SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

02011678

1-12366

FORM 6-K/A

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the period of October through November 6, 2001

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FINANCIAL

ELBIT LTD.

(Translation of Registrant's Name into English)

P.O. Box 286, Shefayim, Israel 60990
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

☑ Form 20-F ☐ Form 40-F

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

☐ Yes ☑ No

Attached hereto as Exhibit 1 and incorporated by reference herein are the Registrant's Unaudited Condensed Interim Consolidated Financial Statements as of September 30, 2001 and the first three quarters of 2001, supplementing Exhibit 3 of the Registrant's Form 6-K filed with the Securities and Exchange Commission on November 8, 2001.

Attached hereto as Exhibit 2 and incorporated by reference herein is the Registrant's Management Report regarding the Registrant's Business as of September 30, 2001, supplementing Exhibit 3 of the Registrant's Form 6-K filed with the Securities and Exchange Commission on November 8, 2001.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ELBIT LTD.
(Registrant)

By: ______________________
Name: Peter Kirshen
Title: General Counsel and Corporate Secretary

Dated: January 22, 2002.

EXHIBIT INDEX

Exhibit No.	Description
1.	Unaudited Condensed Interim Consolidated Financial Statements.
2.	Management Report regarding the Registrant's Business.

EXHIBIT 1

ELBIT LTD.

CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
as of September 30, 2001
(Unaudited)

ELBIT LTD.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
As of September 30, 2001

CONTENTS

ELBIT LTD.

CONSOLIDATED BALANCE SHEETS
In thousands of U.S. dollars

	September 30 2001 (Unaudited)	December 31 2000 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	27,395	90,652
Deposits with banks and others	4,699	5,666
Marketable securities	2,219	8,720
Related party receivable	1,544	3,248
Accounts receivable trade	230	1,507
Other receivables and prepaid expenses	1,115	2,189
Inventories	25	5,897
	37,227	117,879
INVESTMENTS AND LONG-TERM RECEIVABLES		
Affiliated companies and other investments	113,901	143,471
Deposits and loans	2,100	1,709
Receivables	-	246
Deposits for severance pay	11	761
	116,012	146,187
PROPERTY, PLANT AND EQUIPMENT		
Cost	12,272	13,850
Less - accumulated depreciation	5,032	5,950
	7,240	7,900
OTHER ASSETS, NET	9,998	2,810
	170,477	274,776

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

CONSOLIDATED BALANCE SHEETS

In thousands of U.S. dollars

	September 30 2001 (Unaudited)	December 31 2000 (Audited)
CURRENT LIABILITIES		
Loans and short-term credit	-	1,508
Accounts payable-trade	1,063	1,798
Other payables and accrued expenses	7,626	34,063
	8,689	37,369
LONG-TERM LIABILITIES		
Payables	1,301	-
Deferred income tax	35,764	46,802
Employees' termination obligations	54	759
	37,119	47,561
MINORITY INTEREST	353	6,028
SHAREHOLDERS' EQUITY		
Ordinary shares of NIS 0.003 par value: Authorized - 50,000,000 shares Issued and paid up – 22,283,941 shares as of September 30, 2001(as of December 31, 2000 - 22,178,941 shares)	11,189	11,189
Additional paid-in capital	55,241	54,918
Accumulated other comprehensive income	60,738	83,387
Retained earnings (loss)	(2,852)	34,324
	124,316	183,818
	170,477	274,776

Date of approval:
November 6, 2001

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

CONSOLIDATED STATEMENTS OF INCOME

In thousands of U.S. dollars

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2001	2000(*)	2001	2000 (*)	2000 (*)
	(Unaudited)		(Unaudited)		(Audited)
SALES	600	3,011	511	1,167	3,011
COST OF SALES	126	2,587	125	1,002	2,587
Gross profit	474	424	386	165	424
RESEARCH AND DEVELOPMENT EXPENSES, NET	4,680	3,691	2,466	1,752	4,555
MARKETING AND SELLING EXPENSES	3,763	2,363	1,579	682	3,176
GENERAL AND ADMINISTRATIVE EXPENSES	3,547	2,952	1,460	1,155	3,506
	11,990	9,006	5,505	3,589	11,237
Operating loss	(11,516)	(8,582)	(5,119)	(3,424)	(10,813)
FINANCING INCOME, NET	1,995	522	530	287	1,466
OTHER INCOME (EXPENSES), NET	(1,884)	100,138	(1,979)	73,290	87,619
Profit (loss) before income taxes	(11,405)	92,078	(6,568)	70,153	78,272
INCOME TAXES (TAX BENEFIT)	(351)	33,520	(1,123)	25,490	28,359
	(11,054)	58,558	(5,445)	44,663	49,913
LOSSES FROM EQUITY INVESTMENTS	(3,307)	(1,340)	(1,156)	(772)	(2,225)
MINORITY INTEREST	2,332	(3,199)	749	(3,375)	(2,455)
Income (loss) from continuing operations	(12,029)	54,019	(5,852)	40,516	45,233
LOSS FROM DISCONTINUED OPERATIONS	-	(3,341)	-	(1,440)	(4,843)
Net income (loss)	(12,029)	50,678	(5,852)	39,076	40,390
EARNINGS (LOSS) PER SHARE					
BASIC EARNINGS (LOSS) PER SHARE					
Income (loss) from continuing operations	(0.54)	2.44	(0.26)	1.83	2.04
Loss from discontinued operations	-	(0.15)	-	(0.07)	(0.22)
Basic earning (loss) per share	(0.54)	2.29	(0.26)	1.76	1.82
NUMBER OF SHARES USED IN COMPUTATION (IN THOUSANDS) OF BASIC EARNINGS (LOSS) PER SHARE	22,270	22,147	22,268	22,173	22,153
DILUTED EARNINGS (LOSS) PER SHARE					
Income (loss) from continuing operations	(0.54)	2.41	(0.26)	1.80	1.97
Loss from discontinued operations	-	(0.15)	-	(0.06)	(0.21)
Diluted earning (loss) per share	(0.54)	2.26	(0.26)	1.74	1.76
NUMBER OF SHARES USED IN COMPUTATION (IN THOUSDNADS) OF DILUTED EARNINGS (LOSS) PER SHARE	22,270	22,450	22,268	22,514	22,913

