



---

Print Page Close Window

## Press Releases

### **Elbit Systems Reports Third Quarter 2010 Results**

**Backlog of Orders Increased to \$5.38 Billion; Revenues at \$649.9 Million; Net Income at \$45.3 Million; Diluted Net Earnings Per Share at \$1.05**

HAIFA, Israel, November 16, 2010 /PRNewswire via COMTEX/ --

Elbit Systems Ltd. (the "Company") (NASDAQ and TASE: ESLT), the international defense electronics company, today reported its consolidated financial results for the third quarter ended September 30, 2010.

(Logo: <http://www.newscom.com/cgi-bin/prnh/20080408/300441> )

Revenues in the third quarter of 2010 were \$649.9 million, as compared to \$732.5 million in the third quarter of 2009. The decrease in revenues during the third quarter of 2010, compared with that of the third quarter last year, was mainly in the electro-optics and armored vehicle systems areas of operations, primarily in Europe.

Gross profit amounted to \$197.9 million (30.5% of revenues) in the third quarter of 2010, as compared to \$217.3 million (29.7% of revenues) in the third quarter of 2009. The decrease in the amount of gross profit from that of the corresponding quarter last year primarily resulted from the reduction in revenues. The improvement in margins was mainly a result of mix of the programs sold in the quarter and improvements in operations.

Research and development expenses, net were \$56.1 million (8.6% of revenues) in the third quarter of 2010, as compared to \$56.0 million (7.6% of revenues) in the third quarter of 2009.

Marketing and selling expenses were \$59.1 million (9.1% of revenues) in the third quarter of 2010, as compared to \$67.1 million (9.2% of revenues) in the third quarter of 2009.

General and administrative expenses were \$30.2 million (4.7% of revenues) in the third quarter of 2010, as compared to \$28.5 million (3.9% of revenues) in the third quarter of 2009.

Financial expenses, net were \$5.5 million in the third quarter of 2010, as compared to net financial expenses of \$0.6 million in the third quarter of 2009, which were relatively low due

to currency hedging related gains.

Taxes on income were \$4.8 million (effective tax rate of 10.1%) in the third quarter of 2010, as compared to taxes on income of \$11.4 million (effective tax rate of 17.6%) in the third quarter of 2009. The change in the effective tax rate was attributable mainly to the mix of the tax rates in the various jurisdictions in which the Company's entities generate taxable income.

Equity in net earnings of affiliated companies and partnerships was \$3.9 million (0.6% of revenues) in the third quarter of 2010, as compared to \$6.2 million (0.8% of revenues) in the third quarter of 2009.

Net income attributable to non-controlling interests was \$1.1 million in the third quarter of 2010, as compared to \$1.4 million in the third quarter of 2009.

Net income attributable to the Company's ordinary shareholders in the third quarter of 2010 amounted to \$45.3 million (7.0% of revenues), as compared to \$58.3 million (8.0% of revenues) for the third quarter of 2009.

Diluted net earnings per share attributable to the Company's ordinary shareholders were \$1.05 for the third quarter of 2010, as compared with \$1.35 for the third quarter of 2009.

The Company's backlog of orders increased to \$5,381 million as of September 30, 2010, as compared with \$5,044 million as of December 31, 2009. Approximately 72% of the backlog relates to orders outside of Israel. Approximately 52% of the Company's backlog as of September 30, 2010, is scheduled to be performed during the last quarter of 2010 and in 2011.

Operating cash flow was \$73.6 million in the first nine months of 2010, as compared to \$127.0 million in the first nine months of 2009.

#### Recent Events:

On October 3, 2010, the Company announced that it was awarded an approximately \$56 million tank upgrade contract from a customer in Asia. Under the contract, the tank upgrade project will include the installation of advanced battle management systems, as well as cutting edge observation and surveillance systems. The project will be completed within two years.

On October 13, 2010, the Company announced that its wholly-owned U.S. subsidiary, Elbit Systems of America, LLC ("ESA"), was awarded a five-year, \$68 million Indefinite Delivery/Indefinite Quantity ("ID/IQ") contract from the U.S. Army Contracting Command in Huntsville, Alabama to supply the U.S. Army, Navy, Marine Corps and Coast Guard with AN/AVS-7 Head-Up Display components including the Company's latest Flat Panel Day and Night Head-Up Display units. Initial delivery orders totaling \$23 million were awarded under the ID/IQ contract. This is a follow-on contract to a \$75M ID/IQ contract awarded in September 2005.

