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ELBIT SYSTEMS LTD
Form 6-K
November 06, 2002

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the Month of November 2002

ELBIT SYSTEMS LTD.
(Translation of Registrant's Name into English)
Advanced Technology Center, P.O.B. 539, Haifa 31053, Israel
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

Form 20-F Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

Yes No

Attached hereto as Exhibit 1 and incorporated by reference herein are the Registrant's financial statements for the quarter ended September 30, 2002.

Attached hereto as Exhibit 2 and incorporated by reference herein is a report of the Registrant's management for the three and nine-month periods ended September 30, 2002.

Attached hereto as Exhibit 3 and incorporated by reference herein is the Registrant's press release dated November 6, 2002.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELBIT SYSTEMS LTD.
(Registrant)

By: /s/ Arie Tal

Name: Arie Tal
Title: Corporate Secretary

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Dated: November 6, 2002.

EXHIBIT INDEX

EXHIBIT NO. -----	DESCRIPTION -----
1.	Financial statements for the quarter ended September 30, 2002.
2.	Management report for the three and nine-month periods ended September 30, 2002.
3.	Press release dated November 6, 2002.

EXHIBIT 1

ELBIT SYSTEMS LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2002

(Unaudited)

ELBIT SYSTEMS LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

AS OF SEPTEMBER 30, 2002

(Unaudited)

C O N T E N T S

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ELBIT SYSTEMS LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars)

	SEPTEMBER 30 2002 (UNAUDITED) -----	DECEMBER 31 2001 (AUDITED) -----
CURRENT ASSETS		
Cash and cash equivalents	48,163	44,064
Deposits with banks and others	3,624	2,940
Trade receivables, net of allowance for doubtful accounts of \$3,118 and \$3,200 as of September 30, 2002 and December 31, 2001, respectively	232,320	241,827
Other receivables and prepaid expenses	38,589	34,779
Inventories, net of advances (Note 3)	219,587	185,090
	-----	-----
Total current assets	542,283	508,700
	-----	-----
INVESTMENTS AND LONG-TERM RECEIVABLES		
Affiliated companies and other investments	37,923	31,492
Accounts receivable	31,046	64,804
Deposits and loans	2,910	3,433
Severance pay fund	5,613	5,984
	-----	-----
Total long-term assets	77,492	105,713
	-----	-----
PROPERTY, PLANT AND EQUIPMENT, NET	194,828	184,774
	-----	-----
OTHER ASSETS, net of accumulated amortization of \$20,136 and \$14,416 at September 30, 2002 and December 31, 2001, respectively	106,488	105,283
	-----	-----
Total assets	921,091	904,470
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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ELBIT SYSTEMS LTD.

CONSOLIDATED BALANCE SHEETS

(In thousands of U.S. dollars)

	SEPTEMBER 30 2002 (UNAUDITED) -----	DECEMBER 31 2001 (AUDITED) -----
CURRENT LIABILITIES		
Loans and short-term credit	32,998	46,894
Accounts payable - trade	85,874	111,182
Sundry accruals	128,688	133,355
Advances from customers, net of inventories	100,308	93,342
	-----	-----
Total current liabilities	347,868	384,773
	-----	-----
LONG TERM LIABILITIES		
Long-term loans	77,840	69,202
Advances from customers, net	46,800	29,840
Deferred taxes	24,156	21,989
Employee termination obligations	16,238	14,687
	-----	-----
Total long-term liabilities	165,034	135,718
	-----	-----
MINORITY INTEREST	6,382	5,994
	-----	-----
SHAREHOLDERS' EQUITY		
Share capital	11,099	11,054
Additional paid-in capital	245,665	244,625
Retained earnings	149,364	126,627
	-----	-----
	406,128	382,306
Less - treasury stock	4,321	4,321
	-----	-----
Total shareholders' equity	401,807	377,985
	-----	-----
Total liabilities and shareholders' equity	921,091	904,470
	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF OPERATIONS

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(In thousands of U.S. dollars, except for per share amounts)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30		F THRE SE
	2002	2001	2002
	(UNAUDITED)		(
Revenues	589,143	539,731	210,155
Cost of revenues	424,415	389,153	150,738
Expense in respect of Chief Scientist (Note 5)	9,801	--	--
	154,927	150,578	59,417
Gross profit			
Research and development expenses, net	40,949	41,032	15,185
Marketing and selling expenses	47,353	38,126	17,366
General and administrative expenses	31,046	28,810	10,860
	119,348	107,968	43,411
Operating income	35,579	42,610	16,006
Finance expenses, net	(690)	(688)	(595)
Other income (expenses), net	(524)	(475)	(115)
Income before income taxes	34,365	41,447	15,296
Income taxes (Note 6)	6,810	8,875	1,565
	27,555	32,572	13,731
Equity in net gains (losses) of affiliated companies and partnership	2,554	(429)	1,114
Minority interest	1,877	984	659
Net income	31,986	33,127	15,504
Earnings per share			
Basic earnings per share	0.83	0.87	0.40
Number of shares used in computation (in thousands)	38,459	37,892	38,515
Diluted earnings per share	0.80	0.85	0.39
Number of shares used in computation (in thousands)	39,896	39,087	39,772

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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands of U.S. dollars, except number of shares)

	NUMBER OF SHARES	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----	-----
UNAUDITED				
BALANCE AS OF JANUARY 1, 2002	38,739,093	11,054	244,625	126,627
Net income	--	--	--	31,986
Warrants exercised	205,093	45	1,866	--
Tax benefit in respect of options exercised	--	--	390	--
Amortization of deferred stock compensation	--	--	(1,216)	--
Dividend	--	--	--	(9,249)
	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2002	38,944,186	11,099	245,665	149,364
	=====	=====	=====	=====
BALANCE AS OF JANUARY 1, 2001				
BALANCE AS OF JANUARY 1, 2001	38,153,233	10,916	235,462	97,963
Net income	--	--	--	33,127
Warrants exercised	309,061	74	1,101	--
Tax benefit in respect of options exercised	--	--	931	--
Adjustment of capital reserve	--	--	(3,874)	--
Amortization of deferred stock compensation	--	--	2,472	--
Treasury stock	--	--	--	--
Dividend	--	--	--	(9,088)
	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2001	38,462,294	10,990	236,092	122,002
	=====	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Cont.)

