

In the midst of the COVID-19 pandemic:

2020 – IAI records historically high results

- **Annual sales of approx. USD 4.2 billion – the highest since the company's founding**
- **Recording a 48% growth in net income to USD 133 million – the highest net income ever recorded by the company**
 - **Record gross profit and leap in operating income and EBITDA**
 - **The company's R&D activity crossed the USD 1 billion threshold**
- **Growth in sales volumes** to approx. USD 4,184 million compared to approx. USD 4,108 million in 2019
- **Increase of 23% in annual EBITDA** to about USD 397 million compared with approx. USD 324 million in 2019
- **Gross profit saw a 15% increase** in 2020 to approx. USD 665 million (approx. 16% of sales) compared with approx. USD 577 million in 2019 (approx. 14% of sales) – an increase of some USD 88 million
- **Operating income increased by 61%** in 2020 to approx. USD 195 million (approx. 4.7% of sales) compared with approx. USD 121 million (approx. 2.9% of sales) in 2019
- **R&D activity increased by 13%** (in-house and contracted) in 2020 to approx. USD 1,036 million compared to approx. USD 909 million in 2019
- **Net income grew by 48%** over the past year to approx. USD 133 million compared with a net income of approx. USD 90 million in 2019
- **The company's order backlog approximates USD 12.6 billion, representing 3.13 years of operation**
- The company has free cash flows totaling approx. USD 1.3 billion

Harel Locker, IAI's Chairman of the Board: "IAI has completed a 180-degree transformation in recent years. In 2019 we saw uncharted achievements and 2020 was the highlight point for the company's business, operations and financial success since its establishment in 1953. IAI's success is achieved in the midst of the ongoing global COVID-19 crisis. The company's achievements were made possible owing to managerial focus and business transformation. This success must be credited to the company's 1,500 employees. IAI is one of Israel's leading tech companies adding to and demonstrating Israel's prowess to the whole world with its solid and stable business foundation for many years to come."

Boaz Levy, IAI's President & CEO: "In 2020, IAI showcased breakthrough innovation and broad capabilities: from advanced technological developments for combatting the COVID-19 virus to the successful launch of Ofek 16 advanced observation satellite, to groundbreaking experiments such as the Arrow weapon system, the LORA missile, the Heron TP, state-of-the-art assault systems developed by the company, the world's most advanced radar and intelligence systems, to leading the passenger-to-cargo aircraft conversion industry in the aviation world, winning the Israel Defense Prize and more. In addition, it is worth noting IAI's efforts in fighting the COVID-19 pandemic, in particular orchestrating ventilator production lines. This year we also continued to demonstrate the proven capabilities of the company's systems worldwide, proving over and over their capabilities on the present and future battlefield. The year 2021 brings with it numerous challenges and innovation opportunities for IAI, based especially on continuing to develop current markets and penetrating new markets. I have no doubt this year IAI will, as it has throughout its many years in operation; continue to lead Israel's defense industries towards business growth which will benefit Israel's economy and security."

(*) The data of the divisions' sales, gross profit, operating income and net income (loss) consist of inter-divisionary activities and are identical to the data included in the note on business segments in the consolidated financial statements.

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March 18, 2021: Israel Aerospace Industries Ltd., Israel's largest national military and civilian security defense company, issues its consolidated financial statements for the year ended December 31, 2020.

The company's **revenues** in 2020 reached a record of USD 4,184 million, representing the highest sales revenues ever recorded in company history, compared with USD 4,108 million in 2019. **The increase is mainly a result of the increase in the sales of the ELTA Group and the Systems Missiles & Space Group. The sales of the Military Group^(*)** in 2020 increased by 14% to USD 3,508 million compared with USD 3,080 million last year, an increase of USD 428 million. **The Aviation Group's sales^(*)** in 2020 decreased by approx. 18% to USD 1,187 million compared with USD 1,442 million last year – USD 25 million of the decrease can be attributed to the crisis in the global aviation industry.

Sales for export in 2020 accounted for 71% of sales at approx. USD 2,991 million (approx. USD 1,193 million to Israel, representing 29% of sales), similar to the figures recorded in 2019.

Net income in 2020 grew by 48% to approx. USD 133 million (approx. 3.2% of sales), compared with net income of approx. USD 90 million in 2019 – the highest net income in IAI history. **The Military Group's^(*) net income** in 2020 increased by approx. 13% to approx. USD 248 million compared with approx. USD 219 million in 2019, an increase of USD 29 million. **The Aviation Group's^(*) net loss** in 2020 amounted to approx. USD 32 million compared with a loss of approx. USD 21 million in 2019.

EBITDA in 2020 amounted to approx. USD 397 million, compared with approx. USD 324 million in 2019, an increase of approx. 23% compared to last year.

Gross profit in 2020 grew by 15% to approx. USD 665 million (about 16% of sales) compared with approx. USD 577 million (approx. 14% of sales) in 2019. **The growth in gross profit derives mainly from increased sales of the Systems Missiles & Space Group and the ELTA Group. The Military Group's^(*) gross profit** in 2020 increased by 15% to approx. USD 598 million compared with approx. USD 520 million in 2019, an increase of approx. USD 78 million. **The Aviation Group's^(*) gross profit** in 2020 increased to approx. USD 78 million compared with approx. USD 74 million in 2019.

