

ELBIT SYSTEMS REPORTS THIRD QUARTER OF 2017 RESULTS

***Backlog of orders at \$7.6 billion; Revenues at \$801 million;
Non-GAAP net income of \$67 million; GAAP net income of \$61 million;
Non-GAAP net EPS of \$1.57; GAAP net EPS of \$1.44***

Haifa, Israel, November 14, 2017 – Elbit Systems Ltd. (NASDAQ: ESLT and TASE: ESLT), (the "Company") the international high technology company, reported today its consolidated results for the quarter ended September 30, 2017.

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. Unless otherwise stated, all financial data presented is GAAP financial data.

Management Comment:

Bezhalet (Butzi) Machlis, President and CEO of Elbit Systems, commented: "We are pleased with our results, particularly the increase in our backlog, which positions us well for long-term growth. We see ongoing increases in defense budgets, which we have been able to capitalize on in many of our target markets, and during the quarter we announced a number of significant contract wins. This has enabled us to achieve a 12% increase year-over-year in our backlog, with the growth favoring the long-term component. Furthermore, our improved gross and operating profit margins this quarter underscore the fruits of our ongoing effort to improve business efficiencies and build on inter-company synergies. Elbit Systems remains well positioned to benefit over the long-term from the positive momentum in our markets."

Third quarter 2017 results:

Revenues in the third quarter of 2017 were \$800.7 million, as compared to \$780.8 million in the third quarter of 2016.

Non-GAAP (*) gross profit amounted to \$256.3 million (32.0% of revenues) in the third quarter of 2017, as compared to \$238.1 million (30.5% of revenues) in the third quarter of 2016. **GAAP gross profit** in the third quarter of 2017 was \$251.0 million (31.3% of revenues), as compared to \$230.4 million (29.5% of revenues) in the third quarter of 2016.

Research and development expenses, net were \$67.1 million (8.4% of revenues) in the third quarter of 2017, as compared to \$65.6 million (8.4% of revenues) in the third quarter of 2016.

* see page 3

Marketing and selling expenses, net were \$66.9 million (8.4% of revenues) in the third quarter of 2017, as compared to \$60.9 million (7.8% of revenues) in the third quarter of 2016. The increase in marketing and selling expenses in the third quarter of 2017 was mainly related to the mix of countries and types of marketing activities for projects in which we invest our marketing efforts.

General and administrative expenses, net were \$34.8 million (4.3% of revenues) in the third quarter of 2017, as compared to \$36.1 million (4.6% of revenues) in the third quarter of 2016.

Other operating income, net in the third quarter of 2016 amounted to \$10.5 million. The amount reflects a net gain related to valuation of shares in a newly established Israeli subsidiary due to a third party investment.

Non-GAAP^(*) operating income was \$89.2 million (11.1% of revenues) in the third quarter of 2017, as compared to \$77.9 million (10.0% of revenues) in the third quarter of 2016. **GAAP operating income** in the third quarter of 2017 was \$82.2 million (10.3% of revenues), as compared to \$78.3 million (10.0% of revenues) in the third quarter of 2016.

Financial expenses, net were \$9.3 million in the third quarter of 2017, as compared to \$7.3 million in the third quarter of 2016.

Taxes on income were \$14.6 million (effective tax rate of 20.0%) in the third quarter of 2017, as compared to \$8.9 million (effective tax rate of 12.5%) in the third quarter of 2016. The effective tax rate is affected by the mix of the tax rates in the various jurisdictions in which the Company's entities generate taxable income. The lower effective tax rate in the third quarter of 2016 was mainly a result of prior years adjustments related to finalizing a tax assessment of a subsidiary.

Equity in net earnings of affiliated companies and partnerships was \$3.5 million (0.4% of revenues) in the third quarter of 2017, as compared to \$1.4 million (0.2% of revenues) in the third quarter of 2016.

Net income attributable to non-controlling interests was \$0.3 million in the third quarter of 2017, as compared to \$0.2 million in the third quarter of 2016.

Non-GAAP^(*) net income attributable to the Company's shareholders in the third quarter of 2017 was \$67.3 million (8.4% of revenues), as compared to \$62.5 million (8.0% of revenues) in the third quarter of 2016. **GAAP net income** in the third quarter of 2017 was \$61.5 million (7.7% of revenues), as compared to \$63.4 million (8.1% of revenues) in the third quarter of 2016.