(*) Reclassified (see note 4 (1B))

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. dollars

	Number of share	Share capital	Additional paid-in capital	Accumulated other comprehensive income	Retained earning (loss)	Total comprehensive loss	Total
For the year ended December 31, 2000 (audited)							
Balance as of January 1, 2000	22,108,240	11,189	54,052	366,100	18,970		450,311
Net income	-	-	-	-	40,390	40,390	40,390
Warrants exercised and conversion of debentures	70,701	-	318	-	-		318
Unrealized loss from available for sale securities	-	-	-	(282,713)	-	(282,713)	(282,713)
						(242,323)	
Sale of treasury stock	-	-	548	-	-		548
Dividend	-	-	-	-	(25,036)		(25,036)
Balance as of December 31, 2000	22,178,941	11,189	54,918	83,387	34,324		183,818
For the period January - September 2001 (unaudited)							
Net loss	-	-	-	-	(12,029)	(12,029)	(12,029)
Warrants exercised	105,000	-	323	-	-		323
Unrealized loss from available for sale securities	-	-	-	(22,649)	-	(22,649)	(22,649)
						(34,678)	
Dividend	-	-	-	-	(25,147)		(25,147)
Balance as of September 30, 2001	22,283,941	11,189	55,241	60,738	(2,852)		124,316
						(34,678)	
For the period January - September 2000 (unaudited)							
Balance as of January 1, 2000	22,108,240	11,189	54,052	366,100	18,970		450,311
Net income	-	-	-	-	50,678	50,678	50,678
Warrants exercised and conversion of debentures	70,701	-	318	-	-		318
Unrealized loss from available for sale securities	-	-	-	(257,185)	-	(257,185)	(257,185)
						(206,507)	
Sale of treasury stock	-	-	548	-	-		548
Dividend	-	-	-	-	(25,015)		(25,015)
Balance as of September 30, 2000	22,178,941	11,189	54,918	108,915	44,633		219,655

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS

In thousands of U.S. dollars

	For the nine months ended September 30		For the year ended December 31
	2001	2000	2000
	(Unaudited)		(Audited)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	(12,029)	50,678	40,390
Adjustments to reconcile net income (loss) to net cash used in operating activities			
Depreciation amortization	2,621	2,702	3,094
Deferred taxes	720	-	(720)
Deposits for severance pay	341	28	227
Provision for severance pay	(108)	(172)	(150)
Decrease in marketable securities	152	17,753	27,161
Gain on sale of fixed assets and investments	(1,553)	(129,893)	(132,806)
Minority interest and other adjustments	(2,512)	1,494	804
Loss from equity investment	3,307	1,340	2,225
Changes in operating assets and liabilities:			
Decrease (increase) in receivables and prepaid expenses	(139)	5,306	7,614
Decrease in related party receivable	164	181	146
Inventories	-	(296)	(1,968)
Increase (decrease) in accounts payable and accrued expenses	(18,558)	25,052	20,813
	(15,565)	(76,505)	(73,560)
Net cash used in operating activities	(27,594)	(25,827)	(33,170)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed and other assets	(378)	(445)	(670)
Proceeds from sale of fixed assets and investments	27	11,439	11,422
Investment in affiliated companies	(6,141)	(4,533)	(4,827)
Net assets of newly consolidated subsidiaries (see below)	(6,138)	(137)	(181)
Net assets of formerly consolidated subsidiaries (see below)	337	42,776	42,776
Other long-term loans granted	-	(1,500)	(1,500)
Long-term loans granted to employees	(130)	(64)	(77)
Long-term loans repaid by employees	-	41	51
Long-term loans repaid by related party	3,000	10,000	10,000
Changes in short-term deposits with banks, net	1,100	-	(1,117)
Long-term bank deposits	-	(4,373)	(4,373)
Proceeds from sale of securities, net	1,600	-	65,834
Net cash provided by (used in) investing activities	(6,723)	53,204	117,338
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from exercise of warrants	323	164	164
Proceeds from sale of treasury stock	-	548	548
Dividends paid	(27,827)	(25,015)	(25,036)
Repayment of debentures	(1,436)	(1,447)	(1,447)
Repayment of long-term loans	-	(633)	(1,863)
Changes in short-term credit, net	-	(128)	(185)
Net cash used in financing activities	(28,940)	(26,511)	(27,819)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(63,257)	866	56,349
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	90,652	34,303	34,303
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,395	35,169	90,652
INCOME TAX PAID	15,147	98	7,271
INTEREST PAID	60	226	305

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Cont.)

