



15 במרס 2006

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א.ג.נ.,

**הנדון: אלביט מערכות בע"מ ("החברה") – הודעה לעתונות**

מצ"ב הודעה לעתונות (Press Release) בדבר תוצאות פעילות החברה ברבעון הרביעי ובשנה שהסתיימו ב- 31 בדצמבר 2005, שבכוונתנו לפרסם היום בארה"ב ולהגישה כדו"ח 6K לרשות ניירות ערך האמריקאית.

בכבוד רב,

אילן פכולדר  
מזכיר החברה



## **Earnings Release**

### **ELBIT SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR RESULTS FOR 2005**

#### **Record Revenues, Order Backlog and Operating Cash Flow**

- **55% Increase in Backlog of Orders to \$3.35 Billion**
- **13.8% Increase in Annual Consolidated Revenues to \$1.07 Billion**
  - **\$187.6 Million in Operating Cash Flow**

**Haifa, Israel, March 15, 2005** – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT), the international defense electronics company, today reported its consolidated results for the fourth quarter and year-ended December 31, 2005.

**The Company’s backlog of orders as of December 31, 2005** reached \$3.35 billion, as compared to \$2.15 billion at the end of 2004. 72% of the backlog relates to orders outside of Israel. Approximately 65% of the Company’s backlog as of December 31, 2005 is scheduled to be performed during 2006 and 2007.

**Consolidated revenues for the year ended December 31, 2005** increased by 13.8% to \$1,070 million, as compared to \$940 million in 2004.

**Consolidated revenues for the fourth quarter of 2004** increased by 18.8% to \$321.8 million, as compared to \$270.8 million in the corresponding quarter of 2004.

**Impact on 2005 results.** As previously reported, the Company’s 2005 financial results were expected to be effected by the acquisition of 40% of the shares of Tadiran Communications Ltd. (“Tadiran”), which were purchased in several stages in the fourth quarter of 2004 and during 2005, and by the purchase of 70% of the shares of Elisra Electronic Systems Ltd. (“Elisra”) in the fourth quarter of 2005. As a result of the above purchases the Company recorded one-time In-Process R&D (“IPR&D”) and one-time write-offs related to the acquisitions. The effects of the Tadiran transactions are recorded as part of the Company’s earnings from affiliated companies in its income statement. In addition, the Company’s net earnings were affected by \$5.4 million of value impairment recorded with respect to its holdings in ImageSat International N.V. (“ISI”), which is included in the Company’s other expenses.

**Reported consolidated net earnings for the year ended December 31, 2005** were \$32.5 million, as compared to \$51.9 million in 2004. Reported diluted earnings per share (“EPS”) in 2005 were \$0.78, as compared to \$1.26 in 2004.

Excluding one-time IPR&D and other one-time expenses and write-offs related to the purchase of the Tadiran and Elisra shares, the Company's net income in 2005 was \$51.1 million, and the diluted EPS was \$1.23, as compared to net income of \$52.9 million and diluted EPS of \$1.29 in 2004.

**Reported consolidated net loss for the fourth quarter of 2005** was \$5.7 million, as compared to net income of \$13 million in the same period of 2004. Reported diluted EPS for the fourth quarter of 2005 was \$(0.14), as compared to \$0.31 for the fourth quarter of 2004.

Excluding one-time IPR&D and other one-time expenses and write-offs related to the purchase of the Tadiran and Elisra shares, the Company's net income in the fourth quarter of 2005 was \$7.6 million, and the diluted EPS was \$0.18.

**Gross profit for the year ended December 31, 2005** was \$279.8 million, as compared to gross profit of \$250.3 million in 2004, and the gross profit margin in 2005 was 26.1%, as compared to 26.6% in 2004.

Excluding one-time restructuring expenses related to the purchase of Elisra, the Company's gross profit in 2005 was \$283.3 million, and the gross profit margin was 26.5%.