Non-GAAP^(*) diluted net earnings per share attributable to the Company's shareholders were \$1.57 for the third quarter of 2017, as compared to \$1.46 for the third quarter of 2016. **GAAP diluted earnings per share** in the third quarter of 2017 were \$1.44, as compared to \$1.48 for the third quarter of 2016.

The Company's backlog of orders as of September 30, 2017 totaled \$7,641 million, as compared to \$6,836 million as of September 30, 2016. Approximately 73% of the current backlog is attributable to orders from outside Israel. Approximately 45% of the current backlog is scheduled to be performed during 2017 and 2018.

Operating cash flow used in the nine months ended September 30, 2017 was \$140.0 million, as compared to \$31.5 million used in the nine months ended September 30, 2016.

* see page 3

Accounting policies update:

ASU 2014-09, "Revenue from Contracts with Customers" (ASC 606), will be effective for the Company beginning January 1, 2018. The Company is adopting ASC 606 effective January 1, 2018 and expects to do so using the modified retrospective method.

The Company has made progress toward completing the evaluation of the potential changes from adopting the new standard on its financial reporting and disclosures. The Company is evaluating the impact of the standard on its revenue streams and some of its significant representative contracts. The Company has significantly progressed in its assessment of the impact on its business processes, controls and systems. We are in the process of implementing changes to business processes, systems and internal controls required to implement and account for the new standard.

The adoption of the new standard may primarily impact the Company's contracts where revenue is currently recognized using the percentage-of-completion units-of-delivery method, with the possible resulting impact being revenue which may be recognized earlier in the performance period as it incurs costs, as opposed to when units are delivered. This change may also impact the Company's balance sheet presentation with a possible decrease in inventories, an increase in contract assets (i.e., unbilled receivables) and a net increase to retained earnings to primarily reflect the impact of converting units-of-delivery contracts to the cost-to-cost method for recognizing revenue and profits.

Our evaluation of the standard and its impact on the financial statements, contracts and required financial controls will continue through the adoption date, including any impacts related to new contracts awarded.

*** 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.

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)

| | Nine Months Ended September 30, | | Three Months Ended September 30, | | Year Ended December 31, |
|--|------------------------------------|-----------------|-------------------------------------|-----------------|----------------------------|
| | 2017 | 2016 | 2017 | 2016 | 2016 |
| GAAP gross profit | \$ 714.5 | \$ 678.7 | \$ 251.0 | \$ 230.4 | \$ 959.6 |
| <u>Adjustments:</u> | | | | | |
| Amortization of purchased intangible assets | 16.9 | 23.5 | 5.3 | 7.7 | 31.2 |
| Non-GAAP gross profit | <u>\$ 731.4</u> | <u>\$ 702.2</u> | <u>\$ 256.3</u> | <u>\$ 238.1</u> | <u>\$ 990.8</u> |
| <i>Percent of revenues</i> | 30.9% | 30.4% | 32.0% | 30.5% | 30.4% |
| | | | | | |
| GAAP operating income | \$ 215.7 | \$ 211.5 | \$ 82.2 | \$ 78.3 | \$ 299.0 |
| <u>Adjustments:</u> | | | | | |
| Amortization of purchased intangible assets | 21.7 | 31.3 | 7.0 | 10.1 | 41.2 |
| Gain from changes in holdings | — | (17.6) | — | (10.5) | (17.6) |
| Non-GAAP operating income | <u>\$ 237.4</u> | <u>\$ 225.2</u> | <u>\$ 89.2</u> | <u>\$ 77.9</u> | <u>\$ 322.6</u> |
| <i>Percent of revenues</i> | 10.0% | 9.8% | 11.1% | 10.0% | 9.9% |
| | | | | | |
| GAAP net income attributable to Elbit Systems' shareholders | \$ 169.7 | \$ 169.8 | \$ 61.5 | \$ 63.4 | \$ 236.9 |
| <u>Adjustments:</u> | | | | | |
| Amortization of purchased intangible assets | 21.7 | 31.3 | 7.0 | 10.1 | 41.2 |
| Capital gain | — | (3.9) | — | — | (3.9) |
| Impairment of investments | — | — | — | — | 2.5 |
| Gain from changes in holdings | — | (16.4) | — | (9.3) | (16.4) |
| Related tax benefits | (3.6) | (4.4) | (1.2) | (1.7) | (6.1) |
| Non-GAAP net income attributable to Elbit Systems' shareholders | <u>\$ 187.8</u> | <u>\$ 176.4</u> | <u>\$ 67.3</u> | <u>\$ 62.5</u> | <u>\$ 254.2</u> |
| <i>Percent of revenues</i> | 7.9% | 7.6% | 8.4% | 8.0% | 7.8% |
| | | | | | |
| GAAP diluted net EPS | \$ 3.97 | \$ 3.97 | \$ 1.44 | \$ 1.48 | \$ 5.54 |
| Adjustments, net | 0.42 | 0.16 | 0.13 | (0.02) | 0.41 |
| Non-GAAP diluted net EPS | <u>\$ 4.39</u> | <u>\$ 4.13</u> | <u>\$ 1.57</u> | <u>\$ 1.46</u> | <u>\$ 5.95</u> |