In thousands of U.S. dollars

	For the nine months ended September 30 2001	2000	For the year ended December 31 2000
	(Unaudited)		(Audited)
NONCASH ACTIVITIES			
Sale of HyNex activity for Cisco's shares	-	95,887	95,887
Shares issued upon conversion of debentures	-	155	155
PURCHASE OF NEWLY CONSOLIDATED SUBSIDIARIES			
Working capital (excluding cash)	77	-	318
Investment in affiliated companies	1,450	-	-
Fixed assets	(636)	-	(55)
Purchased intangible (2000- goodwill)	(7,217)	(459)	(2,949)
Minority interest	188	322	2,564
Balance of investments upon consolidation	-	-	(59)
	(6,138)	(137)	(181)
SALE OF FORMERLY CONSOLIDATED SUBSIDIARIES			
Working capital (excluding cash)	448	(788)	(788)
Fixed assets	327	1,220	1,220
Goodwill	-	1,250	1,250
Long -term liabilities	(602)	(18)	(18)
Minority interest	(1,396)	(198)	(198)
Capital gain	1,560	39,541	39,541
Provision for selling expenses	-	1,769	1,769
	337	42,776	42,776

The accompanying notes are an integral part of the financial statements.

ELBIT LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars)
(Unaudited)

Note 1 - GENERAL

The accompanying financial statements have been prepared as of September 30, 2001, and for the three months then ended. These statements should be read in conjunction with the annual financial statements of Elbit Ltd. as of December 31, 2000. The interim financial statements include all adjustments which are, in the opinion of the management, necessary for a fair presentation. All such adjustments are of a normal recurring nature.

Note 2 - SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed in the preparation of these statements are identical to those applied in preparing the latest annual financial statements.

Note 3 - INVENTORIES

	September 30 2001	December 31 2000
	(Unaudited)	(Audited)
Finished goods	-	2,744
Work in process	-	1,811
Materials and spare parts	25	1,342
	25	5,897

Note 4 - INVESTMENT

(1) A. Elbit Vision Systems Ltd. (EVS) – EVS develops, manufactures and markets quality control systems for the textile industries. At the end of March 2001, the Company signed an agreement with an investor, according to which the Company sold the investor approximately 3.5 million shares of EVS at $1.00 per share in two trenches: $2 million upon consummation of the transaction and $1.5 million no later than March 15, 2002, if EVS achieves certain specified milestones with respect to its financial results for 2001. In addition, the investor purchased directly from EVS shares in two trenches, each at a price of $1.00 per share: $1.5 million upon consummation of the transaction and $1.5 million no later than March 15, 2002, in the event that EVS achieves certain specified milestones with respect to its financial results for 2001.

ELBIT LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(In thousands of U.S. dollars)
(Unaudited)

Note 4 - INVESTMENT (CONT.)

The first trenches were completed and the Company record a capital gain before tax in the amount of approximately $1.5 million. After the initial trenches, the Company holds approximately 16% interest in the voting rights of EVS.

At completion of the transaction in 2002, the Company's interest in EVS will decline approximately 10%.

As part of the abovementined transaction, the Company invested $3 million in Cell-Data, a Company owned by the investors' family, for approximately 14% interest in Cell-Data. Upon the achievement by Cell-Data of certain commercial milestones the Company will invest a further $1.5 million, increasing its shareholdings to approximately 21%.

B. The Company ceased the consolidation of EVS in the first quarter of 2001. Consequently the results of EVS for the year ended December 31, 2000, and for the period of nine and three months ended September 30, 2000 are reclassified in the consolidation statements of income and are presented in loss from discontinued operation.

(2) In March 2001, the Company signed an agreement with Cell-Act Ltd. (Cell-Act), a company engaged in developing solutions for data transfer by different cellular technologies. According to the agreement, the Company will invest in Cell-Act up to approximately $2.0 million in consideration for approximately 45% of the Ordinary share capital of Cell-Act. As of September 30, 2001 the Company had invested $1.3 million.

In addition, the Company has additional two options to invest in Cell-Act. According to the first option, the Company is entitled to acquire a further 20% of Cell-Act at a price that will be determined in accordance with the extent to which Cell-Act has met business goals. Under the second option, exercisable following to the approval of Cell-Act's financial statements for 2003, the Company will be entitled to acquire ownership of the balance of Cell-Act's issued capital at 50% of Cell-Act's market value on the option exercise date.