(In thousands of U.S. dollars, except number of shares)

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	NUMBER OF SHARES	SHARE CAPITAL	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS
	-----	-----	-----	-----
UNAUDITED				
BALANCE AS OF JULY 1, 2002	38,905,182	11,090	245,902	136,940
Net income	--	--	--	15,504
Warrants exercised	39,004	9	312	--
Tax benefit in respect of options exercised	--	--	54	--
Amortization of deferred stock compensation	--	--	(603)	--
Dividend	--	--	--	(3,080)
	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2002	38,944,186	11,099	245,665	149,364
	=====	=====	=====	=====
BALANCE AS OF JULY 1, 2001	38,307,701	10,953	237,255	113,697
Net income	--	--	--	11,337
Warrants exercised	154,593	37	515	--
Tax benefit in respect of options exercised	--	--	514	--
Adjustment of capital reserve	--	--	(3,874)	--
Amortization of deferred stock compensation	--	--	1,682	--
Dividend	--	--	--	(3,032)
	-----	-----	-----	-----
BALANCE AS OF SEPTEMBER 30, 2001	38,462,294	10,990	236,092	122,002
	=====	=====	=====	=====
AUDITED				
BALANCE AS OF JANUARY 1, 2001	38,153,233	10,916	235,462	97,963
Net income	--	--	--	40,796
Warrants exercised	585,860	138	3,162	--
Tax benefit in respect of options exercised	--	--	1,363	--
Adjustment of capital reserve	--	--	(3,874)	--
Amortization of deferred stock compensation	--	--	8,512	--
Treasury stock	--	--	--	--
Dividend	--	--	--	(12,132)
	-----	-----	-----	-----
BALANCE AS OF DECEMBER 31, 2001	38,739,093	11,054	244,625	126,627
	=====	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands of U.S. dollars)

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	FOR THE NINE MONTHS ENDED SEPTEMBER 30	
	2002	2001
	(UNAUDITED)	
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	31,986	33,127
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and non-cash compensation	24,382	28,174
Deferred taxes	382	(4,250)
Deposits for severance pay	371	161
Provision for severance pay	1,551	101
Loss (gain) on sale of fixed assets and investments	372	87
Equity in net losses (gains) of affiliates and partnership	(2,554)	429
Minority interests and other adjustments	(1,855)	(497)
Changes in operating assets and liabilities:		
Receivables and prepaid expenses	41,428	(232)
Inventories	(54,826)	(59,495)
Accounts payable and accrued expenses	(30,081)	(5,310)
Chief Scientist	9,935	--
Advances received from customers	41,755	(4,847)
	-----	-----
	30,860	(45,679)
	-----	-----
Net cash provided by (used in) operating activities	62,846	(12,552)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed and other assets	(30,416)	(33,439)
Investment grants received	--	392
Purchase of subsidiaries and business (Schedule A)	(5,280)	--
Investments in affiliated company and subsidiary	(2,684)	(2,700)
Proceeds from sale of fixed assets and investments	805	1,560
Long-term loans granted to employees	(555)	(1,868)
Long-term loans repaid by employees	818	2,279
Short-term loans, net	(612)	(100)
	-----	-----
Net cash used in investing activities	(37,924)	(33,876)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of options	1,911	1,175
Repayment of long-term credit for purchase of a building	--	(3,000)
Company's shares acquired by a subsidiary	--	(708)
Proceeds from issuance of shares in a subsidiary	--	2,782
Receipt on account of shares in a subsidiary	1,000	--
Long-term loans repaid	(1,634)	(9,909)
Long-term loans received	2,241	424
Dividends paid	(9,249)	(9,088)
Changes in short-term credit, net	(15,092)	50,340
	-----	-----
Net cash provided by (used in) financing activities	(20,823)	32,016
	-----	-----
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,099	(14,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	44,064	51,716
	-----	-----

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CASH AND CASH EQUIVALENTS AT END OF PERIOD	48,163	37,304
	=====	=====

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ELBIT SYSTEMS LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT.)

(In thousands of U.S. dollars)

	FOR THE NINE MONTHS ENDED SEPTEMBER 30		FOR THE YEAR ENDED DECEMBER 31
	2002	2001	2001
	(UNAUDITED)		(AUDITED)
	-----	-----	-----
Income taxes paid	17,878	7,245	9,469
	=====	=====	=====
Interest paid	2,778	6,130	6,649
	=====	=====	=====
SCHEDULE A:			
Purchase of subsidiaries and business			
Assets and liabilities on date of acquisition:			
Working capital (except cash)	--	--	888
Fixed assets	(275)	--	(1,886)
Other assets	(5,078)	--	(3,800)
Long-term liabilities	--	--	1,454
Purchase of assets in credit	73	--	--
	-----	-----	-----
	(5,280)	--	(3,344)
	=====	=====	=====

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

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ELBIT SYSTEMS LTD.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(In thousands of U.S. dollars)

NOTE 1 - GENERAL

The accompanying financial statements have been prepared in a condensed format as of September 30, 2002, and for the nine months and three months then ended in accordance with generally accepted accounting principles in the United States (U.S. GAAP) relating to the preparation of financial statements for interim periods. See Note 7 for the reconciliation from US GAAP to accounting principles generally accepted in Israel (Israeli GAAP).