Recent Events:

On August 17, 2017, the Company confirmed, in an answer to media inquiries, that on August 7, 2017, a jury in the United States District Court for the Eastern District of Texas found Hughes Network Systems, LLC, to have infringed one of its patent, which generally relates to high-speed satellite communications, U.S. Patent No. 6,240,073.

On August 29, 2017, the Company announced that it was awarded an approximately \$93 million contract from an Asia-Pacific country to upgrade its F-5 aircraft fleet. The contract will be performed over a three-year period. Under the upgrade contract, Elbit Systems will supply the F-5 with cutting edge systems, including Head-Up Displays (HUDs), an advanced cockpit, radars, weapon delivery and navigation systems, as well as DASH IV Head Mounted Systems.

On September 4, 2017, the Company announced that it was awarded an approximately \$11 million contract for the supply of an integrated maritime C4ISR system to an Asia-Pacific navy. The contract, to be performed over a two-year period, will include interconnected coastal sensor towers, naval command centers and maritime C4I capabilities, as well as ongoing maintenance. The project will support commanders and other users (headquarters, command centers, coastal observation posts and vessels) throughout routine and special operations and will also be used for training and simulation.

On September 12, 2017, the Company announced that its subsidiary, Elbit Systems of America, LLC, was awarded a U.S. Customs and Border Protection (CBP) contract to provide a tower and in-fill radar system that supplies a complete capability to detect flying objects in highly cluttered environments. The contract, in an amount that is not material to Elbit Systems, will be performed in Texas.

On September 18, 2017, the Company announced that it will reorganize the business of CYBERBIT Solutions Ltd., its wholly-owned subsidiary. The defense Cyber Intelligence and Cyber Security business will be integrated with Elbit Systems Land and C4I Division, and the commercial cyber business will continue to operate under CYBERBIT Ltd. The reorganization will become effective as of January 1, 2018.

On September 26, 2017, the Company announced that it was awarded a contract, in an amount of \$240 million, to provide a wide array of defense electronic systems to a country in Africa. The contract, which will be performed over a two-year period, is comprised of Directed Infra-red Counter Measure (DIRCM) systems to protect aircraft from shoulder fired missiles (Man Portable Air Defense Systems -MANPADS), based on passive IR (Infrared) systems, and includes Missile Warning Systems (MWS), radio and communication systems, land systems, mini-UAS systems and a helicopter upgrade.

On September 27, 2017, the Company announced that it was awarded an approximately \$300 million contract, for the supply of command and control systems to a customer in Asia-Pacific. The project will be performed over a three-year period.

On October 3, 2017, the Company announced that its subsidiary, Elbit Systems of America, LLC, was awarded a \$31.5 million additional component contract by the Defense Logistics Agency Land and Maritime to provide Aviator Night Vision Imaging System Head-Up Displays (ANVIS HUD). Work will be performed over a two-year period.

Dividend:

The Board of Directors declared a dividend of \$0.44 per share for the third quarter of 2017. The dividend's record date is December 1, 2017. The dividend will be paid from income generated as Preferred Income (as defined under Israel tax laws), on December 18, 2017, net of taxes and levies, at the rate of 20%.