Note 4 - INVESTMENT (CONT.)

(3) During the second quarter of 2001, the Company signed an agreement to purchase all the assets, rights, property and net of certain liabilities of Value flash, Inc., U.S. corporation ("Vflash") in consideration for approximately $6.8 million. The excess of the cost of the investment over the carrying value of its assets is a proximately $5.5 million. In addition the Company will grant options to key employees of Vflash to purchase 400,000 Elbit Ltd. common shares. The Company has not yet completed its evaluation of the allocation of the excess of cost over the carrying value of the assets acquired.

Vflash is engaged in direct marketing over the internet and has developed a solution enabling to deliver directly to desktops of the customers of Vflash personalized data based on their predefined preferences and interest.

(4) During the third quarter of 2001, the Company signed an agreement with Adreact PLC, U.K. corporation ("Adreact"). Adreact is engaged in marketing and developing products for interactive contact between the advertisor and the end user by way of mobile phone. According to the agreement, the Company invested in Adreact up to approximately $1.0 millions in consideration for approximately 38% of the Ordinary share capital of Adreact.

(5) During the third quarter of 2000, the Company signed an agreement for the establishment of a new company, Textology Inc., U.S. corporation ("Textolgoy") that will be engaged in the developing and marketing of technology to enable data management. According to the agreement, Elbit invested $3.3 million in consideration for approximately 55% of Texology ordinary share capital. In addition, the Company received an option for one year to increase its holdings in Texsology by 8.75% in consideration for $2.0 million.
During the third quarter of 2001, the Company exercised the option according to the agreement. After the exercise of the option, the Company holds 63.75% interest in the ordinary share of Texsology.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

(In thousands of U.S. dollars)
(Unaudited)

Note 4 - INVESTMENT (CONT.)

(6) During the third quarter of 2000, the Company signed an agreement with Israel Commerce Community ICC Ltd. ("ICC"). ICC which is engaged in the developing of technology enabling businesses to outsource all or part of their procurement-related activities. According to this agreement, the Company invested $2.25 million in consideration for 25% of ICC's share capital. In addition the Company received an option for one year to invest an additional $1.0 million by August 15, 2001 in consideration for approximately 7.5% in ICC.

During the third quarter of 2001, the Company and part of the other investors signed a new agreement, according to which, the Company invested approximately $1.0 million in consideration for approximately 30% in ICC. Consequently the Company holds approximately 55% in of ICC.

(7) During the third quarter of 2000, the Company signed an agreement with StarkeyNet LTD, a company engaged in developing and marketing technology to enable a complete solution for users to operate computerized applications in e-business markets with natural language user interface. According to this agreement, Elbit invested $2.0 million in consideration for approximately 40% of the ordinary share capital of StarkeyNet. During the fourth quarter of 2000, the Company's holding decreased to 38%, as a result of a conversation of an option by one of the shareholders.

During the third quarter of 2001, the Company and part of the other investors singed an agreement according to which the Company invested approximately $500 thousands. Consequently the Company holds approximately 42% interest in StarkeyNet.

Note 5 - OTHER INCOME (EXPENSES), NET

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2001	2000	2001	2000	2000
	(Unaudited)		(Unaudited)		(Audited)
Gain on disposal of subsidiaries and operations	1,533	111,990	-	72,541	104,024
Loss on disposal of fixed assets	(7)	(73)	-	(22)	(285)
Other income (expenses), net	(3,410)	(11,779)	(1,979)	771	(16,120)
	(1,884)	100,138	(1,979)	73,290	87,619

ELBIT LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

(In thousands of U.S. dollars)
(Unaudited)

Note 6 - RECONCILIATION TO ISRAELI GAAP

The consolidated financial statements of the Company are prepared in accordance with generally accepted accounting principles applicable in the U.S. ("U.S. GAAP"). The main differences between US GAAP and Israeli GAAP, as applicable to these financial statement, are detailed below.

A. **Differences between US GAAP and Israeli GAAP:**

1. A building sale to Elbit System Ltd.

According to generally accepted accounting principles in Israel, the Company should charge to capital reserve the gain from the building which was sold to Elbit Systems Ltd.

According to US GAAP the gain is recognized in the statement of income.

2. Marketable equity securities

According to generally accepted accounting principles in Israel, the Company's investment in Partner should be included with long-term investments in the balance sheet at cost. In addition the changes in the market value of Cisco's shares should be included in the statement of income.

According to US GAAP investments in marketable equity securities that are available for sale should be presented at fair market value. Changes in the fair market value should be included in shareholders equity as comprehensive income.

B. The effect of the above differences between US GAAP and Israeli GAAP on the Company's financial statements are detailed below.

ELBIT LTD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

In thousands of U.S. dollars, except earnings (loss) per share
(Unaudited)

Note 6 - RECONCILIATION TO ISRAELI GAAP (CONT.)

