



News Release - August 16, 2023

Israel Aerospace Industries – financial statements for the first half and second quarter of 2023:

The most profitable half year results in the Company's history:

Gross profit, operating and net income reach a record high

Sales stand at USD 2.54 billion, and the order backlog amounts to about USD 16.4 billion

The S&P Maalot agency raised the Company's credit rating to the maximum rating of iAAA, and its international rating to BBB+.

- **28% increase in net income** in H1 2023 to about **USD 165 million** compared with about USD 129 million in H1 2022, the most profitable half year in Company history. Increase of about 45% in net income to about USD 74 million in Q2 2023 compared with about USD 51 million in Q2 2022.
- **6% growth in EBITDA** in H1 2023 to about USD 329 million compared with about USD 310 million in the corresponding period of last year. EBITDA in Q2 2023 amounted to about USD 146 million (about 12% of sales) compared with about USD 149 million (about 13% of sales) in Q2 2022.
- **Operating income grew** in H1 2023 to about USD 205 million (about 8% of sales) compared with operating income of about USD 204 million (about 9% of sales) in the corresponding period of last year. Operating income in Q2 2023 amounted to about USD 88 million (about 7% of sales) compared with operating income of about USD 98 million (about 8.5% of sales) in Q2 2022.
- **Gross profit increased** in H1 2023 to about USD 456 million (about 18% of sales) compared with about USD 427 million (about 18% of sales) in the corresponding period of last year. Increase in gross profit in Q2 2023, amounting to about USD 215 million (about 17% of sales) compared with about USD 214 million (about 18% of sales) in Q2 2022.
- **8% increase in sales** to about USD 2,540 million in H1 2023, compared with about USD 2,359 million in the corresponding period of 2022. Increase of about 9% in sales in Q2 2023 to about USD 1,261 million compared with about USD 1,159 million in Q2 2022.
- On July 12, 2023, S&P Maalot raised the Company's credit rating to iAAA/Stable, the maximum

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rating.

- On May 17, 2023, the Company's Board decided to distribute a dividend of USD 104 million, as the final distribution of the profits of 2022. The Board's decision is pending the approval of the Government Companies Authority which as of the report publication date has yet to be obtained.
- The Company's free cash flow approximates USD 1 billion.

Amir Peretz, Chairman of the Board of Directors of IAI: "Israel Aerospace Industries again presents financial results reflecting both defense-related and technological excellence, thanks to the Company's men and women engineers and managers. The Company's published figures, this time too, tell a story of people, a story of which the State of Israel can be justly proud. Yet together with our successes, we face challenges too, around the world. Geopolitical situations generate opportunities in which more and more countries recognize our capabilities, and we are happy to report that the world has responded by raising our credit rating to AAA, a reflection of the confidence shown in the Company's financial stability, which improves our ability to raise funds."

Boaz Levy, IAI's CEO: "The half-year results, the best in the Company's history, are an additional milestone in marking our celebration of 70 years since the Company's establishment, and result from impressive work by the Company's management, and the men and women working in the Company, in full cooperation with IAI's Board of Directors and its Chairman. In addition to satellite launches, impressive tests conducted both in Israel and elsewhere, and the fruitful activities of Israel's Ministry of Defense, both as customer and owner, but mainly as a partner, Israel Aerospace Industries has taken Israel forward in terms of its economy, its defense, and its technologies. The Company's continued strategic growth found expression in the first half of the year through the procurement of several critical companies around the world. These and other activities are all reflected in the confidence shown in IAI, and its recent highest-ever award of an AAA credit rating."

Israel Aerospace Industries Ltd., a leader in the Israeli military and commercial homeland defense and aerospace markets, issues its consolidated financial statements for the first half and second quarter ended June 30, 2023.

Main data for H1 and Q2 2023

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The Company's sales in H1 2023 grew to about USD 2,540 million compared with about USD 2,359 million in H1 2022, an increase of about 8%, mainly deriving from the Systems Missiles & Space Group and the Military Aircraft Group.

The sales of the Military Groups (*) in H1 2023 increased by about 7% to about USD 2,136 million compared with about USD 1,989 million in H1 2022, an increase of about USD 147 million. The sales of the Aviation Group (*) in H1 2023 increased to about USD 675 million compared with about USD 645 million in the corresponding period of last year.

The Company's sales in Q2 2023 amounted to about USD 1,261 million compared with about USD 1,159 million in Q2 2022, an increase of about 9%, deriving from the increased sales in the Systems Missiles & Space Group, the Military Aircraft Group and the ELTA Group.