On October 17, 2010, the Company announced, further to its announcements of June 15, 2009, September 14, 2009 and September 2, 2010, that it completed the acquisition of all the shares of Soltam Systems Ltd. ("Soltam"), Saymar Ltd. ("Saymar") and ITL Optronics

Ltd. ("ITL") that were held by Mikal Ltd. ("Mikal") and its subsidiaries. With the completion of the acquisition, the Company now holds a 100% interest in Soltam and Saymar, and an 87.85% interest in ITL. The balance of ITL's shares, which are traded on the Tel Aviv Stock Exchange, is held by the public. An amount of approximately \$26 million of the purchase price payable by the Company for the acquisition was placed in escrow with respect to various matters pursuant to the purchase agreement.

Simultaneously to the completion of the acquisition, the Company sold its holdings in Mikal (approximately 19%) to the other Mikal's shareholders.

On October 24, 2010, the Company announced that its UK Company with Thales UK - UAS Tactical Systems Ltd. ("U-TacS"), was awarded by Thales UK a follow-on Urgent Operating Capability ("UOR") contract worth approximately \$70 million to provide an Intelligence, Surveillance, Target Acquisition and Reconnaissance support capability for the UK Armed Forces. The contract will be performed over the next one and a half years. As was the case with the previous U-TacS UOR contracts, awarded in 2007 and 2009, this contract also includes the provision and support of Hermes(R) 450 UAS, as well as training for UK Ministry of Defence staff in the use and maintenance of the system, and the provision of contractor logistic support and program management services. This work will be managed by U-TacS located in Leicester, UK.

On October 26, 2010, the Company announced that its wholly-owned U.S. subsidiary, ESA, was awarded a \$45.5 million ID/IQ contract from the Naval Surface Warfare Center, Crane Division, Crane, Indiana for the supply of the Night Targeting System Upgrade (NTSU) and associated line items for AH - 1W Cobra helicopters. Work will be performed in Merrimack, New Hampshire and is expected to be completed over the next five years.

#### Management Comment:

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "2010 has been a challenging year, reflecting the influence of the changing financial climate on our end-customers. Throughout this year, we have invested in our longer-term growth strategy through mergers and acquisitions, which provide us access to new markets and allow us to sell increasingly integrated systems. We have recently completed the acquisition of Soltam, Saymar and ITL, adding to our capabilities in artillery platforms and electro-optics. We will continue to look globally for similar opportunities, in strategic target markets such as the U.S. and others."

Ackerman added, "Over the past challenging months, we have focused our efforts and have successfully maintained and even improved our gross margins, and have also resumed our backlog growth. We believe that these efforts and investments will support renewed growth in future years."

#### Dividend:

The Board of Directors declared a dividend of \$0.36 per share for the third quarter of 2010. The dividend's record date is November 30, 2010, and the dividend will be paid on December 13, 2010, net of taxes and levies, at the rate of 20%.

#### Conference Call:

The Company will be hosting a conference call later the same day, Tuesday November 16, 2010 at 09:00a.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: 0-800-917-9141  
ISRAEL Dial-in Number: 03-918-0644  
INTERNATIONAL Dial-in Number: +972-3-918-0644  
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).

#### 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, SIGINT 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: <http://www.elbitsystems.com>.

#### Attachments:

Consolidated balance sheets  
Consolidated statements of income  
Condensed consolidated statements of cash flow  
Consolidated revenue distribution by areas of operation and by geographical regions

This press release contains forward looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended) regarding Elbit Systems Ltd. and/or its subsidiaries (collectively the

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

(FINANCIAL TABLES TO FOLLOW)

ELBIT SYSTEMS LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands of US Dollars)