(1) Statements of income

	For the nine months ended September 30		For the three months ended September 30		For the year ended December 31
	2001	2000	2001	2000	2000
	(Unaudited)		(Unaudited)		(Audited)
A. Net income (loss) as reported according to US GAAP	(12,029)	50,678	(5,852)	39,076	40,390
Effect of the sale of the building to Elbit Systems Ltd.	-	59	-	-	-
Effect of marketable securities	(4,749)	-	(2,366)	-	185
Net income (loss) according to Israeli GAAP	(16,788)	50,737	(8,218)	39,076	40,575
B. Earnings (loss) per share					
Basic earnings (loss) per share					
US GAAP	(0.54)	2.29	(0.26)	1.76	1.82
Israeli GAAP	(0.53)	2.23	(0.25)	1.71	1.83
Diluted earning (loss)					
US GAAP	(0.54)	2.26	(0.26)	1.74	1.76
Israeli GAAP	(0.53)	2.23	(0.25)	1.71	1.83

(2) Balance sheet

	As reported	Adjustments	As per Israeli GAAP
As of December 31, 2000			
Investments	143,471	(130,004)	13,467
Total assets	274,776	(130,004)	144,772
Deferred taxes	46,802	(46,802)	-
Accumulated other comprehensive income	83,387	(83,387)	-
Capital reserve	54,918	10,073	64,991
Retained income	34,324	(9,888)	24,436

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

(In thousands of U.S. dollars)
(Unaudited)

Note 6 - RECONCILIATION TO ISRAELI GAAP (CONT.)

	As reported	Adjustments	As per Israeli GAAP
As of September 30, 2001			
Investment	113,901	(99,344)	14,557
Total assets	170,477	(99,344)	71,133
Dreferred tax	35,764	(35,764)	-
Accumulated other comprehensive income	108,915	(108,915)	-
Capital reserve	55,241	10,073	65,314
Retained income (deficit)	(2,852)	(14,637)	(17,489)

Note 7 - DIVIDEND

On April 3, 2001, the Company distributed a cash dividend in the amount of approximately $25 million ($1.13 per share).

Note 8 - NEW ACCOUNTING PRONOUNCEMENT

In July 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 141, Business Combinations ("FAS 141") and No. 142, Goodwill and Other Intangible Assets ("FAS 142"). FAS 141 requires all business combinations initiated after June 30, 2001 to be accounted for using the purchase method. Under FAS 142, goodwill and intangible assets with indefinite lives are no longer amortized but are reviewed annually (or more frequently if impairment indicators arise) for impairment. All other intangible assets will continue to be amortized over their estimated useful lives. The amortization provisions of FAS 142 apply to goodwill and intangible assets acquired after June 30, 2001. With respect to goodwill and intangible assets acquired prior to July 1, 2001, the Company is required to adopt FAS 142 effective January 1, 2002. The Company is currently evaluating the effect that adoption of the provisions of FAS 142 that are effective January 1, 2002 will have on its results of operations and financial position. Had the Company adopted SFAS 142 at January 1, 2000, the Company would not have recorded amortization of goodwill of 4,134 and 2,353 for the year December 31, 2000 and for the nine months ended September 30, 2001, respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Cont.)

(In thousands of U.S. dollars)
(Unaudited)

Note 9 - SUBSEQUENT EVENTS

(1) On October 31, 2001, the Company signed a merger agreement with Elron electronic industries Ltd. (hold's approximately 44% interest in the Company). Pursuant to the merger agreement Elbit will be merged with Elron and Elron will issue to Elbit's shareholders, other than Elron, newly issued Elron's shares based on an exchanged ratio of 0.45 Elron ordinary share for each ordinary share of Elbit.

The completion of the transaction is subject to a certain conditions including court approval, the approval of shareholders and creditors of both companies, and the receipt of regulatory approvals required by law. There is no assurance that all the approvals will be obtained and that the merger will be consummated.

(2) Mr. Yigal Baruchi has retired from his position as the Company's president and CEO and pursuant to a resolution of the board of directors he will be entitled to approximately U.S. $1.3 million as a retirement benefit. The resolution is subjected to the approval of the shareholders' at a meeting scheduled for January 2002.

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EXHIBIT 2

ELBIT LTD.

MANAGEMENT REPORT REGARDING COMPANY'S BUSINESS AS OF SEPTEMBER 30, 2001

This discussion should be reviewed together with the financial reports of the Company as of September 30, 2001 and its notes and the Company's 20-F filing for the year ending on December 31, 2000

Elbit Ltd. ("Elbit" or the "Company") focuses on the development of products and value-added services in the areas of e-business and m-commerce. Elbit also holds indirectly approximately 12.3% in Partner Communications Company Ltd. ("Partner").

General

On October 31, 2001 the Company announced that it has signed a definitive merger agreement with Elron, following the approval of the merger and the merger agreement by each company's audit committee and board of directors. Pursuant to the merger agreement, Elbit will be merged with Elron and Elron will issue to Elbit's shareholders (other than Elron), newly issued Elron shares, based on an exchange ratio of 0.45 Elron ordinary shares for each ordinary share of Elbit, as previously announced on 4 September, 2001. Elbit and Elron have received final opinions from their respective financial advisors regarding the fairness of the exchange ratio from a financial point of view. The completion of the merger is subject to certain conditions, including (i) court approval in accordance with sections 350 and 351 of the Israeli companies Law 1999, (ii) the approval of shareholders, creditors and option holders of both companies, and (iii) the receipt of regulatory approvals required by law.