The sales of the Military Groups (*) in Q2 2023 increased by about 13% to about USD 1,079 million compared with about USD 959 million in the corresponding quarter of last year. The sales of the Aviation Group (*) in Q2 2023 amounted to about USD 319 million compared with about USD 320 million in the corresponding quarter of last year.

Sales for export in H1 2023 accounted for about 73% of sales, totaling about USD 1,850 million (about USD 690 million, representing 27% of sales, to Israel), compared with about 71%, totaling USD 1,684 million (about USD 675 million, representing 29% of sales, to Israel) in the corresponding half of 2022.

Sales for export in Q2 2023 accounted for 73% of sales totaling about USD 923 million (about USD 338 million, representing 27% of sales, to Israel), compared with about USD 848 million (about USD 311 million, representing 27% of sales, to Israel) in Q2 2022.

Gross profit in H1 2023 amounted to about USD 456 million (about 18% of sales), compared with about USD 427 million (about 18% of sales) in H1 2022. Gross profit in Q2 2023 amounted to about USD 215 million (about 17% of sales), compared with about USD 214 million (about 18% of sales) in Q2 2022.

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The gross profit of the **Military Groups** (*) in H1 2023 increased by about 17% to about USD 404 million compared with about USD 346 million in H1 2022. **The gross profit of the Aviation Group** (*) in H1 2023 increased to about USD 60 million compared with about USD 58 million in the corresponding period of last year. **The gross profit of the Military Groups** (*) in Q2 2023 increased by some 9% to about USD 192 million compared with about USD 176 million in the corresponding quarter of last year. **The gross profit of the Aviation Group** (*) in Q2 2023 increased to about USD 29 million compared with about USD 34 million in the corresponding quarter of last year.

Operating income in H1 2023 amounted to about USD 205 million (about 8% of sales), compared with operating income of about USD 204 million in the corresponding period of 2022 (about 9% of sales). **Operating income in Q2 2023** amounted to about USD 88 million (about 7% of sales), compared with operating income of about USD 98 million in Q2 2022 (about 8.5% of sales).

The operating income of the **Military Groups** (*) in H1 2023 was about USD 185 million compared with about USD 171 million in the corresponding period of last year. **The operating income of the Aviation Group** (*) in H1 2023 amounted to about USD 21 million compared with operating income of about USD 17 million in the corresponding period of last year. **The operating income of the Military Groups** (*) in Q2 2023 amounted to about USD 83 million compared with about USD 81 million in the corresponding quarter of last year. **The operating income of the Aviation Group** (*) in Q2 2023 amounted to about USD 9 million compared with operating income of about USD 12 million in the corresponding quarter of last year.

Net income in H1 2023 increased by 28% to about USD 165 million (about 6% of sales), compared with net income of about USD 129 million (about 5% of sales) in the corresponding period of 2022, **the highest grossing half year in Company history**. **Net income in Q2 2023** amounted to about USD 74 million (about 6% of sales), compared with net income of about USD 51 million (about 4% of sales) in Q2 2022.

The net income of the **Military Groups** (*) in H1 2023 increased to about USD 180 million compared with about USD 170 million in the corresponding period of last year. **The net income of the Aviation Group** (*) in H1 2023 amounted to about USD 20 million compared with net income of about USD 29 million in the corresponding period of last year. **The net income of the Military Groups** (*) in Q2 2023 amounted to about USD 81 million compared with about USD 82 million in the

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corresponding quarter of last year. **The net income of the Aviation Group^(*) in Q2 2023** amounted to about USD 10 million, compared with net income of about USD 22 million in the corresponding quarter of last year.

EBITDA in H1 2023 amounted to about USD 329 million (about 13% of sales), compared with about USD 310 million (about 13% of sales) in the corresponding period of 2022. **EBITDA in Q2 2023** amounted to about USD 146 million (about 12% of sales), compared with about USD 149 million (about 13% of sales) in Q2 2022.

In H1 2023, the Company recorded **net financial income** of about USD 11 million, compared with net financial expenses of about USD 25 million in the corresponding half of 2022. **In Q2 2023, the Company recorded net financial income** of about USD 5 million, compared with net financial expenses of about USD 17 million in Q2 2022. The main cause for the increase in financial income is the increase in deposits and the interest hikes in Israel and around the world.

