

News Release

March 13, 2024

IAI Publishes its Annual Financial Statements for 2023 – the Highest Grossing Year Since the Company’s Inception

**The Company's order backlog leaped to about USD 18 billion
Sales grew to about USD 5,327 million – the highest ever in Company history
49% increase in net income to about USD 318 million – the highest ever
Positive cash flows from operating activities totaled about USD 1,545 million**

- **Increase in sales** to about USD 5,327 million in 2023 compared with about USD 4,973 million in 2022
- **49% growth in net income** in 2023 to about USD 318 million compared with net income of about USD 213 million in 2022
- **19% growth in EBITDA** in the year to about USD 664 million compared with about USD 560 million last year
- **Gross profit in 2023** rose by USD 143 million to about USD 967 million compared with about USD 824 million in 2022
- **19% increase in operating income** in the year to about USD 376 million compared with about USD 316 million last year
- **The Company's order backlog leaped to about USD 18 billion**, representing 3.3 years of operation compared to USD 15.6 billion at the end of 2022
- The Company has free cash flow totaling about USD 1,545 million

Amir Peretz, Chairman of the Board of Directors of IAI: “At this time, and more than ever, I am proud to be heading Israel’s largest government-owned defense company, which in 2023 faced unexpected challenges. The international changes that affected our ability to conduct business in a normal way in areas where stability was undermined, and in addition the fighting in Israel, forced us to adjust the company's policy. The company worked round the clock to meet the IDF’s operational requirements, and supply all the needed munitions. New systems that were in the final stages of development were deployed operationally, including different autonomous systems. Despite the difficulties of the situation, we maintained the upward trend of the company’s business results, and 2023 ended as our best year since the establishment of IAI in all its business parameters.”

Boaz Levy, IAI CEO: “**Boaz Levy, CEO of Israel Aerospace Industries:** “Israel Aerospace Industries’ financial report for 2023 well reflects a year of significant and varied activities – one in which the country was at war during the last quarter. The mobilization of our employees for wide-ranging and intense work in support of Israel’s defense establishment, and not least, our activities for our foreign clients, have brought about groundbreaking results in what has been a challenging year. The considerable increase in R&D is noteworthy and its results can be seen every day, even during the current Iron Swords conflict. We are proud that this year too our partners and customers abroad are expressing their confidence in IAI’s advanced systems, solutions which express the spirit of innovation, professional commitment and dedication that characterizes the men and women employees of the company.”

Israel Aerospace Industries Ltd., a leader in the Israeli military and commercial homeland defense and aerospace markets, issues its annual consolidated financial statements for the year ended December 31, 2023.

The Company's revenues in 2023 amounted to about USD 5,327 million compared with about USD 4,973 million in 2022, an increase of about USD 354 million (about 7%), deriving from increased sales in the Company's Military Groups.

The sales of the Military Groups^(*) in 2023 increased by about 9.4% to about USD 4,489 million compared with about USD 4,105 million in 2022, an increase of USD 384 million. **The sales of the Aviation Group^(*)** in 2023 decreased by about 1.2% to about USD 1,387 million compared with about USD 1,404 million in 2022, a decrease of about USD 17 million.

Sales for export in 2023 totaled about USD 3,792 million (about 71%) and to the local market about USD 1,535 million (about 29%), compared with about USD 3,607 million (about 73%) and about USD 1,366 million (about 27%) in 2022, respectively.

Net income in 2023 rose by 49% to about USD 318 million (about 6% of sales), compared with net income of about USD 213 million in 2022. **The net income of the Military Groups^(*)** in 2023 increased by some 38.2% to about USD 387 million, compared with about USD 280 million in 2022, an increase of USD 107 million. **The net income of the Aviation Group^(*)** in 2023 amounted to about USD 40 million compared with about USD 45 million in 2022.

EBITDA in 2023 totaled about USD 664 million compared with EBITDA of about USD 560 million in 2022, an increase of 19%.

Gross profit in 2023 amounted to about USD 967 million (about 18% of sales) compared with about USD 824 million (about 17% of sales) in 2022, an increase of about USD 143 million. The increase in gross profit is mostly a result of the increased sales and profits of the Company's Military Groups. **The gross profit of the Military Groups^(*)** in 2023 grew by about 26.2% to about USD 861 million compared with about USD 682 million in 2022 – an increase of about USD 179 million. **The gross profit of the Aviation Group^(*)** in 2023 decreased to about USD 126 million (about 9% of sales) compared with about USD 127 million (about 9% of sales) in 2022.