These statements should be read in conjunction with the Company's annual financial statements and accompanying notes as of December 31, 2001.

The interim financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair presentation. All such adjustments were of a normal recurring nature.

Operating results for the nine months ended September 30, 2002, are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these financial statements are identical to those applied in preparation of the latest annual financial statements, except as described in Note 4.

The accompanying financial statements have been prepared in U.S. dollars since the functional currency of the primary economic environment in which the operations of the Group (which includes the Company and its subsidiaries) are conducted is the U.S. dollar.

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ELBIT SYSTEMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(In thousands of U.S. dollars)

NOTE 3 - INVENTORIES, NET OF ADVANCES

	September 30 2002	DECEMBER 31 2001
	----- UNAUDITED	----- AUDITED
Work-in-progress	193,082	155,712
Materials	76,396	70,133
Advances and payments on account	39,677	30,955
	-----	-----
	309,155	256,800
Less-		
Inventories deducted from advances	8,896	10,961
	-----	-----

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	300,259	245,839
Less -		
Advances received from customers	72,363	49,969
Provision for losses	8,309	10,780
	-----	-----
	219,587	185,090

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets (SFAS 142) and accordingly goodwill is no longer being amortized as of January 1, 2002. In accordance with SFAS 142, the Company has also evaluated the useful lives of its other intangible assets and has concluded that no change in the period of amortization is necessary.

The annual amortization expense relating to intangibles existing as of September 30, 2002 for each of the five years in the period ending December 31, 2006 is estimated to be approximately \$7,000.

As of January 1, 2002, the Company has unamortized goodwill in the amount of \$36,000.

In connection with SFAS No. 142's transitional goodwill impairment evaluation, the Company, based on an independent valuation of the fair value of each reporting unit, has determined that the carrying amount of each reporting unit does not exceed its fair value as of January 1, 2002. Accordingly, the Company concluded that as of January 1, 2002 no goodwill impairment loss should be recorded.

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ELBIT SYSTEMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(In thousands of U.S. dollars)

NOTE 4 - GOODWILL AND OTHER INTANGIBLE ASSETS (CONT.)

The following transitional information is presented to reflect net income and earnings per share for all prior periods adjusted to exclude amortization of goodwill.

	FOR THE NINE MONTHS ENDED		FOR THE THREE MONTHS ENDED	
	----- SEPTEMBER 30		----- SEPTEMBER 30	
	2002	2001	2002	2001
	----	----	----	----
Reported net income	31,986	33,127	15,504	11,337
Goodwill amortization	--	2,070	--	690
	-----	-----	-----	-----
Adjusted net income	31,986	35,197	15,504	12,027
	=====	=====	=====	=====

Earnings per share

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Reported basic earnings per share	0.83	0.87	0.40	0.30
Goodwill amortization	--	0.06	--	0.02
	-----	-----	-----	-----
Adjusted basic earnings per share	0.83	0.93	0.40	0.32
	=====	=====	=====	=====
Reported diluted earnings per share	0.80	0.85	0.39	0.29
Goodwill amortization	--	0.05	--	0.01
	-----	-----	-----	-----
Adjusted diluted earnings per share	0.80	0.90	0.39	0.30
	=====	=====	=====	=====

NOTE 5 - ARRANGEMENT WITH THE CHIEF SCIENTIST

In May 2002 El-Op's Board of Directors approved an arrangement, proposed by the Chief Scientist in Israel, according to which El-Op will pay commencing in 2002 an agreed amount of \$10,632 in exchange for a release from all obligations to pay royalties in the future. This amount has been recorded as of September 30, 2002. As a result the Company recorded an expense for the agreed amount net of the accrual for royalties, previously recorded by El-OP.

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ELBIT SYSTEMS LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - UNAUDITED
(In thousands of U.S. dollars)

NOTE 6 - INCOME TAXES

The provision for taxes made in the third quarter of 2002 includes a reduction of tax expenses in the amount of \$2,800 due to adjustments of estimated taxes and completion of tax assessments for prior years in respect of various group companies.

NOTE 7 - RECONCILIATION TO ISRAELI GAAP

As described in Note 1, the Company prepares its financial statements in accordance with U.S. GAAP. The effects of the differences between US GAAP and Israeli GAAP on the Company's financial statements are detailed below.

1. EFFECT ON NET INCOME AND EARNINGS PER SHARE

FOR THE NINE MONTHS ENDED SEPTEMBER 30	
2002	2001
(UNAUDITED)	

FOR
YEAR
DECEMBER
20
(AUDIT)

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A) Net income as reported			
according to U.S. GAAP	31,986	33,127	40,
Adjustments to Israeli GAAP	(3,163)	1,234	1,
	-----	-----	-----
Net income according to Israeli GAAP	28,823	34,361	42,
	=====	=====	=====
B) Earnings per share			
Basic net income per share			
As reported according to U.S. GAAP	0.83	0.87	1
As per Israeli GAAP	0.75	0.91	1
Diluted net income per share			
As reported according to U.S. GAAP	0.80	0.85	1
As per Israeli GAAP	0.72	0.88	1

2. EFFECT ON SHAREHOLDERS' EQUITY

	AS REPORTED	ADJUSTMENTS	AS P ISRA GAA
	-----	-----	-----
AS OF SEPTEMBER 30, 2002 (UNAUDITED)			
Shareholders' equity	401,807	(12,636)	389,
	=====	=====	=====
AS OF DECEMBER 31, 2001 (AUDITED)			
Shareholders' equity	377,985	(12,149)	365,
	=====	=====	=====

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EXHIBIT 2

ELBIT SYSTEMS LTD.

