



Earning Release

## **ELBIT SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR 2015 RESULTS**

***Improvement in key year-over-year business parameters:  
Backlog of orders at \$6.6 billion; Revenues of \$3.1 billion; Non-GAAP  
net income of \$242 million; GAAP net income of \$203 million;  
Non-GAAP net EPS of \$5.67; GAAP net EPS of \$4.74***

**Haifa, Israel, March 22, 2016 – Elbit Systems Ltd. (the "Company") (NASDAQ and TASE: ESLT), the international high technology company, reported today its consolidated results for the fourth quarter and full year ended December 31, 2015.**

In this release, the Company is providing US-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. For a description of the Company's non-GAAP definitions see page 4 below, "Non-GAAP financial data". Unless otherwise stated, all financial data presented is US-GAAP financial data.

### **Management Comment:**

**Bezhalel (Butzi) Machlis, President and CEO of Elbit Systems,** commented: "We are pleased with our solid 2015 results. We saw growth in revenues, strong cash generation as well as an increase in net profit, driven by improved margins across the business. Furthermore, we ended the year with a record backlog standing at \$6.6 billion. The solid increase in our backlog over the past few years has led to the current growth trend in revenues, while the efforts we have taken to ensure efficient operations and enhance synergies among our business units have enabled us to steadily improve our profitability. All this indicates a strong and healthy business going forward."

**Mr. Machlis continued,** "In 2015, we witnessed a strong renewal of interest in our technologies and defense solutions in Europe, recently winning a number of important contracts in the region, which creates the potential for additional growth in this important market. Our results also reflect strong performance in Asia-Pacific, a region with emerging defense requirements that has been a strategic focus for us in recent years."



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### **Fourth quarter 2015 results:**

**Revenues** in the fourth quarter of 2015 were \$886.6 million, as compared to \$850.3 million in the fourth quarter of 2014.

**Non-GAAP<sup>(\*)</sup> gross profit** amounted to \$262.4 million (29.6% of revenues) in the fourth quarter of 2015, as compared to \$235.0 million (27.6% of revenues) in the fourth quarter of 2014. **GAAP gross profit** in the fourth quarter of 2015 was \$253.3 million (28.6% of revenues), as compared to \$229.5 million (27.0% of revenues) in the fourth quarter of 2014.

**Research and development expenses, net**, were \$69.3 million (7.8% of revenues) in the fourth quarter of 2015, as compared to \$71.0 million (8.4% of revenues) in the fourth quarter of 2014.

**Marketing and selling expenses, net**, were \$66.9 million (7.5% of revenues) in the fourth quarter of 2015, as compared to \$59.5 million (7.0% of revenues) in the fourth quarter of 2014.

**General and administrative expenses, net**, were \$39.2 million (4.4% of revenues) in the fourth quarter of 2015, as compared to \$34.8 million (4.1% of revenues) in the fourth quarter of 2014.

**Non-GAAP<sup>(\*)</sup> operating income** was \$91.5 million (10.3% of revenues) in the fourth quarter of 2015, as compared to \$74.8 million (8.8% of revenues) in the fourth quarter of 2014. **GAAP operating income** in the fourth quarter of 2015 was \$78.0 million (8.8% of revenues), as compared to \$64.2 million (7.6% of revenues) in the fourth quarter of 2014.

**Financial expenses, net**, were \$2.3 million in the fourth quarter of 2015, as compared to \$11.2 million in the fourth quarter of 2014.

**Taxes on income** were \$15.4 million in the fourth quarter of 2015, as compared to \$9.5 million in the fourth quarter of 2014.

**Equity in net earnings of affiliated companies and partnerships** was \$3.3 million (0.4% of revenues) in the fourth quarter of 2015, as compared to \$1.8 million (0.2% of revenues) in the fourth quarter of 2014.

**Net income attributable to non-controlling interests** was \$0.8 million in the fourth quarter of 2015, as compared to \$1.2 million in the fourth quarter of 2014.