On July 12 2001, the Company signed an agreement to invest in AdreAct PLC ("AdreAct"). According to the agreement, Elbit will invest $1 million in AdreAct in consideration for approximately 38% of AdreAct's share capital. AdreAct develops and markets products for interactive communication over cellular telephones between a number of advertising channels and the final customer.

On June 18 2001, the Company announced the signature of agreement for the purchase of the business and assets of ValueFlash.com, Inc. ("Vflash"). According to the agreement Elbit paid the sum of $3.5 million for the business and assets of Vflash. In addition, Elbit assumed various obligations of Vflash in the sum of $2.75 million. Under the terms of the agreement, Elbit paid $2.25 million in cash and the balance was deposited in escrow to secure the representations made by Vflash and its controlling shareholder, CDKnet.com, Inc. ("CDK"). Out of the escrowed funds, $500,000 will be paid after 9 months, $250,000 after 12 months and the remaining $500,000 after 18 months.

Vflash has developed a unique marketing channel enabling customers of Vflash to deliver, directly to their consumers' desktops, personalized data based on their predefined preferences and interests. Vflash conveys personalized content, such as product purchasing opportunities and various updates, directly to the consumer without needing to surf the net or deal with irrelevant emails.

Vflash's customers include NBC, Ford, Blockbuster and Coca Cola. Vflash has also formed strategic alliances with JWT, a WPP company, and DDB Ventures, an Omnicom company. In order to develop its business outside the United States, Vflash enters into joint ventures with local partners to whom it licenses its technology in consideration for annual license fees. Joint venture affiliates have already been established in Japan and Singapore.

As part of the transaction, in addition to the acquisition of Vflash's technology rights, a license agreement has been entered into with CDK for the continued use of CDK's convergent multimedia technology integrating audio, video and Internet connectivity on a standard compact disc that is designed to increase traffic to a company's web site.

After 34 years of employment by the Company, on October 23, 2001, Yigal Baruchi retired from his position as President and CEO. Mr. Baruchi held many managerial positions at the Company, including Vice President Development and Engineering, the Company's representative in the United States, Vice President Defense Systems Division and COO, and General Manager Defense Systems Division. Prior to the demerger of the Company in 1996, he held the position of Company General Manager.

During the 5 years following the demerger, in which Mr. Baruchi served as President and CEO of the Company, he implemented the strategic decision to convert the Company into an incubator in the field of communications and to exit non-strategic businesses. Mr. Baruchi led the steps that resulted in increased shareholder value. Among the Company's many successes, the establishment of Partner, Partner's IPO, and the realization of the Company's investments in Peach and HyNEX, are of particular note.

Over the last year, Elbit shifted its focus from holdings in developed companies that were realized during 2000, to holdings in young technology companies that have not reached the income-producing stage.

Mr. Baruchi informed the board of directors of the Company that, as this strategic step has been accomplished, he desires to retire from the Company in order to engage in other activities. The board of directors of the Company accepted Mr. Baruchi's resignation, and decided to award him a severance payment in the sum of $1.3 million as compensation for his length of employment by the Company and his contribution to its business achievements. The payment includes Mr. Baruchi's 2001 bonus. Both the severance payment and the 2001 bonus are subject to the approval of the Company's shareholders in general meeting. Mr. Baruchi will continue to serve as a director of the Company.

The Board of Directors of the Company appointed Mr. Tal Raz, the current CFO of Elbit, to serve as acting President and CEO of the Company with effect from October 23, 2001.

Comparison between first nine months of 2001 results and first nine months of 2000 results

The Elbit results reflect a shift from holdings in developed companies that were realized during 2000, to holdings in young technology companies that have not reached the income-producing stage. Similarly, the financial reports of the nine months ended September 30, 2001 are characterized by the realization of considerable part of the Company's holdings in Elbit Vision Systems Ltd. ("EVS") and its inclusion in the financial reports of the Company on a cost basis. The results of Elbit Vflash, Ltd. ("Elbit Vflash"), which are consolidated with the Company's financial results, reflect the activities of Elbit Vflash only for the period between the acquisition and balance sheet date.

The consolidated income in the nine months ended September 30, 2001 amounted to about $0.6 million, compared to about $3.0 million in the equivalent period of the previous year. Of this sum, most of the income resulted from the activities of Elbit Vflash in the period between the acquisition and balance sheet date, compared to the income results from HyNEX in the Equivalent period of the previous year.

The consolidated income in the third quarter of 2001 amounted to about $0.5 million, most of which is related to Elbit Vflash activities, compared to about $1.2 million related to HyNEX income in the equivalent period of the previous year.

The consolidated gross profit in the nine months ended 30, 2001 amounted to about $0.5 million, compared to about $0.4 million in the equivalent period of the previous year.