MANAGEMENT'S REPORT

FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2002

THIS REPORT SHOULD BE READ TOGETHER WITH THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE QUARTER ENDED SEPTEMBER 30, 2002 AND THE COMPANY'S FORM 20-F FOR THE YEAR ENDED DECEMBER 31, 2001, FILED BY THE COMPANY WITH THE U.S. SECURITIES AND EXCHANGE COMMISSION AND THE ISRAELI SECURITIES AUTHORITY.

A. THE COMPANY AND ITS BUSINESS ENVIRONMENT

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Elbit Systems Ltd. ("Elbit Systems") and its subsidiary companies (together the "Company") operate in the area of upgrading existing airborne, ground and naval defense platforms and are engaged in projects involving the design, development, manufacture, integration and marketing of advanced integrated defense systems, electronic systems, electro-optic systems and products, software intensive programs and products for the defense and homeland security sectors. In addition, the Company provides support and services for such platforms, systems and products.

The Company is engaged in the design, development, manufacture and integration of electronic and electro-optic systems and products for various leading projects in Israel and worldwide, in areas such as ground and naval command, control, communication, computers and intelligence ("C4I") systems, digital maps, night vision systems, pilot helmet mounted systems, display and data processing systems, unmanned air vehicles ("UAVs"), computerized simulators, communication systems, thermal imaging products, laser products, optical systems for space applications, airborne reconnaissance systems, optic communication systems and products, security systems and products, surveillance products and systems and electric drive systems. The Company often cooperates with industries in Israel, as well as in various other countries.

B. BACKLOG OF ORDERS

On September 30, 2002, the Company's backlog of orders reached \$1,677 million, of which 66% were for orders outside Israel. On December 31, 2001, the Company's backlog was \$1,566 million, out of which 68% were for orders outside Israel.

Approximately 55% of the Company's backlog as of September 30, 2002 is scheduled to be performed during the fourth quarter of 2002 and during 2003.

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C. MAJOR SUBSIDIARIES AND AFFILIATED COMPANIES

- |_ | Elop Electro-Optics Industries Ltd. ("El-Op") - a wholly owned subsidiary registered in Israel, is engaged in the field of advanced electro-optical products for defense, homeland security and civil applications. El-Op's main business areas include development and production of thermal imaging products, laser products, optical systems for space applications, airborne reconnaissance systems, optical communications systems, fire control systems for combat vehicles, homeland security products and other systems for defense applications.

- |_ | EFW Inc. ("EFW") - a wholly owned subsidiary registered in the United States, serves as the base for the Elbit Systems group's activities in the United States, mainly in the area of development, production and maintenance of advanced defense products and systems.

- |_ | Cyclone Aviation Products Ltd. ("Cyclone") - a wholly owned subsidiary registered in Israel, provides logistic support and maintenance services for aircraft and helicopters and manufactures structure components and sub-assemblies for aircraft.

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- |_ | Silver Arrow - a wholly owned limited partnership registered in Israel, is engaged in the business of UAV systems and products.
- |_ | Ortek Ltd. ("Ortek") - a wholly owned subsidiary registered in Israel, is engaged mainly in the area of security products and systems and night vision equipment. On January 7, 2002, the Company increased its holdings in Ortek from 75% to 100%.
- |_ | Kinetics Ltd. ("Kinetics") - a 51% owned subsidiary registered in Israel, is involved mainly in the development and production of systems and components for armored vehicles.
- |_ | Semi-Conductor Devices ("SCD") - an affiliated Israeli partnership, owned 50% each by the Company and Rafael Armaments Development Authority Ltd. ("Rafael"), is engaged in the development and production of infrared detectors and laser diodes.
- |_ | Opgal Optronics Industries Ltd. ("Opgal") - an affiliated Israeli company, owned 50.1% by the Company and 49.9% by Galram Technologies Ltd., a wholly owned subsidiary of Rafael, is engaged mainly in the area of thermal imaging systems for commercial applications.
- |_ | The Company also has holdings, directly and indirectly, in several technology spin-off companies whose activities are based on technologies that were developed by the Company and its subsidiaries. The spin-off companies are involved primarily in the areas of optical communications, space satellites and medical diagnostic equipment.

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D. NEW ACCOUNTING STANDARDS AFFECTING THE BUSINESS RESULTS

On January 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142 ("SFAS 142"). In accordance with SFAS 142, commencing January 1, 2002 the Company no longer amortizes goodwill.

Also in accordance with SFAS 142, the Company evaluated the need to record goodwill impairment loss. As of January 1, 2002, based on the results of this evaluation, the Company concluded that no impairment loss was required to be recorded.

E. EVENTS IN 2002

- |_ | On May 23, 2002, Elbit Systems announced that its wholly-owned subsidiary, El-Op, reached an agreement to join the new program offered by the Office of the Chief Scientist of the Israeli Ministry of Industry and Trade ("OCS"), aimed at major R&D intensive Israeli companies.

According to the agreement, El-Op will pay the OCS, over a period of five years commencing in 2002, an agreed amount of \$10.6 million, in exchange for a release by the OCS from all obligations to pay royalties in the future.

The agreed upon amount, net of cost of accrued royalties previously recorded by El-Op, was recorded with cost of revenues as a one-time

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charge of approximately \$9.8 million (before tax) in the Company's statement of operations for the second quarter of 2002. The Company estimates that the cost of the agreement will be recovered through reduction of future royalty expenses within a period of approximately four years.

|_ | On July 24, 2002, the Israeli Parliament (Knesset) approved an amendment to the Income Tax Ordinance (Amendment No. 132), 2002. The amendment includes certain provisions that change the taxation treatment of employee stock options and expand the Israeli corporate tax base by changing the taxation of certain passive income deriving from sources outside of Israel. The Company is currently evaluating the impact of the new amendment on its future financial results.