Operating income in 2020 grew by 61% to approx. USD 195 million (approx. 4.7% of sales), compared an with operating income of approx. USD 121 million in 2019 (approx. 2.9% of sales), an increase of approx. USD 74 million. **The Military Group's^(*) operating income** in 2020 grew by 18% to approx. USD 285 million compared with approx. USD 241 million in 2019, an increase of USD 44 million. **The Aviation Group's^(*) operating loss** in 2020 amounted to approx. USD 10 million compared with an operating income of approx. USD 1 million in 2019.

Net finance expenses in 2020 amounted to approx. USD 21 million compared with approx. USD 12 million in 2019.

Research and development activity (in-house and contracted) in 2020 grew to approx. USD 1,036 million compared with approx. USD 909 million in 2019, an increase of approx. 13% compared to last year.

In-house research and development expenses in 2020 amounted to approx. USD 196 million, compared with approx. USD 191 million in 2019 (accounting for approx. 4.7% and approx. 4.6% of sales, respectively).

Net tax expenses - in 2020, the company recorded net tax expenses of approx. USD 46 million compared with net tax expenses of approx. USD 23 million in 2019. **The increase in tax expenses compared to last year, are due mostly to improved company profits. The company's income is subject to the ordinary corporate tax rate in Israel – 23%, and it is not entitled to any tax benefits pursuant to the Israeli Law for the Encouragement of Capital Investments, 1959, as it is a wholly owned government company. The sale of any interest in the company, even at a minuscule rate, to a non-government party will render the company eligible for a reduced corporate income tax rate as per said law.**

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The order backlog at the end of 2020 amounted to approx. USD 12.6 billion, compared to approx. USD 13.5 billion at the end of 2019. Of the order backlog, 79% is held for sale to foreign customers that are widely geographically dispersed, based on a large variety of projects, and secures about 3.13 years of operation given the current sales volumes.

Positive cash flows from operating activities in 2020 amounted to USD 40 million compared with negative cash flows from operating activities of about USD 27 million in 2019.

Main results of Q4 2020

The company's **sales** in Q4 2020 totaled USD 1,100 million, compared with USD 1,092 million in Q4 2019.

Gross profit in Q4 2020 totaled USD 200 million (18% of sales), compared with USD 150 million (14% of sales) in Q4 2019.

Operating income in Q4 2020 totaled USD 32 million (3% of sales), compared with operating income of approx. USD 11 million (1% of sales) in Q4 2019.

Research and development expenses in Q4 2020 totaled approx. USD 79 million compared with approx. USD 75 million in Q4 2019.

Net finance expenses in Q4 2020 totaled to USD 7 million compared with USD 9 million in Q4 2019.

Net income in Q4 2020 totaled to USD 21 million (2% of sales) compared with net income of USD 8 million (1% of sales) in Q4 2019.

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Condensed Balance Sheet (USD in millions)

	December 31, 2020		December 31, 2019	
	Amount	% of Total Balance Sheet	Amount	% of Total Balance Sheet
The Group's total assets	6,257	100%	5,815	100%
Current assets	4,756	76%	4,394	76%
of which:				
Cash and current investments in financial assets	1,254	20%	1,161	20%
Contract assets, net	945	15%	870	15%
Current liabilities	4,747	76%	4,416	76%
of which:				
Contract liabilities, net	2,167	35%	2,335	40%
Equity	1,082	17%	922	16%
Current ratio	1.00		1.00	
Quick ratio	0.82		0.81	

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Condensed profit and loss data (USD in millions)

	Year ended		Increase (decrease) compared to	Three months ended		Increase (decrease) compared to
	December 31,			December 31,		
	2020	2019	corresponding period of last year	2020	2019	corresponding period of last year
Sales	4,184	4,108	2%	1,100	1,092	1%
Gross profit	665	577	15%	200	150	33%
% of gross profit from sales	15.9%	14.0%		18.2%	13.7%	
Research and development expenses	196	191	3%	79	75	5%
Costs of early retirement	7	(3)	-	2	(5)	-
Operating income	195	121	61%	32	11	191%
% of operating income from sales	4.7%	2.9%		2.9%	1.0%	
Net income	133	90	48%	21	8	163%
% of net income from sales	3.2%	2.2%		1.9%	0.7%	
EBITDA (*)	397	324	23%	86	60	43%
% of EBITDA from sales	9.5%	7.9%		7.8%	5.5%	

(*) Operating income before financial expenses (income), net and tax expenses (income), with the addition of depreciation and amortization.

Israel Aerospace Industries (IAI) is a world-leading aerospace and defense company innovating and delivering state-of-the-art technologies in space, air, land, naval, cyber & homeland security for defense and commercial markets. Combining the “Start-up Nation” spirit of innovation with decades of combat-proven experience, IAI provides

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customers with tailor-made, cutting-edge solutions to the unique challenges they face including satellites, UAVs, missiles, intelligence solutions, weapon systems, air defense systems, robotic systems, radars, business jets, aerostructures, and more. Established in 1953, IAI is one of Israel's largest technology employers with offices and R&D centers in Israel and abroad. For more information: **Errore. Riferimento a collegamento ipertestuale non valido.**

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