The consolidated gross profit in the third quarter of 2001 amounted to about $0.4 million, compared to about $0.2 million in the equivalent period of the previous year.

The net consolidated research and development expenses in the nine months ended September 30, 2001 amounted to about $4.7 million, compared to about $3.7 million in the equivalent period of the previous year. Of this sum, the net research and development expenses of Textology Inc. ("Textology"), Dealigence Inc. ("Dealigence") and Elbit Vflash were about $1.7 million, $1.6 million and $1.2 million, respectively, compared to net research and development expenses of HyNEX Ltd. ("HyNEX") and Textology of about $2.8 million and $0.9 million, respectively, in the equivalent period of the previous year.

The consolidated research and development expenses in the third quarter of 2001 amounted to about $2.5 million, compared to about $1.8 million in the equivalent period of the previous year. Of this sum, the net research and development expenses of Textology, Dealigence and Elbit Vflash were about $0.6 million, $0.5 million and $1.1 million, respectively, compared to net research and development expenses of HyNEX and Textology of about $0.9 million each in the equivalent period of the previous year.

The consolidated marketing and sales expenses in the nine months ended September 30, 2001, amounted to about $3.8 million, compared to about $2.4 million in the equivalent period of the previous year. Of this sum, the marketing and sales expenses of Elbit's corporate staff Textology, Dealigence and Elbit Vflash amounted to about $1.6 million, $1.0 million, $0.4 million and $0.7 million, respectively. In comparison, in the equivalent period of the previous year, the marketing and sales expenses resulted from the marketing and sales expenses of Elbit's corporate staff and HyNEX in the sum of about $1.5 million and $0.9 million, respectively.

The consolidated marketing and sales expenses in the third quarter of 2001, amounted to about $1.6 million, compared to about $0.7 million in the equivalent period of the previous year. Of this sum, the marketing and sales expenses of Elbit's corporate staff, Textology, Dealigence and Elbit Vflash amounted to about $0.3 million, $0.5 million, $0.2 million and $0.6 million, respectively. In comparison, in the equivalent period of the previous year, the marketing and sales expenses resulted from the marketing and sales expenses of Elbit's corporate staff and HyNEX in the sum of about $0.4 million and $0.3 million, respectively.

The consolidated general and administrative expenses in the nine months ended September 30, 2001, amounted to about $3.6 million, compared to about $3.0 million in the equivalent period of the previous year. Of this sum, the general and administrative expenses of Elbit's corporate staff, Textology, Dealigence and Elbit Vflash amounted to about $2.7 million, $0.4 million, $0.2 million and $0.2 million, respectively. In comparison, in the equivalent period of the previous year, the general and administrative expenses resulted from the general and administrative expenses of Elbit's corporate staff and HyNEX in the sum of about $2.4 million and $0.6 million, respectively.

The consolidated general and administrative expenses in the third quarter of 2001, amounted to about $1.5 million, compared to about $1.2 million in the equivalent period of the previous year. Of this sum, the general and administrative expenses of Elbit's corporate staff, Textology, Dealigence and Elbit Vflash amounted to about $1.1 million, $0.1 million, $65 thousand and $0.1 million, respectively. In comparison, in the equivalent period of the previous year, the general and administrative expenses resulted from the general and administrative expenses of Elbit's corporate staff and HyNEX in the sum of about $0.9 million and $0.2 million, respectively.

The consolidated operating loss in the nine months ended September 30, 2001, amounted to about $11.5 million, compared to about $8.6 million in the equivalent period of the previous year. Of this sum, the operating losses of Textology and Dealigence amounted to about $3.0 million and $2.2 million, respectively, compared to operating losses of HyNEX and Textology of about $3.9 million and $0.9 million, respectively, in the equivalent period of the previous year.

The consolidated operating loss in the third quarter of 2001, amounted to about $5.1 million, compared to about $3.4 million in the equivalent period of the previous year. Of this sum, the operating losses of Textology and Dealigence amounted to about $1.2 million and $0.8 million, respectively, compared to an operating loss of HyNEX and Textology of about $1.2 million and $0.9 million in the equivalent period of the previous year.

The net consolidated finance income in the nine months ended September 30, 2001, amounted to about $2.0 million, compared to about $0.5 million in the equivalent period of the previous year. The increase in finance income results primarily from finance income from the Company's deposits in Israel and abroad.

The net consolidated finance income in the third quarter of 2001, amounted to about $0.5 million, compared to about $0.3 million in the equivalent period of the previous year.

The net consolidated other income/expenses in the nine months ended September 30, 2001, amounted to about $1.9 million, compared to other income of about $100 million in the equivalent period of the previous year. Such other expenses reflect profit of about $1.5 million from the sale of the Company's holdings in EVS, less goodwill from investments in start-up companies. In the equivalent period of the previous year, the Company recorded a net profit of about $39.5 million from the sale of Peach Networks Ltd. ("Peach") to Microsoft and a net profit of about $86.7 million from the sale of HyNEX .

The net consolidated other income/expenses in the third quarter of 2001, amounted to about $2.0 million, compared to about other income of $73.3 million in the equivalent period of the previous year. These expenses resulted primarily from rental income less goodwill from investments in start-up companies.