Inhouse research and development expenses in H1 2023 increased to about USD 109 million, compared with about USD 90 million in the corresponding period of 2022 (accounting for about 4.3% and about 3.8% of sales, respectively) an increase of about USD 19 million. **Inhouse research and development expenses in Q2 2023** amounted to about USD 57 million, compared with about USD 49 million in Q2 2022 (accounting for about 4.5% and about 4.2% of sales, respectively).

In H1 2023, the Company recorded **net tax expenses** of about USD 54 million compared with tax expenses of about USD 53 million in H1 2022. In Q2 2023, the Company recorded net tax expenses of about USD 23 million compared with tax expenses of about USD 31 million in Q2 2022. **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 interests in the Company, even at a miniscule rate, to a non-government party will render the Company eligible for a reduced corporate income tax rate ranging between 6% and 15% as per said Law.**

The order backlog as of June 30, 2023 amounted to about USD 16.4 billion, compared to about USD 15.6 billion at the end of 2022. 74% of the order backlog is held for sale to foreign customers

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that are widely geographically dispersed, based on a large variety of projects, and secures about 3.4 years of operation given the current sales volumes.

Positive cash flows from operating activities in H1 2023 amounted to about USD 455 million compared with positive cash flows from operating activities of about USD 647 million in the corresponding period of 2022. The negative cash flows from operating activities in Q2 2023 amounted to about USD 186 million compared with positive cash flows from operating activities of about USD 363 million in Q2 2022.

Condensed balance sheet data (USD in millions)

	<u>June 30, 2023</u>		<u>December 31, 2022</u>	
	<u>Amount</u>	<u>% of total balance sheet</u>	<u>Amount</u>	<u>% of total balance sheet</u>
The Group's total assets	7,385	100%	6,922	100%
<u>Of which:</u>				
Current assets	5,576	76%	5,207	75%
Non-current assets	1,809	24%	1,715	25%
The Group's total liabilities	6,108	83%	5,688	82%
<u>Of which:</u>				
Current liabilities	5,823	79%	4,374	78%
Non-current liabilities	285	4%	314	4%

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Equity	<u>1,277</u>	<u>17%</u>	<u>1,234</u>	<u>18%</u>
Current ratio	0.96		0.97	
Quick ratio	0.80		0.82	

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Condensed profit and loss data (USD in millions)

	Six months ended June 30,		Increase (decrease) compared to corresponding quarter of last year	Three months ended June 30,		Increase (decrease) compared to corresponding quarter of last year
	2023	2022		2022	2023	
Sales	<u>2,540</u>	<u>2,359</u>	<u>8%</u>	<u>1,261</u>	<u>1,159</u>	<u>9%</u>
Gross profit	<u>456</u>	<u>427</u>	<u>7%</u>	<u>215</u>	<u>214</u>	<u>0%</u>
% of gross profit from sales	18.0%	18.1%		17.0%	18.5%	
Research and development expenses	<u>109</u>	<u>90</u>	<u>21%</u>	<u>57</u>	<u>49</u>	<u>16%</u>
Costs of early retirement	<u>(1)</u>	<u>(1)</u>	<u>0%</u>	<u>-</u>	<u>(2)</u>	<u>(100%)</u>
Operating income	<u>205</u>	<u>204</u>	<u>0%</u>	<u>88</u>	<u>98</u>	<u>(10%)</u>
% of operating income from sales	8.1%	8.6%		7.0%	8.5%	
Net income	<u>165</u>	<u>129</u>	<u>28%</u>	<u>74</u>	<u>51</u>	<u>45%</u>
% of net income from sales	6.5%	5.5%		5.9%	4.4%	
EBITDA (*)	<u>329</u>	<u>310</u>	<u>6%</u>	<u>146</u>	<u>149</u>	<u>(2%)</u>
% of EBITDA from sales	13.0%	13.1%		11.6%	12.9%	

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

Israel Aerospace Industries:

IAI Ltd. is Israel's largest aerospace and defense company and a globally recognized technology and innovation leader, specializing in developing and manufacturing advanced, state-of-the-art systems for air, space, sea, land, cyber and homeland security. Since 1953, the company has provided advanced technology solutions to government and commercial customers worldwide including: satellites, missiles, weapon systems and munitions, unmanned and robotic systems, radars, C4ISR and more. IAI also designs and manufactures business jets and aerostructures,

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performs overhaul and maintenance on commercial aircraft and converts passenger aircraft to refueling and cargo configurations.

In the photos: Amir Peretz, Chairman of the Board of Directors of IAI and Boaz Levy, IAI's President and CEO

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