**Non-GAAP<sup>(\*)</sup> net income attributable to the Company's shareholders** in the fourth quarter of 2015 was \$74.2 million (8.4% of revenues), as compared to \$52.8 million (6.2% of revenues) in the fourth quarter of 2014. **GAAP net income attributable to the Company's shareholders** in the fourth quarter of 2015 was \$63.0 million (7.1% of revenues), as compared to \$44.0 million (5.2% of revenues) in the fourth quarter of 2014.

**Non GAAP<sup>(\*)</sup> diluted net earnings per share attributable to the Company's shareholders** were \$1.74 for the fourth quarter of 2015, as compared to \$1.24 for the fourth quarter of 2014. **GAAP diluted earnings per share attributable to the Company's shareholders** in the fourth quarter of 2015 were \$1.47, as compared to \$1.03 in the fourth quarter of 2014.

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\* see page 4



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### Full year 2015 results:

**Revenues** for the year ended December 31, 2015 were \$3,107.6 million, as compared to \$2,958.2 million in the year ended December 31, 2014. The leading contributors to our revenues were the airborne systems and C4ISR systems areas of operations. The increase in the land systems area of operation was primarily due to increased revenues from tank fire control systems and electro-optic night vision systems sold to Asia-Pacific. Revenues from C4ISR systems decreased slightly due to decline in sales of command and control systems, mainly for homeland security applications in Latin America.

On a geographic basis, the increase in revenues in Asia-Pacific was mainly due to increased sales of tank fire control systems and electro-optic night vision systems to this region. The decrease in Latin America was a result of lower sales of command and control systems, mainly for homeland security applications.

**Cost of revenues** for the year ended December 31, 2015 was \$2,210.5 million (71.1% of revenues), as compared to \$2,133.2 million (72.1% of revenues) in the year ended December 31, 2014.

**Non-GAAP<sup>(\*)</sup> gross profit** for the year ended December 31, 2015 was \$927.0 million (29.8% of revenues), as compared to \$846.7 million (28.6% of revenues) in the year ended December 31, 2014. **GAAP gross profit** in 2015 was \$897.1 million (28.9% of revenues), as compared to \$825.1 million (27.9% of revenues) in 2014.

**Research and development expenses, net**, for the year ended December 31, 2015 were \$243.4 million (7.8% of revenues), as compared to \$228.0 million (7.7% of revenues) in the year ended December 31, 2014.

**Marketing and selling expenses, net**, for the year ended December 31, 2015 were \$239.4 million (7.7% of revenues), as compared to \$216.5 million (7.3% of revenues) in the year ended December 31, 2014. The increase in marketing and selling expenses in 2015 was mainly related to the mix of countries and types of marketing activities for projects in which we invested our marketing efforts.

**General and administrative expenses, net**, for the year ended December 31, 2015 were \$145.7 million (4.7% of revenues), as compared to \$139.6 million (4.7% of revenues) in the year ended December 31, 2014. The increase was mainly due to cost of the phantom bonus retention plan associated with the G&A expenses.

**Other operating income, net**, for the year ended December 31, 2014 amounted to \$6.0 million. The amount reflects a net gain related to the revaluation of a previously held investment in an Israeli subsidiary's shares at the acquisition date due to its accounting treatment as a business combination achieved in stages. As a result of this acquisition, the Company increased its holdings in the subsidiary from 49% to 90%.

**Non-GAAP<sup>(\*)</sup> operating income** for the year ended December 31, 2015 was \$316.7 million (10.2% of revenues), as compared to \$284.0 million (9.6% of revenues) in the year ended December 31, 2014. **GAAP operating income** in 2015 was \$268.6 million (8.6% of revenues), as compared to \$246.9 million (8.3% of revenues) in 2014. The main reason for the improvement of the operating income was the increase in the gross profit in 2015 as compared to 2014.

