

June 2018

Elbit Systems Ltd. - Tax Policy

Introduction

The information herein represents the Tax Policy that applies to Elbit Systems Ltd. (the “**Company**”) and its subsidiaries world-wide (collectively the “**Group**”), and is being published in compliance with the requirements of Schedule 19 of the UK Finance Act 2016. This Tax Policy is consistent with the Company’s *Code of Business Conduct and Ethics* (the “**Ethics Code**”) and other compliance policies.

The Company is an international high technology group engaged in a wide range of programs throughout the world. The Group develops and supplies a broad portfolio of airborne, land and naval systems and products for defense, homeland security and commercial aviation applications.

Set forth below is the Group’s approach to the key components of its Tax Policy.

Management of Tax Related Matters and Governance Arrangements

The Company’s Board of Directors, with oversight from the Board’s Financial Statements Review Committee, has set the Group’s approach to tax related matters, retains oversight and decision making control over the Group’s tax policy, and has issued delegated authority, as described below, to manage day-to-day tax matters on its behalf. Additional oversight is being made through periodic reviews of the Group’s tax affairs and risk management policy.

The day-to-day responsibility for tax governance and policy lies with the Company’s Corporate Tax Director and the VP Corporate Controller (together the “**Tax Team**”), who report to the Chief Financial Officer of the Company. The Tax Team is responsible for identifying, managing and, where possible, mitigating tax risks, while causing that appropriate policies, processes and systems are in place. In addition, and as a support to monitor and manage tax related risks, the Group’s governance framework and system of internal controls are utilized to identify, assess, manage and mitigate the tax key risks.

The Group uses third party advisors to provide supplemental advice and guidance, as necessary, to assess tax risks and maintain its compliance with applicable laws, rules, regulations and reporting and disclosure requirements.

The Group is firmly committed to maintaining a taxation policy based upon compliance with local and international laws and regulations, while pursuing business excellence and taking into consideration of the interests of the Company’s various stakeholders, including governmental regulators and tax authorities, customers, shareholders, employees and business partners.

Tax Planning

The Group understands the importance of identifying and addressing tax issues at an early stage in order to manage and mitigate potential risks. The Group is devoted and committed to its way of conducting business honestly and ethically, as described in the Company's Ethics Code and the policies and procedures. The Group has long had procedures concerning business ethics in order to help maintain good reputation and conduct business activities in a compliant, honest and ethical manner at all times.

External tax advice is sought where there is a need for specialist guidance, as well as in local tax jurisdictions where there are no in-house resources. Engagements with external tax advisers are managed by the Tax Team.

The Tax Team strives to advise the Group's businesses on how to implement operations with consideration to the tax laws of the jurisdictions in which the Group operates and to pay the right amount of taxes at the right time.

The Group's approach to tax and tax planning is aligned to our strategic and corporate objectives and the Group is committed to conducting its affairs in full compliance with applicable laws, and in a compliant and ethical manner, as outlined in the Company's Ethics Code. All decisions are taken after careful consideration of all the issues and potential impacts, including financial, operational and reputational risks.

Taxation Risk Management

The Group considers various factors when assessing risks derived from taxation issues, such as the reputation and branding of the Company, financial implications, potential impact on relationships with governments and achievement of social responsibility goals. Decisions on managing tax risks are made by taking into account the materiality of each potential risk, including its potential related costs.

Relationships with Tax Authorities

The Company attempts to maintain constructive and appropriate relationships with tax authorities and other relevant bodies in all jurisdictions in which the Group operates worldwide. The Group seeks to engage with tax authorities openly and transparently to build a relationship based on mutual respect and integrity. We respond clearly and promptly to queries raised, providing appropriate disclosure of information where applicable.

All dealings with tax authorities and other relevant bodies are conducted, whenever possible, in a collaborative manner, to attempt to reach early agreement on potentially disputed matters and to resolve any uncertainties. Where areas of uncertainty arise or tax law is subject to interpretation, which can arise due to ambiguity in the legislation or case law developments, we may engage with external tax advisors to discuss material tax issues in advance, in order to remain fully compliant in all operations.