of affiliated companies and partnership	6,151	9,301	2,400	5,389	19,343
Net income	69,348	99,716	40,431	47,085	194,667
Less: net income attributable to non-controlling interests	(2,524)	(5,155)	(1,536)	(2,306)	(11,169)
Net income attributable to Elbit Systems Ltd.'s shareholders	66,824	94,561	38,895	44,779	183,498
Earnings per share attributable to Elbit Systems Ltd.'s ordinary shareholders:					
Basic net earnings per share	1.56	2.22	0.91	1.05	4.30
Diluted net earnings per share	1.55	2.19	0.90	1.04	4.25
Weighted average number of shares used in computation of basic earnings per share	42,756	42,611	42,780	42,645	42,645
Weighted average number of shares used in computation of diluted earnings per share	43,232	43,257	43,248	43,234	43,217



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ELBIT SYSTEMS LTD. CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands of US Dollars)

	Six Months Ended June 30,		Year Ended December 31
	2011	2010	2010
	Unaudited		Audited
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	69,348	99,716	194,667
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	74,632	60,988	132,141
Write-off impairment	520	717	1,284
Stock based compensation	599	2,604	5,211
Amortization of Series A Notes discounts and related issuance costs	247	25	168
Deferred income taxes and reserve, net	(7,426)	(9,029)	(28,162)
Gain on sale of property, plant and equipment	(690)	(698)	(2,600)
Gain on sale of investment	-	(18,713)	(19,151)
Equity in net earnings of affiliated companies and partnership, net of dividend received ^(*)	7,956	(929)	(8,418)
Change in operating assets and liabilities:			
Increase in short and long-term trade receivables, and prepaid expenses	(87,410)	(3,980)	(84,708)
Increase in inventories, net	(72,966)	(44,993)	(49,724)
Increase (decrease) in trade payables, other payables and accrued expenses	(20,493)	6,163	76,383
Severance, pension and termination indemnities, net	5,464	(212)	4,160
Increase (decrease) in advances received from customers	53,533	9,968	(36,396)
Net cash provided by operating activities	23,314	101,627	184,854
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(73,444)	(67,484)	(138,644)
Acquisitions of subsidiaries and business operations (Schedule A)	(12,173)	(34,566)	(229,556)
Investments in affiliated companies and other companies	(6,919)	(59)	(4,956)
Proceed from sale of property, plant and equipment	4,983	5,139	11,841
Proceed from sale of investments	-	12,751	27,941
Investment in long-term deposits	(589)	(8,302)	(14,484)
Proceeds from sale of long-term deposits	3,600	15,020	30,240
Investment in short-term deposits and available for sale securities	(85,486)	(48,248)	(189,345)
Proceeds from sale of short-term deposits and available for sale securities	115,706	64,264	252,550
Net cash used in investing activities	(54,322)	(61,485)	(254,413)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of options	2,514	2,908	3,590
Purchase of non-controlling interests	(71,000)	-	-
Repayment of long-term bank loans	(65,085)	(243,525)	(488,657)
Proceeds from long-term bank loans	126,410	55,000	387,692
Proceeds from issuance of Series A Notes	-	283,213	283,213
Series A Notes issuance costs	-	(2,163)	(2,530)
Dividends paid	(30,836)	(32,503)	(63,137)
Tax benefit in respect of options exercised	-	-	710
Repayment of Series A Notes	(32,211)	-	-
Purchase of convertible debentures	(2,121)	-	-
Change in short-term bank credit and loans, net	21,108	-	(40,972)
Net cash provided by (used in) financing activities	(51,221)	62,930	79,909
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(82,229)	103,072	10,350
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	151,059	140,709	140,709
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	68,830	243,781	151,059
* Dividend received from affiliated companies and partnership	14,107	8,372	10,925

ELBIT SYSTEMS LTD.
DISTRIBUTION OF REVENUES

CONSOLIDATED REVENUE BY AREAS OF OPERATION:

	Six Months Ended June 30				Three Months Ended June 30			
	2011		2010		2011		2010	
	\$ millions	%	\$ millions	%	\$ millions	%	\$ millions	%
Airborne systems	459.6	35.0	358.1	29.3	209.7	30.3	178.3	29.6
Land systems	183.2	14.0	218.6	17.9	99.8	14.4	103.9	17.2
C4ISR systems	469.3	35.8	407.3	33.3	275.6	39.8	200.8	33.3
Electro-optics	137.1	10.5	168.2	13.8	72.3	10.5	86.5	14.3
Other (mainly non-defense engineering and production services)	62.7	4.7	69.3	5.7	34.2	5.0	33.8	5.6
Total	<u>1,311.9</u>	<u>100.0</u>	<u>1,221.5</u>	<u>100.0</u>	<u>691.6</u>	<u>100.0</u>	<u>603.3</u>	<u>100.0</u>

CONSOLIDATED REVENUES BY GEOGRAPHICAL REGIONS:

	Six Months Ended June 30				Three Months Ended June 30			
	2011		2010		2011		2010	
	\$ millions	%	\$ millions	%	\$ millions	%	\$ millions	%
Israel	356.0	27.1	276.3	22.6	185.9	26.9	133.5	22.1
United States	427.1	32.6	401.8	32.9	218.0	31.5	214.1	35.5
Europe	241.0	18.4	273.8	22.4	129.8	18.8	117.6	19.5
Other countries	287.8	21.9	269.6	22.1	157.9	22.8	138.1	22.9
Total	<u>1,311.9</u>	<u>100.0</u>	<u>1,221.5</u>	<u>100.0</u>	<u>691.6</u>	<u>100.0</u>	<u>603.3</u>	<u>100.0</u>