**Financial expenses, net**, for the year ended December 31, 2015 were \$20.2 million, as compared to \$47.5 million in the year ended December 31, 2014. Financial expenses, net, in 2014 were comparatively high, mainly as a result of accelerated devaluation of the NIS in the third quarter of 2014 and its effect on the Company's U.S. dollar derivative activities, as well as the fluctuation of the U.S. dollar against other foreign currencies, such as the Australian dollar and the Brazilian real, during 2014.

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\* see page 4



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**Taxes on income** for the year ended December 31, 2015 were \$46.2 million (effective tax rate of 18.6%), as compared to \$25.6 million (effective tax rate of 12.8%) in the year ended December 31, 2014. The effective tax rate was affected by the mix of the tax rates in the various jurisdictions in which the Company's entities generate taxable income and the settlement in 2014 of tax audits for prior years.

**Equity in net earnings of affiliated companies and partnerships** for the year ended December 31, 2015 was \$4.5 million (0.1% of revenues), as compared to \$5.5 million (0.2% of revenues) in the year ended December 31, 2014.

**Net income attributable to non-controlling interests** for the year ended December 31, 2015 was \$4.4 million, as compared to \$8.4 million in the year ended December 31, 2014.

**Non-GAAP<sup>(\*)</sup> net income attributable to the Company's shareholders** for the year ended December 31, 2015 was \$242.4 million (7.8% of revenues), as compared to \$201.2 million (6.8% of revenues) in the year ended December 31, 2014. **GAAP net income attributable to the Company's shareholders** in the year ended December 31, 2015 was \$202.5 million (6.5% of revenues), as compared to \$171.0 million (5.8% of revenues) in the year ended December 31, 2014.

**Non-GAAP<sup>(\*)</sup> diluted net earnings per share attributable to the Company's shareholders** for the year ended December 31, 2015 were \$5.67, as compared to \$4.71 for the year ended December 31, 2014. **GAAP diluted net earnings per share attributable to the Company's shareholders** in the year ended December 31, 2015 were \$4.74, as compared to \$4.01 in the year ended December 31, 2014.

**Backlog of orders** for the year ended December 31, 2015 totaled \$6,564 million, as compared to \$6,265 million as of December 31, 2014. Approximately 68% of the current backlog is attributable to orders from outside Israel. Approximately 68% of the current backlog is scheduled to be performed during 2016 and 2017.

**Operating cash flow** for the year ended December 31, 2015 was \$434.8 million, as compared to \$177.8 million in the year ended December 31, 2014. The increase in operating cash flow was mainly a result of increased collection and advances received from customers.

### **\* 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 the Company's 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 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, the Company made certain adjustments, as indicated in the table below.



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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.



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### **Reconciliation of GAAP to Non-GAAP (Unaudited) Supplemental Financial Data:**

(US Dollars in millions)