Operating income in 2023 grew by about 19% to about USD 376 million (about 7.1% of sales) compared with operating income of about USD 316 million (about 6.4% of sales) in 2022, an increase of about USD 60 million, mainly deriving from the increase in gross profit and partly offset by the increase in R&D expenses compared to last year. **The operating income of the Military Groups^(*)** in 2023 totaled about USD 380 million compared with about USD 287 million in 2022, an increase of about USD 93 million. **The operating income of the Aviation Group^(*)** in 2023 totaled about USD 46 million compared with about USD 43 million in 2022.

^(*) 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.

Net finance income in 2023 totaled about USD 29 million as opposed to net finance expenses of about USD 31 million recorded in 2022, an improvement of about USD 60 million.

Inhouse research and development expenses in 2023 amounted to about USD 275 million compared with about USD 215 million in 2022 (accounting for about 5.2% and about 4.3% of sales, respectively), an increase of about USD 60 million.

In 2023, the Company recorded net tax expenses of about USD 93 million compared with net tax expenses of about USD 77 million in 2022. **It should be noted that 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 as per said Law.**

The order backlog at the end of 2023 amounted to about USD 18 billion compared to about USD 15.6 billion at the end of 2022, 71% of which is held for sale to foreign customers that are widely geographically dispersed and secures 3.3 years of operation given current sales volumes.

Positive cash flows from operating activities in 2023 amounted to about USD 889 million compared with positive cash flows from operating activities of about USD 797 million in 2022.

Main data for Q4 2023

The Company's sales in Q4 2023 totaled USD 1,454 million compared with USD 1,372 million in Q4 2022, an increase of about 6%.

Gross profit in Q4 2023 amounted to USD 285 million (19.6% of sales) compared with USD 177 million (12.9% of sales) in Q4 2022.

Operating income in Q4 2023 amounted to USD 84 million (5.8% of sales) compared with operating income of USD 12 million (0.9% of sales) in Q4 2022.

R&D expenses in Q4 2023 amounted to USD 101 million compared with USD 77 million in Q4 2022.

Net finance income in Q4 2023 amounted to USD 7 million compared with net finance expenses of USD 2 million in Q4 2022.

Net income in Q4 2023 totaled USD 79 million (5.4% of sales) compared with net income of USD 11 million (0.8% of sales) in Q4 2022.

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Condensed balance sheet data (USD in millions)

| | December 31, 2023 | | December 31, 2022 | |
|--------------------------------------|-------------------|-----------------------------|-------------------|-----------------------------|
| | Amount | % of total balance sheet | Amount | % of total balance sheet |
| The Group's total assets | 7,727 | 100% | 6,922 | 100% |
| Of which: | | | | |
| Current assets | 5,810 | 75% | 5,175 | 75% |
| Non-current assets | 1,917 | 25% | 1,747 | 25% |
| The Group's total liabilities | 6,232 | 81% | 5,688 | 82% |
| Of which: | | | | |
| Current liabilities | 5,938 | 77% | 5,374 | 78% |
| Non-current liabilities | 294 | 4% | 314 | 4% |
| Equity | 1,495 | 19% | 1,234 | 18% |
| Current ratio | 0.98 | | 0.96 | |
| Quick ratio | 0.82 | | 0.81 | |

Condensed profit and loss data (USD in millions)

| | Year | | Increase (decrease) compared to corresponding period of last year | Three months ended December 31, | | Increase (decrease) compared to corresponding quarter of last year |
|-----------------------------------|----------------------------|-------|---|---------------------------------------|-------|--|
| | ended December 31, 2023 | 2022 | | 2023 | 2022 | |
| Sales | 5,327 | 4,973 | 7% | 1,454 | 1,372 | 6% |
| Gross profit | 967 | 824 | 17% | 285 | 177 | 61% |
| % of gross profit from sales | 18.2% | 16.6% | | 19.6% | 12.9% | |
| Research and development expenses | 275 | 215 | 28% | 101 | 77 | 31% |
| Operating income | 376 | 316 | 19% | 84 | 12 | 600% |
| % of operating income from sales | 7.1% | 6.4% | | 5.8% | 0.9% | |
| Net income | 318 | 213 | 49% | 79 | 11 | 618% |
| % of net income from sales | 6.0% | 4.3% | | 5.4% | 0.8% | |
| EBITDA (*) | 664 | 560 | 19% | 177 | 87 | 103% |
| % of EBITDA from sales | 12.5% | 11.3% | | 12.2% | 6.3% | |

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