



## ELBIT SYSTEMS REPORTS SECOND QUARTER 2007 RESULTS

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

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

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

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

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

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

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



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

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

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

### **Conference Call**

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

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

**US Dial-in Numbers: 1 800 994 4498**

**UK Dial-in Number: 0 800 032 3367**

**ISRAEL Dial-in Number: 03 918 0685**

**INTERNATIONAL Dial-in Number: +972 3 918 0685**

**at:**

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

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

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

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



**About Elbit Systems Ltd.:**

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

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*(FINANCIAL TABLES TO FOLLOW)*



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

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



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

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