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F. SUMMARY OF FINANCIAL RESULTS

The following table sets forth the consolidated statements of operations of the Company and its subsidiaries for the three and nine-month periods ended September 30, 2002 and September 30, 2001.

	For the nine months ended on September 30				For t ended	
	2002		2001		2002	
	\$	%	\$	%	\$	%

	(In thousands of U.S. dollars except per					
Total revenues	589,143	100.0	539,731	100.0	210,155	100
Cost of revenues	424,415	72.0	389,153	72.1	150,738	71
	-----	-----	-----	-----	-----	-----
Gross profit before OCS non-recurring charge	164,728	28.0	150,578	27.9	59,417	28
	-----	-----	-----	-----	-----	-----
OCS non-recurring charge	9,801	1.7	--	--	--	--
	-----	-----	-----	-----	-----	-----
Gross profit as reported	154,927	26.3	150,578	27.9	59,417	28
	-----	-----	-----	-----	-----	-----
Research and development expenses, net	40,949	7.0	41,032	7.6	15,185	7
Marketing and selling expenses	47,353	8.0	38,126	7.1	17,366	8
General and administrative expenses	31,046	5.3	28,810	5.3	10,860	5
	-----	-----	-----	-----	-----	-----
	119,348	20.3	107,968	20.0	43,411	20
	-----	-----	-----	-----	-----	-----
Operating income	35,579	6.0	42,610	7.9	16,006	7
	-----	-----	-----	-----	-----	-----
Financing expenses, net	(690)	(0.1)	(688)	(0.1)	(595)	(0
Other expenses, net	(524)	(0.1)	(475)	(0.1)	(115)	0
	-----	-----	-----	-----	-----	-----
Income before income taxes	34,365	5.8	41,447	7.7	15,296	7

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Provision for income taxes	6,810	1.1	8,875	1.6	1,565	0
	-----	-----	-----	-----	-----	-----
Minority interest	27,555	4.7	32,572	6.0	13,731	6
Company's share of income (loss) of affiliated companies and partnerships	1,877	0.3	984	0.2	659	0
	-----	-----	-----	-----	-----	-----
Net earnings	31,986	5.4	33,127	6.1	15,504	7
	=====	=====	=====	=====	=====	=====
Diluted earnings per share	0.80		0.85		0.39	
	=====		=====		=====	
Weighted average number of shares used in computation	39,896		39,087		39,772	
	=====		=====		=====	

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The following tables sets forth the Company's results of operations, excluding the non-recurring charge of \$9.8 million related to the agreement reached by El-Op with the OCS in the second quarter of 2002, and the effect of SFAS 142 on the net earnings and earnings per share in 2001.

1. Excluding non-recurring OCS charge:

	For the nine months ended on September 30				For t ended	
	2002		2001		2002	
	\$	%	\$	%	\$	%
	---	---	---	---	---	---
	(In thousands of U.S. dollars except per					
Gross profit	164,728	28.0	150,578	27.9	59,417	28
Operating income	45,380	7.7	42,610	7.9	16,006	7
Net earnings	39,826	6.8	33,127	6.1	15,504	7
	=====		=====		=====	
Diluted earnings per share excluding OCS charge and including goodwill amortization	1.00		0.85		0.39	
	=====		=====		=====	

2. Excluding non-recurring OCS charge in 2002 and amortization of goodwill in 2001:

For the nine months

For t

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	ended on September 30				ended	
	2002		2001		2002	
	\$	%	\$	%	\$	%
	(In thousands of U.S. dollars except per					
Net earnings	39,826	6.8	35,197	6.5	15,504	7
Diluted earnings per share excluding OCS charge and goodwill amortization	1.00		0.90		0.39	

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REVENUE

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended
on September 30, 2001

The Company's consolidated revenues increased by 9.2%, from \$539.7 million in the first nine months of 2001 to \$589.1 million in the first nine months of 2002.

The following table sets forth the Company's revenue distribution by business lines:

	Nine-month period ended	
	September 30, 2002	September 30, 2001
	(In \$ millions)	
Airborne systems	274.8	239.1
Armored vehicle systems	96.2	94.0
C4I systems	86.1	74.6
Electro-Optics	101.1	104.0
Other	30.9	28.0
Total	589.1	539.7

The following table sets forth the Company's distribution of revenues by geographical regions:

	Nine-month period ended	
	September 30, 2002	September 30, 2001
Israel	26%	28%
United States	33%	28%

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Europe	17%	23%
Other Countries	24%	21%

Three Months Ended on September 30, 2002, Compared to Three Months

Ended on September 30, 2001

The consolidated revenues increased by 11.8% from \$188.0 million in the third quarter of 2001 to \$210.2 million in the third quarter of 2002.

The following table sets forth the Company's distribution of revenues by business lines:

	Three-month period ended	
	September 30, 2002	September 30, 2001
	-----	-----
	(In \$ millions)	
Airborne systems	104.9	83.8
Armored vehicle systems	26.1	32.9
C4I systems	30.1	24.9
Electro-Optics	36.9	37.8
Other	12.2	8.6
	-----	-----
Total	210.2	188.0
	=====	=====

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The following table sets forth the Company's distribution of revenues by geographical regions:

	Three-month period ended	
	September 30, 2002	September 30, 2001
	-----	-----
Israel	25%	31%
United States	33%	27%
Europe	18%	16%
Other Countries	24%	26%

GROSS PROFIT

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

Gross profit in the nine months ended on September 30, 2002 was \$154.9 million, and the gross profit margin was 26.3%.

Excluding the non-recurring charge related to the OCS program

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amounting to \$9.8 million, the gross profit and gross profit margin in the first nine months of 2002 were \$164.7 million and 28.0%, respectively, as compared to \$150.6 million and 27.9% in the nine-month period ended on September 30, 2001.