|  | Three Months ended<br>December 31, |                 | Year ended<br>December 31, |                 |
|--|------------------------------------|-----------------|----------------------------|-----------------|
|  | 2015                               | 2014            | 2015                       | 2014            |
| <b>GAAP gross profit</b>   | <b>\$ 253.3</b>                    | <b>\$ 229.5</b> | <b>\$ 897.1</b>            | <b>\$ 825.1</b> |
| <u>Adjustments:</u>  |                                    |                 |                            |                 |
| Amortization of purchased intangible assets                            | 9.1                                | 5.5             | 29.9                       | 21.6            |
| <b>Non-GAAP gross profit</b>   | <b>\$ 262.4</b>                    | <b>\$ 235.0</b> | <b>\$ 927.0</b>            | <b>\$ 846.7</b> |
| <i>Percent of revenues</i>   | <i>29.6%</i>                       | <i>27.6%</i>    | <i>29.8%</i>               | <i>28.6%</i>    |
|  |                                    |                 |                            |                 |
| <b>GAAP operating income</b>   | <b>\$ 78.0</b>                     | <b>\$ 64.2</b>  | <b>\$ 268.6</b>            | <b>\$ 246.9</b> |
| <u>Adjustments:</u>  |                                    |                 |                            |                 |
| Amortization of purchased intangible assets                            | 13.5                               | 10.6            | 48.1                       | 43.1            |
| Gain from changes in holdings  | —                                  | —               | —                          | (6.0)           |
| <b>Non-GAAP operating income</b>                                       | <b>\$ 91.5</b>                     | <b>\$ 74.8</b>  | <b>\$ 316.7</b>            | <b>\$ 284.0</b> |
| <i>Percent of revenues</i>   | <i>10.3%</i>                       | <i>8.8%</i>     | <i>10.2%</i>               | <i>9.6%</i>     |
|  |                                    |                 |                            |                 |
| <b>GAAP net income attributable to Elbit Systems' shareholders</b>     | <b>\$ 63.0</b>                     | <b>\$ 44.0</b>  | <b>\$ 202.5</b>            | <b>\$ 171.0</b> |
| <u>Adjustments:</u>  |                                    |                 |                            |                 |
| Amortization of purchased intangible assets                            | 13.5                               | 10.6            | 48.1                       | 43.1            |
| Gain from changes in holdings  | —                                  | —               | —                          | (6.0)           |
| Related tax benefits   | (2.3)                              | (1.8)           | (8.2)                      | (6.9)           |
| <b>Non-GAAP net income attributable to Elbit Systems' shareholders</b> | <b>\$ 74.2</b>                     | <b>\$ 52.8</b>  | <b>\$ 242.4</b>            | <b>\$ 201.2</b> |
| <i>Percent of revenues</i>   | <i>8.4%</i>                        | <i>6.2%</i>     | <i>7.8%</i>                | <i>6.8%</i>     |
|  |                                    |                 |                            |                 |
| <b>GAAP diluted net EPS</b>  | <b>\$ 1.47</b>                     | <b>\$ 1.03</b>  | <b>\$ 4.74</b>             | <b>\$ 4.01</b>  |
| Adjustments, net   | 0.27                               | 0.21            | 0.93                       | 0.70            |
| <b>Non-GAAP diluted net EPS</b>  | <b>\$ 1.74</b>                     | <b>\$ 1.24</b>  | <b>\$ 5.67</b>             | <b>\$ 4.71</b>  |



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### **Recent Events:**

On November 26, 2015, the Company announced that it was awarded an approximately \$200 million contract from the Swiss Federal Department of Defense, Civil Protection and Sport ("DDPS"), for the supply of Hermes 900 HFE ("Heavy Fuel Engine") Unmanned Aircraft Systems ("UAS") and an advanced ground segment for command, control and communications. The contract, to be performed over a four-year period, follows the DDPS June 2014 announcement about Elbit Systems selection as the preferred supplier for the UAS 15 new reconnaissance drone program.

On December 16, 2015, the Company announced that it was awarded a contract to supply commercial multi-spectral infrared countermeasures (C-MUSIC™) systems to be implemented onboard a wide body jet aircraft of a country in the Asia-Pacific region. The contract, valued at approximately \$26.5 million, will be performed over a two-year period.

On December 21, 2015, the Company announced that its wholly-owned subsidiary, CYBERBIT Ltd. ("CYBERBIT"), was awarded a contract to provide the Switzerland-based company RUAG Defence, with CYBERBIT's CyberShield-Cyber Security Trainer and Simulator ("T&S"). The contract is in an amount that is not material to either party, and the T&S will be supplied in 2016.

On December 22, 2015, the Company announced that it was awarded a contract from an Asia-Pacific country to supply a comprehensive airborne solution for use in intelligence, surveillance, target acquisition and reconnaissance ("ISTAR") missions. The contract, valued at approximately \$50 million, will be performed over a three-year period by Elbit Systems' ISTAR Division, which will be the prime contractor for this program.