The consolidated net loss in the nine months ended September 30, 2001, amounted to about $12.0 million, compared to a profit of about $50.7 million in the equivalent period of the previous year. Of this sum the net loss of Textology, Dealigence and Elbit Vflash amounted to about $3.0 million, $2.2million and $1.9 million, respectively, compared to a profit of $39.5 million from the sale of Peach to Microsoft and a net profit of HyNEX in the equivalent period of the previous year that amounted to about $59.8 million.

The consolidated net loss in the third quarter of 2001, amounted to about $5.9 million, compared to a profit of about $39.1 million in the equivalent period of the previous year. Of this sum the net loss of Textology, Dealigence and Elbit Vflash amounted to about $1.2 million, $0.8 million and $1.7 million, respectively, compared to a net profit from the sale of HyNEX' assets in the equivalent period of the previous year that amounted to about $62.8 million and a net loss of Textology that amounted to about $0.9 million.

The total basic loss per share in the nine months ended September 30, 2001, amounted to about $0.54, compared to a profit of about $2.29 in the equivalent period of the previous year. The total basic loss per share in the third quarter of 2001 amounted to about $0.26 compared to a profit of about $1.76 in the equivalent period of the previous year.

Financial Status, Liquidity and Finance

The Company finances its activities primarily by realizing mature holdings.

On balance sheet date, cash, shares and deposits in the consolidated balance sheet, amounted to about $34.3 million, compared to about $105 million on December 31, 2000. The reduction in the cash balance is primarily due to a tax payment relating to the HyNEX transaction and the distribution of a dividend in the sum of $25 million. The balance of cash, shares and deposits for the second quarter 2001 includes approximately 182,000 Cisco shares that were held in an escrow account until September 2001 and are recorded at their market value on balance sheet date. In addition, they include a balance of about $4.7 million that were held in an escrow account until September 2001 in connection with the sale of Peach to Microsoft at the beginning of 2000.

On balance sheet date, the balance of investments in affiliated companies and partnerships amounted to about $113.9 million, compared to about $143.5 million on December 31, 2000. The balance of investments in affiliated companies and partnerships includes mainly an investment of about $99.4 million in Partner and an investment of about $7.3 million in Cellenium.

The balance of the consolidated short-term loans on balance sheet date was about zero, compared to about $1.5 million on December 31, 2000. The balance comprises undertakings relating to the Company's debentures.

The balance of the long-term liabilities in the consolidated balance sheets at balance sheet date was about $37.1 million, compared to about $47.6 million on December 31, 2000, and represents mainly a reserve for deferred income taxes in connection with the investment in Partner.

The equity to total balance sheet ratio on balance sheet date was about 0.73, compared to about 0.67 on December 31, 2000.

Working capital on the balance sheet date was about $28.5 million, compared to about $80.5 million on December 31, 2000.

In the nine months ended September 30, 2001, the consolidated cash reserves were reduced by about $63.3 million. The reduction in the Company's cash reserves results primarily from the distribution of a dividend, payment of tax resulting from the sale of HyNEX' assets to Cisco, investments in Vflash, Cell Data and CellAct, less the receipts from the sale of a building in Haifa to Elbit Systems Ltd. and the sale of FLIR shares.

The consolidated cash flow for current activities during 2001 was about $27.6 million and includes primarily the payment of tax resulting from the sale of HyNEX' assets to Cisco and payment for current activities of the Company and its affiliates.

The cash flow for investment activities in the nine months ended September 30, 2001 was about $6.7 million and includes primarily investments in Vflash, Cell Data and CellAct, less the receipts from the sale of the building in Haifa to Elbit Systems Ltd. and the sale of FLIR shares.

The cash flow required for finance activities in the nine months ended September 30, 2001 amounts to about $28.9 million and includes primarily payment of a dividend to the Company's shareholders and payment on account of Series A debentures.

A Qualitative and Quantitative Report of the Exposure to Market Risks and Their Management

Owing to the nature of its activities, the Company is exposed to market risks, the main ones being changes in the rate of exchange and changes in the market value of affiliated companies. The Company's Board of Directors decides upon the targets that it wishes to reach in order to reduce balance sheet risks. The Company's derivative transactions are performed solely via banking corporations and stock exchanges that are obliged to observe the requirement for appropriateness of capital levels or the safeguarding of security levels according to scenario planning.

The Company holds about 22.1 million shares in Partner carrying a market value at balance sheet date of about $99.4 million, and about 182,000 shares of Cisco at a market value at balance sheet date of about $2.2 million. Cisco shares were recorded based on their market value of about $7.0 million at December 31, 2000. Since then, in accordance with US GAAP, the fluctuations in their share price are recorded through a capital reserve. In addition, the Company holds approximately 2.6 million shares in EVS, with a market value of about $1.2 million at balance sheet date.

The Company is exposed to fluctuations in the value of the traded companies referenced above and examines the possibility of protecting their value from time to time. At balance sheet date, there was no protection against fluctuation in the value of the traded companies.

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