The Company's gross profit for the nine-month period ended on September 30, 2002 was effected by the write-off in the amount of approximately \$6.3 million (before tax) for potential losses related to the Fairchild-Dornier GmbH ("Dornier") project that was included in its results for the second quarter of 2002. The write-off was made in view of the insolvency proceedings that were instituted against Dornier, with whom Cyclone had a risk sharing contract for the supply of certain parts for Dornier's "728" aircraft project, and in view of the uncertain future of the "728" project.

Third Quarter of 2002, Compared to Third Quarter of 2001

Gross profit in the three-month period ended September 30, 2002 was \$59.4 million, as compared to \$51.9 million in the comparable period last year. The gross profit margin in the third quarter of 2002 was 28.3% as compared to 27.6% in the comparable period last year.

Cost of revenues in 2001 included amortization of goodwill, which following the adoption of SFAS 142 effective January 1, 2002, is no longer amortized.

RESEARCH AND DEVELOPMENT ("R&D")

The Company continually invests in R&D in order to maintain and further advance its technologies, in accordance with a long-term plan, based on estimated market needs.

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Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

Gross R&D expenses in the nine-month period ended September 30, 2002 totaled \$43.9 million (7.5% of revenues), as compared with \$48.9 million (9.1% of revenues) in the nine-month period ended September 30, 2001.

Net R&D expenses (after deduction of the OCS participation) in the nine-month period ended September 30, 2002 totaled \$40.9 million (7.0% of revenues), as compared to \$41.0 million (7.6% of revenues) in the comparable period in 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

Gross R&D expenses in the three-month period ended September 30, 2002 were \$16.3 million (7.7% of revenues), as compared with \$18.1 million (9.6% of revenues) in the three-month period ended September 30, 2001.

Net R&D expenses (after deduction of the OCS participation) in the three-month period ended September 30, 2002 totaled \$15.2 million

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(7.2% of revenues), as compared with \$15.3 million (8.1% of revenues) in the comparable period in 2001.

The Company's investments in R&D in the reported periods were in accordance with the Company's long-term plan.

The OCS' participation in the Company's R&D expenses in the nine-month period ended September 30, 2002 has been lower than in the comparable periods in 2001, and the Company estimates that the total level of participation by the OCS for the year of 2002 will be lower than in 2001.

MARKETING AND SELLING EXPENSES

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

Marketing and selling expenses in the nine-month period ended September 30, 2002 were \$47.4 million (8.0% of revenues), as compared to \$38.1 million (7.1% of revenues) in the comparable period ended September 30, 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

In the third quarter of 2002 marketing and selling expenses were \$17.4 million (8.3% of revenues) as compared to \$13.3 million (7.1% of revenues) in the comparable period in 2001.

The reasons for the increase in the Company's marketing and selling expenses were mainly the increased level of revenues, as well as the need to invest a higher level of resources in generating new business and the increased length of time required for marketing efforts until orders are received.

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GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

G&A expenses in the nine-month period ended September 30, 2002 were \$31.0 million (5.3% of revenues), as compared to \$28.8 million (5.3% of revenues) in the comparable period in 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

In the third quarter of 2002 G&A expenses were \$10.9 million (5.2% of revenues) as compared to \$10.8 million (5.8% of revenues) in the third quarter of 2001.

In the first three quarters of 2002 G&A expenses included G&A expenses

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and amortization of intangible assets related to companies that were not consolidated in the same period last year.

In the first three quarters of 2001 the G&A expenses included approximately \$0.5 million amortization of goodwill expenses per quarter, which following the adoption of SFAS 142 effective January 1, 2002, is no longer amortized.

OPERATING INCOME

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

As a result of all of the above, operating income in the nine-month period ended September 30, 2002, amounted to \$35.6 million (6.0% of revenues).

Excluding the non-recurring charge related to the OCS program in 2002, the Company's operating income and operating margin (as a percentage of revenues) in the first nine months of 2002 were \$45.4 million and 7.7%, respectively, compared to \$42.6 million and 7.9% in the comparable period in 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

Operating income amounted to \$16.0 million (7.6% of revenues) in the third quarter of 2002, as compared to \$12.4 million (6.6% of revenues) in the third quarter of 2001.

FINANCE EXPENSES, NET

Finance expenses (net) in the nine-month period ended September 30, 2002 were \$0.7 million, similar to the finance expense in the nine-month period ended September 30, 2001.

In the third quarter of 2002 the Company had finance expenses (net) of \$0.6 million, as compared to \$0.1 million finance expenses (net) in the third quarter of 2001.

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INCOME BEFORE TAX

Nine Months ended on September 30, 2002, Compared to Nine Months ended

on September 30, 2001

As a result of all of the above, income before income tax for the nine-month period ended September 30, 2002 was \$34.4 million (5.8 % of revenues).

Excluding the non-recurring charge related to the OCS program in 2002, the Company's income before tax was \$44.2 million (7.5% of revenues),

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compared to \$41.5 million (7.7% of revenues) in the nine-month period ended September 30, 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

In the third quarter of 2002 income before tax amounted to \$15.3 million (7.3% of revenues), as compared to \$11.9 million (6.3% of revenues) in the comparable period in 2001.

TAXES ON INCOME

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

Provision for taxes for the nine-month period ended September 30, 2002 was \$6.8 million as compared to \$8.9 million in the nine-month period ended September 30, 2001. The Company's effective tax rate for the first nine months of 2002 was 19.8%, as compared to 21.4% in the first nine months of 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

Provision for taxes in the third quarter of 2002 was \$1.6 million as compared to \$2.1 million in the third quarter of 2001. The Company's effective tax rate in the third quarter of 2002 was 10.2% as compared to 17.6% in the third quarter of 2001.