On December 28, 2015, the Company announced that it was awarded a contract by the Directorate of Production and Procurement of the Israeli Ministry of Defense ("IMOD") valued at approximately \$70 million for the supply of Electronic Warfare ("EW") systems. The systems, developed and manufactured by Elbit Systems EW and SIGINT - Elisra Ltd., to be delivered over a five-year period, will be installed on board all types of Israeli Air Force fighter jets.

On January 7, 2016, the Company announced, that a decision has been made to wind up the activities of Harpia Sistemas S.A. ("Harpia"), a joint venture in Brazil, of Elbit Systems subsidiary AEL Sistemas S.A., owned in conjunction with Embraer Defesa e Seguranca and Avibras Diviso Area e Naval S.A. Harpia was formed in September 2011 in order to explore the unmanned aerial vehicles market. The decision for partnership wind-up occurred amicably given the current budget constraints in Brazil.

On January 11, 2016, the Company announced that Midroog Ltd., an Israeli rating agency ("Midroog"), reaffirmed Midroog's "Aa1.il" rating (on a local scale), with a stable outlook, of the Series "A" Notes issued by the Company in 2010 and in 2012.

On January 20, 2016, the Company announced that CYBERBIT was awarded a contract to provide an Asia-Pacific country with CYBERBIT's CyberShield-Cyber Security Trainer and Simulator. The contract is in an amount that is not material to Elbit Systems.

On February 2, 2016, the Company announced that Affinity Flying Services Limited ("Affinity"), its UK joint venture with Kellogg, Brown and Root Limited ("KBR"), was awarded a fixed price contract for the support of Ascent Flight Training (Services) Limited, in the delivery of the UK Military Flight Training System program for the UK Ministry of Defence. Elbit Systems and KBR, each holding a 50% share in Affinity, will evenly support and benefit from the program. Revenue for Affinity associated with this program is estimated to be approximately £500 million (\$713 million) over an eighteen-year period.



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### **Dividend:**

The Board of Directors declared a dividend of \$0.40 per share for the fourth quarter of 2015. The dividend's record date is April 1, 2016. The dividend will be paid from income generated as Preferred Income (as defined under Israeli tax laws), on April 11, 2016, net of taxes, at the rate of 20%.

### **Conference Call:**

The Company will be hosting a conference call today, Tuesday, March 22, 2016 at 10:00 a.m. 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 0610  
INTERNATIONAL Dial-in Number: +972 3 918 0610

at: 10:00 am Eastern Time; 7:00 am Pacific Time; 2:00 pm UK 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 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 5900 (Israel and International).





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### About Elbit Systems

Elbit Systems Ltd. is an international high technology company engaged in a wide range of defense, homeland security and commercial 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, advanced electro-optics, electro-optic space systems, electronic warfare suites, signal intelligence systems, data links and communications systems and radios. The Company also focuses on the upgrading of existing platforms, developing new technologies for defense, homeland security and commercial aviation applications and providing a range of support services, including training and simulation systems.

For additional information, visit: [www.elbitsystems.com](http://www.elbitsystems.com) or follow us on [Twitter](#).

### Attachments:

Consolidated balance sheets  
Consolidated statements of income  
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 1943, 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.



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*(FINANCIAL TABLES TO FOLLOW)*



