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RAFAEL ANNOUNCES 2023 FINANCIAL YEAR WITH RECORD HIGHS

Rafael Advanced Defense Systems Ltd. publishes today (Wednesday) its financial results for 2023, as approved by the company's board of directors:

- A 21% increase in the volume of the company's sales, which amounted to NIS 14,043 million, compared to NIS 11,586 million in 2022.
- An 85% increase in the volume of orders received by the company in 2023 – NIS 29,864 million compared to NIS 16,104 million in 2022.
- An unprecedented backlog of orders amounting to 52,416 million NIS, a 47% increase compared to the backlog of 2022 (35,636 billion NIS) which is 3.6 years of sales.
- Net profit of 588 million NIS, an increase of 17% compared to the net profit in 2022.
- Gross profit of 2,928 million NIS, an increase of 19% compared to the corresponding year.

As mentioned above, Rafael's order backlog reached an all-time high, with a 47% increase over 2022 – 52.416 million NIS – driven by orders from both domestic and international markets. The volume of orders in 2023 increased by approximately 85%, totaling 29.864 million NIS, with 57% of the orders coming from international customers (17.072 million NIS) and the remaining 43% from Israel (12.792 million NIS).

The fourth quarter of 2023 was exceptional in terms of activity, with Rafael receiving orders totaling 14.514 million NIS, with over 61% of these orders being international, following the completion of large export deals. Sales volume in the fourth quarter stood at 4.594 million NIS, a 19% increase compared to the corresponding quarter last year. Rafael notes a slight decrease in the gross profit margin compared to 2022 due to fluctuations during the "Swords of Iron War."

Rafael Chairman, Dr. Yuval Steinitz:

“We conclude 2023 as a record-breaking year in professional and business activity at Rafael. In its vision and mission, Rafael functions as a significant pillar in the security of the State of Israel. This year this vision was practically brought to fruition with some of the most advanced technological and operational breakthroughs. Even before the “Swords of Iron War”, whose effects on the company’s reports will be seen mainly in 2024, Rafael realized important opportunities in various countries in the world with huge deals such as the historic sale of the “David’s Sling” to Finland, the sale of Spike missiles to Greece, and more. I would like to take this opportunity to thank, on behalf of myself and the board of directors, the outgoing CEO of Rafael, Maj. Gen. Yoav Har-Even, for 8 years of leadership and significant work in the company. On behalf of the board of directors and the management, I would of course like to thank the Rafael employees and their families for their dedication and professionalism.



Rafael CEO, Yoav Tourgeman:

“Alongside our extensive life-saving activity in Israel, Rafael continues to operate globally with a diverse product portfolio, maintaining economic strength and commercial resilience. Rafael makes a crucial contribution to the IDF and the entire security establishment, with a wide range of advanced capabilities and systems resulting from significant investments in research and development. Above all, we rely on a high-quality human resource base, enabling us to meet the challenges and goals ahead. We expect to bring onboard approximately 2,000 new employees this year. While Rafael faces a challenging year in terms of performance and deliveries, I am confident that our proven operational experience, combined with cutting-edge innovation and excellent market positioning globally, will enable us to continue delivering the most significant value proposition to our customers.”



In addition to the intensive activity during “Swords of Iron War” Rafael achieved significant milestones in 2023, both in the development and testing field and in impressive business results. The company continues to maintain its position as a global leader in developing air defense systems and strengthening its presence in various markets. In June, the company unveiled the “Sky Sonic” missile, the world’s first dedicated hypersonic missile defense interceptor, while also conducting advanced systems tests alongside the Israeli MOD including the David’s Sling, Iron Beam HELWS and others. Additionally, Rafael conducted, in collaboration with the UK MOD, live tests of the TROPHY Active Protection System (APS) to adapt the system to the future Challenger tank. The TROPHY APS is the only operational active defense system in the world, integrated into 16 different platforms worldwide and has been a critical asset enabling the ground maneuvering of IDF troops in Gaza.

Furthermore, in September 2023, Squadron 144 “The Spark” was established, the new UAV from Aeronautics that will be part of the joint Thunderstorm array for Rafael, Aeronautics, the Air Force, and the Ground Forces.

Alongside the extensive international activity, Rafael continues its central mission of being a significant contributor to national security in a challenging year with complex security realities.

During “Operation Shield and Arrow” in May 2023, the “David’s Sling” system successfully conducted two operational interceptions, and during “Operation Iron Sword,” the system became central to Israel’s air defense array. Later, during “Operation Home and Garden” in Jenin in July 2023, the “Oz” (Fire Fly) loitering munition was deployed, a member of the Spike family.

With the outbreak of hostilities on October 7, Rafael intensified its support for the IDF and the security system, rapidly organizing to provide a tailored work plan for short and long-term challenges. Efforts focused on accelerating supplies and implementing Rafael’s systems for the IDF while maintaining continuous operations with international customers abroad. In addition, efforts were made to supply systems supporting the military effort, focusing on the production of missiles for the “Iron Dome” and “David’s Sling” systems, various Spike missiles, parts for the TROPHY APS as well as for dozens of additional systems. In addition to working around the clock, about 20% of Rafael employees were recruited into the reserves and the shifts on the production lines were covered by engineers from among Rafael’s various divisions. Rafael also continued to support the security establishment at the IDF bases and operational areas supporting use of the systems, identifying needs and providing immediate solutions while continuously upgrading the systems and integrating new operational capabilities in the midst of combat.

As a policy, Rafael annually invests approximately 8% of its total revenues in research and development budgets that enable the development of the next generations of the systems and the technologies of the future.