December 31, 2009	September 30, 2010	
Audited	Unaudited	
Assets		
Cash and cash equivalents 140,709	\$ 255,046	\$
Short-term bank deposits 115,924	117,837	
Available for sale marketable securities 23,639	15,707	
Trade receivables, net 659,524	653,082	
Other receivables and pre-paid expenses 115,856	169,307	
Inventories, net of customer advances 569,848	620,891	
Total current assets 1,625,500	1,831,870	
Investment in affiliated companies, 88,759	100,047	

partnership and other companies			
Available for sale marketable securities		8,161	
12,941			
Long-term bank deposits and other receivables		71,795	
36,338			
Deferred income taxes, net		13,052	
7,992			
Severance pay fund		287,241	
274,136			
		480,296	
420,166			
Property, plant and equipment, net		445,167	
404,675			
Goodwill and other intangible assets, net		614,976	
603,336			
Total assets		\$ 3,372,309	\$
3,053,677			
Liabilities and Shareholders' Equity			
Current maturities of long-term loans and		\$ 39,484	\$
2,663			
Series A Notes			
Trade payables		317,005	
299,238			
Other payables and accrued expenses		547,831	
552,806			
Customer advances in excess of costs		333,618	
367,137			
incurred on contracts in progress			
Total current liabilities		1,237,938	
1,221,844			
Long-term loans, net of current maturities		295,089	
386,534			
Series A Notes		270,045	
-			
Accrued termination liability		368,321	
351,278			
Deferred income taxes and tax liabilities, net		59,024	
59,602			
Customer advances in excess of costs		139,353	
142,566			
incurred on contracts in progress			
Other long-term liabilities		33,987	
34,659			
		1,165,819	
974,639			

Elbit Systems Ltd.'s shareholders' equity	938,040
832,868	
Non-controlling interests	30,512
24,326	
Total shareholders' equity	968,552
857,194	
Total liabilities and shareholders' equity	\$ 3,372,309
3,053,677	\$

ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF INCOME

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

Months Ended	Nine Months Ended		Three
	September 30		September
30	2010	2009	2010
2009			
			Unaudited
Revenues	\$	\$	\$
\$	1,871,384	2,117,741	649,906
732,520			
Cost of revenues	1,305,372	1,480,302	452,000
515,219			
Gross profit	566,012	637,439	197,906
217,301			
Operating expenses:			
Research and development, net	165,660	154,910	56,149
56,022			
Marketing and selling	164,053	191,561	59,122
67,096			
General and administrative	90,369	86,805	30,228
28,519			
Other income, net	(4,756)	-	-
-			
Total operating expenses	415,326	433,276	145,499
151,637			
Operating income	150,686	204,163	52,407
65,664			

Financial expenses, net (564)	(9,658)	(8,165)	(5,521)
Other income (expenses), net (222)	13,439	(868)	350
Income before taxes on income 64,878	154,467	195,130	47,236
Taxes on income 11,448	21,606	37,696	4,791
	132,861	157,434	42,445
53,430			
Equity in net earnings of affiliated companies and partnership 6,202	13,205	14,395	3,905
Consolidated net income \$59,632	\$146,066	\$171,829	\$46,350
Less: net income attributable to non- controlling interests (1,377)	(6,254)	(10,598)	(1,099)
Net income attributable to Elbit Systems Ltd.'s shareholders \$58,255	\$139,812	\$161,231	\$45,251
Earnings per share attributable to Elbit Systems Ltd.'s ordinary shareholders:			
Basic net earnings per share \$1.37	\$3.27	\$3.82	\$1.06
Diluted net earnings per share \$1.35	\$3.23	\$3.76	\$1.05
Weighted average number of shares used in computation of basic earnings per share 42,426	42,631	42,241	42,671
Weighted average number of shares used in computation of diluted earnings per share 43,233	43,226	42,897	43,165

Table Continues:

	Year Ended	
	December 31	
	2009	
	Audited	
Revenues	\$ 2,832,437	
Cost of revenues	1,982,954	
Gross profit	849,483	
Operating expenses:		

Research and development, net	216,752
Marketing and selling	250,963
General and administrative	119,311
Other income, net	-
Total operating expenses	587,026
Operating income	262,457
Financial expenses, net	(15,585)
Other income (expenses), net	458
Income before taxes on income	247,330
Taxes on income	38,109
	209,221
Equity in net earnings of affiliated companies and partnership	19,292
Consolidated net income	\$ 228,513
Less: net income attributable to non- controlling interests	(13,566)
Net income attributable to Elbit Systems Ltd.'s shareholders	\$ 214,947
Earnings per share attributable to Elbit Systems Ltd.'s ordinary shareholders:	
Basic net earnings per share	\$ 5.08
Diluted net earnings per share	\$ 5.00
Weighted average number of shares used in computation of basic earnings per share	42,305
Weighted average number of shares used in computation of diluted earnings per share	42,983

ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOW

(In thousands of US Dollars)

	Nine Months Ended	
Year		
Ended		
December	September 30,	
31,		
2009	2010	2009
(Audited)		(Unaudited)

CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 146,066	\$ 171,829	\$
228,513			
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	93,669	93,189	
123,473			
Write-off impairment	717	-	
3,017			
Stock based compensation	4,254	3,839	
5,134			
Amortization of Series A Notes	103	-	
-			
discount and deferred financing costs			
Deferred income taxes and	(9,068)	(4,824)	
7,606			
reserve			
Severance, pension and	2,129	(13,203)	
(16,773)			
termination indemnities, net			
Gain on sale of property, plant	(1,978)	(468)	
(723)			
and equipment			
Gain on sale of investments	(19,178)	(120)	
(2,734)			
Equity in net earnings of	(4,735)	(2,668)	
(1,824)			
affiliated companies and partnership, net of dividend received(*)			
Change in operating assets and liabilities:			
Increase in short and long-term	(65,959)	(41,871)	
(136,224)			
trade receivables, and prepaid expenses			
Decrease (increase) in	(48,282)	44,913	
75,431			
inventories, net			
Decrease (increase) in trade	12,745	(8,233)	
20,223			
payables, other payables and accrued expenses			
Decrease in advances received	(36,843)	(115,360)	
(95,397)			
from customers			
Net cash provided by operating	73,640	127,023	
209,722			
activities			

CASH FLOWS FROM INVESTING		
ACTIVITIES		
Purchase of property, plant and (107,893) equipment	(105,397)	(78,054)
Acquisition of subsidiaries and (48,234) business operations	(34,566)	(124,033)
Investments in affiliated (19,415) companies and other companies	(1,192)	(21,794)
Proceeds from sale of property, 9,055 plant and equipment	7,732	6,972
Proceeds from sale of 33,026 investments	12,751	-
Investment in available for (11,010) sales debt-securities and long-term deposits, net	5,006	(11,272)
Investment in short-term (52,832) deposits, net	6,387	(40,946)
Net cash used in investing (197,303) activities	(109,279)	(269,127)
CASH FLOWS FROM FINANCING		
ACTIVITIES		
Proceeds from exercise of 9,871 options	4,084	11,340
Purchase of non-controlling (110,250) interests	-	-
Repayment of long-term bank (148,652) loans	(246,146)	(68,159)
Proceeds from issuance of Series - A Notes, net	283,213	-
Deferred financing costs related - to issuance of Senior A Notes	(2,185)	-
Receipt of long-term bank loans 256,354	159,000	217,115
Dividends paid (76,172)	(47,990)	(60,897)
Change in short-term bank credit (7,531) and loans, net	-	(7,436)
Net cash provided by (used in)	149,976	91,963



	September 30				September 30			
	2010		2009		2010		2009	
%	\$	%	\$	%	\$	%	\$	
millions	millions		millions		millions			
Israel	458.8	24.5	468.3	22.1	182.5	28.1	167.5	
United States	589.6	31.5	603.1	28.5	187.8	28.9	209.7	
Europe	390.2	20.9	550.8	26.0	116.4	17.9	201.2	
Other	432.8	23.1	495.5	23.4	163.2	25.1	154.1	
countries								
Total	1,871.4	100.0	2,117.7	100.0	649.9	100.0	732.5	

Company Contact  
Joseph Gaspar, Executive VP & CFO  
Dalia Rosen, VP, Head of Corporate  
Communications  
Elbit Systems Ltd.  
Tel: +972-4-831-6663  
Fax +972-4-831-6944  
elbitsystems@ccgisrael.com  
E-mail: j.gaspar@elbitsystems.com  
Dalia.rosen@elbitsystems.com

IR Contact  
Ehud Helft  
Kenny Green  
  
CCG Investor Relations  
Tel: +1-646-201-9246  
E-mail:

SOURCE Elbit Systems Ltd