## Earning Release

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

|  | As of December 31, |              |
|--|--------------------|--------------|
|  | 2015               | 2014         |
|  | Audited            |              |
| <b><u>Assets</u></b>   |                    |              |
| Current assets:  |                    |              |
| Cash and cash equivalents  | \$ 299,322         | \$ 200,407   |
| Short-term bank deposits   | 20,266             | 79,369       |
| Available-for-sale marketable securities                               | 12,836             | 26,150       |
| Trade and unbilled receivables, net                                    | 941,913            | 928,757      |
| Other receivables and prepaid expenses                                 | 171,359            | 145,562      |
| Inventories, net of customers advances                                 | 837,111            | 868,799      |
| Total current assets   | 2,282,807          | 2,249,044    |
| Investments in affiliated companies and partnerships                   | 132,718            | 125,433      |
| Long-term trade and unbilled receivables                               | 152,463            | 212,725      |
| Long-term bank deposits and other receivables                          | 15,765             | 18,081       |
| Deferred income taxes, net   | 52,619             | 60,224       |
| Severance pay fund   | 270,151            | 276,707      |
|  | 623,716            | 693,170      |
| Property, plant and equipment, net                                     | 449,759            | 441,535      |
| Goodwill and other intangible assets, net                              | 770,276            | 637,532      |
| Total assets   | \$ 4,126,558       | \$ 4,021,281 |
| <b><u>Liabilities and Equity</u></b>                                   |                    |              |
| Short-term bank credit and loans                                       | \$ —               | \$ 557       |
| Current maturities of long-term loans and Series A Notes               | 113,359            | 81,958       |
| Trade payables   | 347,366            | 369,659      |
| Other payables and accrued expenses                                    | 739,867            | 758,760      |
| Customer advances in excess of costs incurred on contracts in progress | 437,202            | 413,223      |
|  | 1,637,794          | 1,624,157    |
| Long-term loans, net of current maturities                             | 165,971            | 220,716      |
| Series A Notes, net of current maturities                              | 226,758            | 293,923      |
| Employee benefit liabilities   | 381,641            | 396,639      |
| Deferred income taxes and tax liabilities, net                         | 44,738             | 68,435       |
| Customer advances in excess of costs incurred on contracts in progress | 167,601            | 120,299      |
| Other long-term liabilities  | 99,668             | 58,217       |
|  | 1,086,377          | 1,158,229    |
| Elbit Systems Ltd.'s equity  | 1,394,334          | 1,226,667    |
| Non-controlling interests  | 8,053              | 12,228       |
| Total equity   | 1,402,387          | 1,238,895    |
| Total liabilities and equity   | \$ 4,126,558       | \$ 4,021,281 |



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

|  | Year Ended<br>December 31, |              | Three Months Ended<br>December 31, |            |
|--|----------------------------|--------------|------------------------------------|------------|
|  | 2015                       | 2014         | 2015                               | 2014       |
|  | Audited                    |              | Unaudited                          |            |
| Revenues   | \$ 3,107,581               | \$ 2,958,248 | \$ 886,580                         | \$ 850,284 |
| Cost of revenues   | 2,210,528                  | 2,133,151    | 633,256                            | 620,741    |
| Gross profit   | 897,053                    | 825,097      | 253,324                            | 229,543    |
| <u>Operating expenses:</u>   |                            |              |                                    |            |
| Research and development, net  | 243,416                    | 228,011      | 69,295                             | 71,023     |
| Marketing and selling, net   | 239,366                    | 216,537      | 66,862                             | 59,500     |
| General and administrative, net  | 145,693                    | 139,634      | 39,185                             | 34,794     |
| Other operating income, net  | —                          | (5,951)      | —                                  | —          |
| Total operating expenses   | 628,475                    | 578,231      | 175,343                            | 165,317    |
| Operating income   | 268,578                    | 246,866      | 77,981                             | 64,226     |
| Financial expenses, net  | (20,240)                   | (47,498)     | (2,325)                            | (11,213)   |
| Other (expense) income, net  | 216                        | 120          | 146                                | (134)      |
| Income before income taxes   | 248,554                    | 199,488      | 75,803                             | 52,879     |
| Taxes on income  | (46,235)                   | (25,624)     | (15,353)                           | (9,474)    |
|  | 202,319                    | 173,864      | 60,450                             | 43,405     |
| Equity in net earnings of affiliated companies and partnerships              | 4,542                      | 5,549        | 3,343                              | 1,786      |
| Net income   | \$ 206,861                 | \$ 179,413   | \$ 63,793                          | \$ 45,191  |
| Less: net income attributable to non-controlling interests                   | (4,352)                    | (8,433)      | (810)                              | (1,206)    |
| Net income attributable to Elbit Systems Ltd.'s shareholders                 | \$ 202,509                 | \$ 170,980   | \$ 62,983                          | \$ 43,985  |
| <u>Earnings per share attributable to Elbit Systems Ltd.'s shareholders:</u> |                            |              |                                    |            |
| Basic net earnings per share   | \$ 4.74                    | \$ 4.01      | \$ 1.47                            | \$ 1.03    |
| Diluted net earnings per share   | \$ 4.74                    | \$ 4.01      | \$ 1.47                            | \$ 1.03    |
| <u>Weighted average number of shares used in computation of</u>              |                            |              |                                    |            |
| Basic earnings per share (in thousands)                                      | 42,711                     | 42,654       | 42,727                             | 42,681     |
| Diluted earnings per share (in thousands)                                    | 42,733                     | 42,677       | 42,745                             | 42,702     |