The provision for taxes in the third quarter of 2002 included reduction of tax expenses in the amount of \$2.8 million due to adjustments of estimated taxes and completion of tax assessments for prior years in respect of various group companies.

NET EARNINGS AND EARNINGS PER SHARE (EPS)

Nine Months Ended on September 30, 2002, Compared to Nine Months Ended

on September 30, 2001

Net earnings in the nine months ended on September 30, 2002 were \$32.0 million (5.4% of revenues). Diluted EPS in the nine months ended September 30, 2002 was \$0.80.

Excluding the non-recurring charge related to the OCS program, the Company's net earnings in the nine months ended on September 30, 2002 were \$39.8 million, (6.8%, of

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revenues), and diluted EPS was \$1.00, as compared to \$33.1 million (6.1% of revenues) and \$0.85 in the nine month ended on September 30, 2001.

Excluding amortization of goodwill, net earnings and diluted EPS were

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\$35.2 million and \$0.90, respectively, in the nine-month period ending September 30, 2001.

Third Quarter of 2002, Compared to Third Quarter of 2001

Net earnings in the third quarter of 2002 were \$15.5 million (7.4% of revenues), and diluted EPS was \$0.39, as compared to net earnings of \$11.3 million (6.0% of revenues) and diluted EPS of \$0.29 in the third quarter of 2001.

Excluding amortization of goodwill, net earnings and diluted EPS were \$12.0 million and \$0.30, respectively, in the three-month period ending September 30, 2001.

The number of shares used for computation of diluted EPS in the nine and three-month periods ended September 30, 2002 was approximately 39.9 million shares and 39.8 million shares, respectively, as compared to 39.1 million shares and 39.6 million shares in the nine and three-month periods ended September 30, 2001. The increase in the number of shares was due mainly to the exercise of options during the period.

G. LIQUIDITY AND CAPITAL RESOURCES -----

The Company's cash flow is affected by the cumulative cash flows of its various projects in the reported periods. Projects' cash flows are affected by the timing of the receipt of advances and the collection of accounts receivable from customers, which relate to specific events during the project, while expenses are on-going. As a result, the Company's cash flows may vary from one period to another.

The Company's policy is to invest its cash surplus primarily in interest bearing deposits in accordance with its projected needs.

The resources available to the Company include mainly profits, collection of accounts receivable, advances from customers, as well as Government of Israel grants and participation and bank financing in Israel and abroad based on its capital, assets and activities. In addition, the Company has the ability to raise funds through the offering of shares and debentures to the public from time to time.

The Company's net cash flow derived from ongoing operations in the nine months ended September 30, 2002 was \$62.8 million, resulting mainly from collection of customers receivables and receipt of advances from customers, which were partially offset by an increase in inventories and decrease in trade accounts payable.

Net cash flow used for investment activities in the nine months ended September 30, 2002 was \$37.9 million, which was used mainly for procurement of fixed assets and the acquisition of the Government Division of Elron Telesoft.

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Net cash flow used for financing activities in the nine months ended September 30, 2002 was \$20.8 million, resulting from a decrease in short-term borrowing and payment of dividends.

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As of September 30, 2002, the Company had working capital of \$194.4 million, and its current ratio was 1.56. The Company's ratio of equity to total assets was 43.6%.

H. DIVIDENDS

The Board of Directors declared on November 5, 2002 a dividend of \$0.09 per share for the third quarter of 2002.

* * *

Forward looking statements with respect to the Company's business, financial condition and results of operations in this document are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward looking statements, including, but not limited to, product demand, pricing, market acceptance, changing economic conditions, risks in product and technology development, the effect of the Company's accounting policies as well as certain other risk factors which are detailed from time to time in the Company's SEC filings.

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EXHIBIT 3

----- ELBIT SYSTEMS REPORTS RESULTS FOR THIRD QUARTER 2002

- o Revenues increase by 12% to \$210 million
- o Net income increases by 37%
- o Backlog of orders reaches \$1.68 billion

HAIFA, ISRAEL, NOVEMBER 6, 2002 - ELBIT SYSTEMS LTD. ("THE COMPANY") (NASDAQ: ESLT), the international defense company, today reported its consolidated results for the third quarter of 2002 and for the nine months ended September 30, 2002.

CONSOLIDATED REVENUES FOR THE THIRD QUARTER OF 2002 increased by approximately 12% to \$210.2 million from \$188.0 million in the corresponding quarter in 2001.

CONSOLIDATED REVENUES FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 increased by approximately 9% to \$589.1 million from \$539.7 million in the corresponding period in 2001.

NET INCOME FOR THE THIRD QUARTER OF 2002 increased by approximately 37% to \$15.5 million (7.4% of revenues) from \$11.3 million (6.0% of revenues) in the same period in 2001. Diluted earnings per share for the third quarter of 2002 were \$0.39 as compared with \$0.29 for the third quarter of 2001.

The net income for the third quarter of 2002 included reduction of tax expenses in the amount of \$ 2.8 million, due to adjustments of estimated taxes and completion of tax assessments for prior years with respect to various companies in the Elbit Systems group.

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CONSOLIDATED NET INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002, before the one-time charge included in the Company's results for the second quarter of 2002 due to an agreement reached with the Israeli Office of the Chief Scientist ("OCS"), increased to \$39.8 million (6.8% of revenues) from \$33.1 million (6.1% of revenues) in the same period in 2001. Diluted earnings per share for the nine-month period ended September 30, 2002, before the one-time charge for the OCS, were \$1.00 as compared with \$0.85 for the corresponding period of 2001.

NET INCOME FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002, AFTER THE ONE-TIME CHARGE FOR THE OCS, was \$32.0 million (5.4% of revenues) or diluted earnings per share of \$0.80.