Conference Call:

The Company will be hosting a conference call today, Tuesday, November 14, 2017 at 9:00 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: 1 888 407 2553
Canada Dial-in Numbers: 1 866 485 2399
UK Dial-in Number: 0 800 917 5108
ISRAEL Dial-in Number: 03 918 0610
INTERNATIONAL Dial-in Number: +972 3 918 0610

at: 9:00 am Eastern Time; 6:00 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:

1 888 782 4291 (US and Canada) or +972 3 925 5928 (Israel and International).

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 airborne, land and naval systems, command, control, communications, computers, intelligence surveillance and reconnaissance ("C4ISR"), unmanned aircraft systems, advanced electro-optics, electro-optic space systems, EW 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 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)

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

| | September 30, 2017 | December 31, 2016 |
|--|-------------------------------|------------------------------|
| | Unaudited | Audited |
| <u>Assets</u> | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 124,055 | \$ 222,810 |
| Short-term bank deposits and marketable securities | 18,606 | 22,252 |
| Trade and unbilled receivables, net | 1,446,287 | 1,232,591 |
| Other receivables and prepaid expenses | 145,644 | 102,979 |
| Inventories, net of customers advances | 925,929 | 840,266 |
| Total current assets | 2,660,521 | 2,420,898 |
| Investments in affiliated companies and partnerships | 174,816 | 180,962 |
| Long-term trade and unbilled receivables | 197,028 | 189,688 |
| Long-term bank deposits and other receivables | 36,702 | 15,917 |
| Deferred income taxes, net | 80,622 | 79,639 |
| Severance pay fund | 292,585 | 264,253 |
| | 781,753 | 730,459 |
| Property, plant and equipment, net | 489,295 | 474,109 |
| Goodwill and other intangible assets, net | 760,223 | 726,398 |
| Total assets | \$ 4,691,792 | \$ 4,351,864 |
| <u>Liabilities and Equity</u> | | |
| Short-term bank credit and loans | \$ 291,481 | \$ 5,027 |
| Current maturities of long-term loans and Series A Notes | 67,777 | 228,956 |
| Trade payables | 494,678 | 514,106 |
| Other payables and accrued expenses | 849,981 | 828,716 |
| Customer advances in excess of costs incurred on contracts in progress | 411,743 | 347,393 |
| | 2,115,660 | 1,924,198 |
| Long-term loans, net of current maturities | 120,051 | 475 |
| Series A Notes, net of current maturities | 125,136 | 171,066 |
| Employee benefit liabilities | 400,715 | 376,115 |
| Deferred income taxes and tax liabilities, net | 70,614 | 60,098 |
| Customer advances in excess of costs incurred on contracts in progress | 129,313 | 174,529 |
| Other long-term liabilities | 48,844 | 78,142 |
| | 894,673 | 860,425 |
| Elbit Systems Ltd.'s equity | 1,672,385 | 1,559,840 |
| Non-controlling interests | 9,074 | 7,401 |
| Total equity | 1,681,459 | 1,567,241 |
| Total liabilities and equity | \$ 4,691,792 | \$ 4,351,864 |