## Earning Release

### ELBIT SYSTEMS LTD. CONSOLIDATED STATEMENTS OF CASH FLOW (In thousands of US Dollars)

|   | Year Ended December 31,  |                          |
|---|--------------------------|--------------------------|
|   | 2015                     | 2014                     |
|   | Audited                  |                          |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>   |                          |                          |
| Net income  | \$ 206,861               | \$ 179,413               |
| Adjustments to reconcile net income to net cash provided by operating activities:         |                          |                          |
| Depreciation and amortization   | 122,354                  | 122,408                  |
| Stock-based compensation  | 139                      | 322                      |
| Amortization of Series A Notes premium and related issuance costs, net                    | (92)                     | (91)                     |
| Deferred income taxes and reserve, net  | 15,928                   | (47,456)                 |
| Loss (gain) on sale of property, plant and equipment                                      | 1,742                    | (3,266)                  |
| Loss (gain) on sale of investment   | 33                       | (4,957)                  |
| Equity in net loss of affiliated companies and partnerships, net of dividend received (*) | 19,999                   | 7,449                    |
| Changes in operating assets and liabilities, net of amounts acquired:                     |                          |                          |
| Decrease (increase) in short and long-term trade receivables and prepaid expenses         | 31,860                   | (67,177)                 |
| Decrease (increase) in inventories, net   | 39,801                   | (112,747)                |
| Increase (decrease) in trade payables and other payables and accrued expenses             | (74,280)                 | 81,687                   |
| Severance, pension and termination indemnities, net                                       | (799)                    | 6,282                    |
| Increase in advances received from customers  | 71,282                   | 15,970                   |
| Net cash provided by operating activities   | <u>434,828</u>           | <u>177,837</u>           |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>   |                          |                          |
| Purchase of property, plant and equipment   | (99,175)                 | (71,211)                 |
| Acquisition of subsidiaries and business operations                                       | (141,436)                | 787                      |
| Investments in affiliated companies and other companies                                   | (23,852)                 | (4,620)                  |
| Proceeds from sale of property, plant and equipment                                       | 11,563                   | 24,969                   |
| Proceeds from sale of investments   | —                        | 110                      |
| Investment in long-term deposits  | (396)                    | (796)                    |
| Proceeds from sale of long-term deposits  | 721                      | 790                      |
| Investment in short-term deposits and available-for-sale marketable securities            | (57,175)                 | (89,521)                 |
| Proceeds from sale of short-term deposits and available-for-sale marketable securities    | 128,187                  | 59,374                   |
| Net cash used in investing activities   | <u>(181,563)</u>         | <u>(80,118)</u>          |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>   |                          |                          |
| Proceeds from exercise of options   | 1,616                    | 3,542                    |
| Repayment of long-term loans  | (226,635)                | (345,839)                |
| Proceeds from long-term loans   | 196,550                  | 376,500                  |
| Repayment of Series A Notes and convertible debentures                                    | (55,532)                 | (55,532)                 |
| Dividends paid (**)   | (69,792)                 | (68,277)                 |
| Change in short-term bank credit and loans, net   | (557)                    | 557                      |
| Net cash used in financing activities   | <u>(154,350)</u>         | <u>(89,049)</u>          |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <u>98,915</u>            | <u>8,670</u>             |
| <b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>                             | <u>\$ 200,407</u>        | <u>\$ 191,737</u>        |
| <b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>                                   | <u><u>\$ 299,322</u></u> | <u><u>\$ 200,407</u></u> |
| <b>* Dividend received from affiliated companies and partnerships</b>                     | <u><u>\$ 24,541</u></u>  | <u><u>\$ 12,998</u></u>  |