GROSS PROFIT FOR THE THIRD QUARTER OF 2002 was \$59.4 million (28.3% of revenues), as compared with gross profit of \$51.9 million (27.6% of revenues) in the third quarter of 2001.

GROSS PROFIT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002, BEFORE THE ONE-TIME CHARGE FOR THE OCS, was \$164.7 million (28% of revenues), as compared with gross profit of \$150.6 million (27.9% of revenues) in the corresponding period of 2001.

GROSS PROFIT FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002, AFTER THE ONE-TIME CHARGE FOR THE OCS, was \$154.9 million (26.3% of revenues).

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BACKLOG OF ORDERS as of September 30, 2002 reached \$1,677 million, as compared with \$1,566 million at the end of 2001. 66% of the backlog relates to orders outside of Israel. As of September 30, 2002, approximately 55% of the Company's backlog is scheduled to be performed in the last quarter of 2002 and during 2003.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "We are pleased to report the Company's third quarter 2002 results which demonstrate Elbit Systems' continued growth. These results reflect the Company's intensive marketing efforts; continued investment in developing advanced technologies; dedicated employees in Israel and worldwide; and steps taken to improve efficiency. We reiterate our expectation that the growth will continue and anticipate revenues in 2002 to exceed \$800 million."

The Board of Directors has declared a dividend of \$0.09 per share for the third quarter of 2002. The dividend will be paid on December 16, 2002, net of taxes and levies at the rate of 17%. The record date of the dividend is December 3, 2002.

CONFERENCE CALL

Elbit Systems cordially invites you to participate in our interactive conference call on WEDNESDAY, NOVEMBER 7, 2002 AT 10:30 AM ET. To take part in the conference call, please dial 1-866-500-4965 (U.S. AND CANADA) OR 1-877-332-1104 (U.S.) OR +972-3-925-5910 (INTERNATIONAL) a few minutes before the 10:30 AM ET start time. For your convenience, an instant replay will be available Wednesday, November 7, 2002 at 12:30 PM ET until Friday, November 9, 2002 at 5:00 PM ET. The replay telephone number is 1-866-500-4965 (U.S. AND CANADA) OR +972-3-925-5945 (INTERNATIONAL).

ABOUT ELBIT SYSTEMS LTD.

Elbit Systems Ltd. is an international defense electronics company engaged in a

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wide range of defense-related programs throughout the world, in the areas of aerospace, ground and naval systems, command, control, communications, computers and intelligence (C4I) and advanced electro-optic technologies. The Company focuses on the upgrading of existing military platforms and developing new technologies for defense applications. For further information, please visit the Company web site at www.elbit.co.il.

STATEMENTS IN THIS PRESS RELEASE WHICH ARE NOT HISTORICAL DATA ARE FORWARD-LOOKING STATEMENTS WHICH INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES OR OTHER FACTORS NOT UNDER THE COMPANY'S CONTROL, WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS OF THE COMPANY TO BE MATERIALLY DIFFERENT FROM THE RESULTS, PERFORMANCE OR OTHER EXPECTATIONS IMPLIED BY THESE FORWARD-LOOKING STATEMENTS. THESE FACTORS INCLUDE, BUT ARE NOT LIMITED TO, THOSE DETAILED IN THE COMPANY'S PERIODIC FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION.

(FINANCIAL TABLES TO FOLLOW)

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ELBIT SYSTEMS LTD.
 CONSOLIDATED BALANCE SHEETS

 (In thousands of US Dollars)

	September 30 2002 ----- Unaudited	December 30 2001 ----- Audited
ASSETS -----		
Current Assets:		
Cash and short term deposits	51,787	47,004
Trade receivable and others	270,909	276,606
Inventories, net of advances	219,587	185,090
Total current assets	542,283 -----	508,700 -----
Affiliated Companies & other Investments	37,923	31,492
Long-term receivables & others	39,569	74,221
Fixed Assets, net	194,828	184,774
Other assets, net	106,488	105,283
	-----	-----
	921,091	904,470
	=====	=====
 LIABILITIES AND SHAREHOLDER'S EQUITY -----		
Current liabilities	347,868	384,773
Long-term liabilities	165,034	135,718
Minority Interest	6,382	5,994
Shareholder's equity	401,807	377,985
	-----	-----
	921,091	904,470
	=====	=====

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ELBIT SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF INCOME

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

	Nine Months Ended September 30		Three Mon Septemb
	2002	2001	2002
	Unaudited		Unau
Revenues:	589,143	539,731	210,155
Cost of revenues	424,415	389,153	150,738
Non-recurring charge	9,801	-	-
Gross Profit	154,927	150,578	59,417
Operating expenses:			
Research and development, net	40,949	41,032	15,185
Marketing and selling	47,353	38,126	17,366
General and administrative	31,046	28,810	10,860
Total operating expenses	119,348	107,968	43,411
Operating income	35,579	42,610	16,006
Financial expenses, net	(690)	(688)	(595)
Other income (expenses), net	(524)	(475)	(115)
Income before income taxes	34,365	41,447	15,296
Provisions for income taxes	6,810	8,875	1,565
	27,555	32,572	13,731
Company's share of partnerships and affiliated companies income (loss), net	2,554	(429)	1,114
Minority rights	1,877	984	659
Net income	31,986	33,127	15,504
Basic Earnings per share	\$0.83	\$0.87	\$0.40
Weighted average number of shares used in computation equivalents outstanding (in thousands)	38,459	37,892	38,515
Diluted net earnings per share	\$0.80	\$0.85	\$0.39
Weighted average number of shares used in			

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computation (in thousands)	39,896 =====	39,087 =====	39,772 =====
=====			
Net earnings excluding Goodwill amortization expenses		35,197 =====	
Diluted earnings per share excluding Goodwill amortization expenses		\$0.90 =====	