ELBIT SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF INCOME

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

| | <u>Nine Months Ended</u> <u>September 30,</u> | | <u>Three Months Ended</u> <u>September 30,</u> | | <u>Year Ended</u> <u>December 31,</u> |
|---|--|--------------------------|---|-------------------------|--|
| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2016</u> |
| | <u>Unaudited</u> | | <u>Unaudited</u> | | <u>Audited</u> |
| Revenues | \$ 2,368,221 | \$ 2,306,497 | \$ 800,734 | \$ 780,776 | \$ 3,260,219 |
| Cost of revenues | 1,653,762 | 1,627,748 | 549,753 | 550,403 | 2,300,636 |
| Gross profit | <u>714,459</u> | <u>678,749</u> | <u>250,981</u> | <u>230,373</u> | <u>959,583</u> |
| <u>Operating expenses:</u> | | | | | |
| Research and development, net | 192,598 | 188,814 | 67,092 | 65,578 | 255,792 |
| Marketing and selling, net | 199,003 | 182,252 | 66,934 | 60,926 | 271,037 |
| General and administrative, net | 107,160 | 113,754 | 34,791 | 36,138 | 151,353 |
| Other operating income, net | — | (17,575) | — | (10,543) | (17,575) |
| Total operating expenses | <u>498,761</u> | <u>467,245</u> | <u>168,817</u> | <u>152,099</u> | <u>660,607</u> |
| Operating income | <u>215,698</u> | <u>211,504</u> | <u>82,164</u> | <u>78,274</u> | <u>298,976</u> |
| Financial expenses, net | (24,810) | (14,495) | (9,333) | (7,303) | (23,742) |
| Other income, net | 37 | 3,942 | 5 | 32 | 3,967 |
| Income before income taxes | <u>190,925</u> | <u>200,951</u> | <u>72,836</u> | <u>71,003</u> | <u>279,201</u> |
| Taxes on income | (30,151) | (35,812) | (14,579) | (8,856) | (45,617) |
| | <u>160,774</u> | <u>165,139</u> | <u>58,257</u> | <u>62,147</u> | <u>233,584</u> |
| Equity in net earnings of affiliated companies and partnerships | 9,918 | 5,855 | 3,500 | 1,426 | 5,224 |
| Net income | <u>\$ 170,692</u> | <u>\$ 170,994</u> | <u>\$ 61,757</u> | <u>\$ 63,573</u> | <u>\$ 238,808</u> |
| Less: net income attributable to non-controlling interests | (996) | (1,197) | (280) | (195) | (1,899) |
| Net income attributable to Elbit Systems Ltd.'s shareholders | <u>\$ 169,696</u> | <u>\$ 169,797</u> | <u>\$ 61,477</u> | <u>\$ 63,378</u> | <u>\$ 236,909</u> |

Earnings per share attributable to Elbit Systems Ltd.'s shareholders:

| | | | | | |
|--------------------------------|---------|---------|---------|---------|---------|
| Basic net earnings per share | \$ 3.97 | \$ 3.97 | \$ 1.44 | \$ 1.48 | \$ 5.54 |
| Diluted net earnings per share | \$ 3.97 | \$ 3.97 | \$ 1.44 | \$ 1.48 | \$ 5.54 |

Weighted average number of shares (in thousands)

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Shares used in computation of basic earnings per share | <u>42,749</u> | <u>42,741</u> | <u>42,751</u> | <u>42,745</u> | <u>42,742</u> |
| Shares used in computation of diluted earnings per share | <u>42,753</u> | <u>42,751</u> | <u>42,753</u> | <u>42,753</u> | <u>42,752</u> |

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

| | <u>Nine Months Ended</u> <u>September 30,</u> | | <u>Year Ended</u> <u>December 31,</u> |
|---|--|--------------------------|--|
| | <u>2017</u> | <u>2016</u> | <u>2016</u> |
| | <u>Unaudited</u> | | <u>Audited</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income | \$ 170,692 | \$ 170,994 | \$ 238,808 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization | 84,884 | 89,186 | 122,888 |
| Write-off impairment on marketable securities | — | — | 86 |
| Stock-based compensation | 13 | 58 | 70 |
| Amortization of Series A Notes premium and related issuance costs, net | (69) | (69) | (92) |
| Deferred income taxes and reserve, net | 6,920 | 15,210 | 2,683 |
| Gain on sale of property, plant and equipment | (2,101) | (3,777) | (3,347) |
| Loss (gain) on sale and revaluation of investments, net | 635 | (16,752) | (16,734) |
| Equity in net earnings of affiliated companies and partnerships, net of dividend received (*) | (6,560) | (5,855) | (1,728) |
| Changes in operating assets and liabilities, net of amounts acquired: | | | |
| Increase in short and long-term trade receivables and prepaid expenses | (272,320) | (268,833) | (297,439) |
| Increase in inventories, net | (82,674) | (59,561) | (8,040) |
| Increase (decrease) in trade payables, other payables and accrued expenses | (57,985) | 121,861 | 253,413 |
| Severance, pension and termination indemnities, net | (554) | 1,332 | 315 |
| Increase (decrease) in advances received from customers | 19,134 | (75,248) | (82,881) |
| Net cash provided by (used in) operating activities | <u>(139,985)</u> | <u>(31,454)</u> | <u>208,002</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property, plant and equipment and other assets | (78,136) | (99,936) | (124,221) |
| Acquisition of subsidiaries and business operations | (25,440) | — | — |
| Investments in affiliated companies and other companies | (1,078) | (19,277) | (19,277) |
| Deconsolidation of subsidiary | — | (1,538) | (1,538) |
| Proceeds from sale of property, plant and equipment | 4,932 | 12,514 | 15,745 |
| Proceeds from sale of investments | 12,067 | — | — |
| Investment in long-term deposits | (717) | (109) | (417) |
| Proceeds from sale of long-term deposits | 175 | 661 | 894 |
| Investment in short-term deposits and marketable securities | (23,746) | (24,530) | (25,622) |
| Proceeds from sale of short-term deposits and marketable securities | 28,139 | 32,146 | 36,619 |
| Net cash used in investing activities | <u>(83,804)</u> | <u>(100,069)</u> | <u>(117,817)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from exercise of options | 119 | 488 | 505 |
| Repayment of long-term loans | (166,879) | (48,250) | (48,250) |
| Proceeds from long-term loans | 118,615 | — | — |
| Repayment of Series A Notes | (55,532) | (55,532) | (55,532) |
| Dividends paid | (56,475) | (51,336) | (68,447) |
| Change in short-term bank credit and loans, net | 285,186 | 149,062 | 5,027 |
| Net cash provided by (used in) financing activities | <u>125,034</u> | <u>(5,568)</u> | <u>(166,697)</u> |
| Net decrease in cash and cash equivalents | (98,755) | (137,091) | (76,512) |
| Cash and cash equivalents at the beginning of the year | 222,810 | 299,322 | 299,322 |
| Cash and cash equivalents at the end of the period | <u>\$ 124,055</u> | <u>\$ 162,231</u> | <u>\$ 222,810</u> |
| * Dividend received from affiliated companies and partnerships | <u>\$ 3,358</u> | <u>\$ —</u> | <u>\$ 3,496</u> |