\*\* Dividends paid in 2015 and 2014 included approximately \$ 8,222 and \$ 14,452, respectively, dividends paid by a subsidiary to non-controlling interests.



## Earning Release

### **ELBIT SYSTEMS LTD. DISTRIBUTION OF REVENUES**

#### Consolidated Revenues by Areas of Operation:

|  | Year Ended<br>December 31, |              |                   |              | Three Months Ended<br>December 31, |              |                 |              |
|--|----------------------------|--------------|-------------------|--------------|------------------------------------|--------------|-----------------|--------------|
|  | 2015                       |              | 2014              |              | 2015                               |              | 2014            |              |
|  | \$ millions                | %            | \$ millions       | %            | \$ millions                        | %            | \$ millions     | %            |
| Airborne systems   | \$ 1,225.7                 | 39.4         | \$ 1,197.9        | 40.5         | \$ 337.3                           | 38.0         | \$ 314.3        | 37.0         |
| Land systems   | 558.7                      | 18.0         | 274.9             | 9.3          | 121.0                              | 13.6         | 113.4           | 13.3         |
| C4ISR systems  | 995.2                      | 32.0         | 1,118.5           | 37.8         | 320.8                              | 36.2         | 309.6           | 36.4         |
| Electro-optic systems  | 231.9                      | 7.5          | 265.1             | 9.0          | 81.2                               | 9.2          | 82.6            | 9.7          |
| Other (mainly non-defense engineering and production services) | 96.1                       | 3.1          | 101.8             | 3.4          | 26.3                               | 3.0          | 30.4            | 3.6          |
| Total  | <u>\$ 3,107.6</u>          | <u>100.0</u> | <u>\$ 2,958.2</u> | <u>100.0</u> | <u>\$ 886.6</u>                    | <u>100.0</u> | <u>\$ 850.3</u> | <u>100.0</u> |

#### Consolidated Revenues by Geographical Regions:

|                 | Year Ended<br>December 31, |              |                   |              | Three Months Ended<br>December 31, |              |                 |              |
|-----------------|----------------------------|--------------|-------------------|--------------|------------------------------------|--------------|-----------------|--------------|
|                 | 2015                       |              | 2014              |              | 2015                               |              | 2014            |              |
|                 | \$ millions                | %            | \$ millions       | %            | \$ millions                        | %            | \$ millions     | %            |
| Israel          | \$ 616.6                   | 19.8         | \$ 638.9          | 21.6         | \$ 178.3                           | 20.1         | \$ 145.9        | 17.2         |
| North America   | 838.9                      | 27.0         | 826.8             | 27.9         | 219.9                              | 24.8         | 216.3           | 25.4         |
| Europe          | 497.6                      | 16.0         | 460.9             | 15.6         | 184.4                              | 20.8         | 152.0           | 17.9         |
| Asia-Pacific    | 800.3                      | 25.8         | 528.8             | 17.9         | 193.5                              | 21.8         | 182.5           | 21.5         |
| Latin America   | 325.4                      | 10.5         | 454.4             | 15.4         | 103.1                              | 11.6         | 143.0           | 16.8         |
| Other countries | 28.8                       | 0.9          | 48.4              | 1.6          | 7.4                                | 0.9          | 10.6            | 1.2          |
| Total           | <u>\$ 3,107.6</u>          | <u>100.0</u> | <u>\$ 2,958.2</u> | <u>100.0</u> | <u>\$ 886.6</u>                    | <u>100.0</u> | <u>\$ 850.3</u> | <u>100.0</u> |