ELBIT SYSTEMS LTD.
DISTRIBUTION OF REVENUES

Consolidated Revenues by Areas of Operation:

| | Nine Months Ended September 30, | | | | Three Months Ended September 30, | | | |
|--|--|--------------|--------------------|--------------|---|--------------|--------------------|--------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | \$ millions | % | \$ millions | % | \$ millions | % | \$ millions | % |
| Airborne systems | 897.2 | 37.9 | 900.0 | 39.0 | 304.3 | 38.0 | 305.3 | 39.1 |
| C4ISR systems | 826.8 | 34.9 | 891.3 | 38.6 | 274.2 | 34.2 | 363.0 | 46.5 |
| Land systems | 324.5 | 13.7 | 258.0 | 11.2 | 121.0 | 15.1 | 31.8 | 4.1 |
| Electro-optic systems | 252.4 | 10.7 | 181.2 | 7.9 | 82.9 | 10.3 | 57.9 | 7.4 |
| Other (mainly non-defense engineering and production services) | 67.3 | 2.8 | 76.0 | 3.3 | 18.3 | 2.4 | 22.8 | 2.9 |
| Total | 2,368.2 | 100.0 | 2,306.5 | 100.0 | 800.7 | 100.0 | 780.8 | 100.0 |

Consolidated Revenues by Geographical Regions:

| | Nine Months Ended September 30, | | | | Three Months Ended September 30, | | | |
|-----------------|--|--------------|--------------------|--------------|---|--------------|--------------------|--------------|
| | 2017 | | 2016 | | 2017 | | 2016 | |
| | \$ millions | % | \$ millions | % | \$ millions | % | \$ millions | % |
| Israel | 509.3 | 21.5 | 506.7 | 22.0 | 174.3 | 21.8 | 183.4 | 23.5 |
| North America | 591.4 | 25.0 | 596.0 | 25.8 | 189.6 | 23.7 | 199.7 | 25.6 |
| Europe | 528.5 | 22.3 | 422.4 | 18.3 | 163.6 | 20.4 | 161.5 | 20.7 |
| Asia-Pacific | 510.5 | 21.6 | 595.1 | 25.8 | 181.6 | 22.7 | 176.3 | 22.6 |
| Latin America | 149.3 | 6.3 | 151.4 | 6.6 | 56.3 | 7.0 | 54.7 | 7.0 |
| Other countries | 79.2 | 3.3 | 34.9 | 1.5 | 35.3 | 4.4 | 5.2 | 0.6 |
| Total | 2,368.2 | 100.0 | 2,306.5 | 100.0 | 800.7 | 100.0 | 780.8 | 100.0 |