**Gross profit for the fourth quarter of 2005** was \$78.5 million, as compared to gross profit of \$72.6 million in the fourth quarter of 2004, and the gross profit margin in the fourth quarter of 2005 was 24.4%, as compared to 26.8% in the fourth quarter of 2004.

Excluding one-time restructuring expenses related to the purchase of Elisra, the Company's gross profit in the fourth quarter of 2005 was \$81.9 million, and the gross profit margin was 25.5%.

**Operating cash flow** produced by the Company in 2005 was \$187.6 million, as compared to \$81.5 in 2004.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "2005 was a very significant year for the Elbit Systems Group, both operationally and strategically. Operationally we achieved unprecedented growth in revenues, backlog of orders and cash flow. On the strategic level we completed the acquisitions of controlling interests in both Elisra and Tadiran Communications, creating the largest defense group in Israel. These important complementary additions to our Group enable us to expand even further our portfolio of advanced defense electronics systems and solutions for our customers worldwide, enhancing our competitive position in the international market. The process of implementing the new synergies within the Group companies has already begun, and we believe both acquisitions will be accretive. We intend to continue to invest in the development of new technologies and markets and to execute our long-term plan of profitable organic growth, while pursuing our acquisition strategy in Israel and globally."

The Board of Directors has declared a dividend of \$0.14 per share for the fourth quarter of 2005. The dividend will be paid on April 10, 2006, net of taxes and levies, at the rate of 22.1%. The record date of the dividend is March 28, 2006.

## **Conference Call**

The Company will be hosting a conference call on Wednesday, March 15, at 10.00am EST.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 5 minutes before the conference call commences. If you are unable to connect using the toll-free numbers, please try the international dial-in number.

**US Dial-in Numbers: 1 866 744 5399**  
**UK Dial-in Number: 0 800 917 5108**  
**ISRAEL Dial-in Number: 03 918 0609**  
**INTERNATIONAL Dial-in Number: +972 3 918 0609**

**At:**  
**10:00am Eastern Standard Time**  
**7:00am Pacific Standard Time**  
**3:00pm Greenwich Mean Time**  
**5:00pm Israel Time**

This call will be broadcast live on Elbit Systems' web-site at <http://www.elbitsystems.com>. An online replay will be available from 24 hours after the call ends, and will be available online for 30 days.

Alternatively, for two days following the end of the call, investors will be able to dial a replay number to listen to the call. The dial-in number is either: 1 888 269 0005 (US) 0 800 917 4256 (UK) or +972 3 925 5945 (Israel and International).

## **About Elbit Systems Ltd.**

Elbit Systems Ltd. is an international defense electronics company engaged in a wide range of defense-related programs throughout the world. The Elbit Systems Group, which includes the company and its subsidiaries, operates in the areas of aerospace, land and naval systems, command, control, communications, computers, intelligence, surveillance and reconnaissance ("C4ISR"), advanced electro-optic and space technologies, EW suites, airborne warning systems, ELINT systems, data links and military communications systems and equipment. The Group also focuses on the upgrading of existing military platforms and developing new technologies for defense and homeland security applications.

**Company Contact:**

Ilan Pacholder  
V.P. Finance & Capital Markets  
Corporate Secretary  
Elbit Systems Ltd.  
Tel: +972-4 831-6632  
Fax: +972-4 831-6659  
E-mail: [pacholder@elbit.co.il](mailto:pacholder@elbit.co.il)

**IR Contact:**

Ehud Helft / Kenny Green  
  
Gelbart Kahana  
Tel: 1-866-704-6710  
Fax: + 972 - 3 - 607 – 4711  
E-mail: [Kenny@gk-biz.com](mailto:Kenny@gk-biz.com)  
E-mail: [Ehud@gk-biz.com](mailto:Ehud@gk-biz.com)

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***(FINANCIAL TABLES TO FOLLOW)***

**ELBIT SYSTEMS LTD.**  
**CONSOLIDATED BALANCE SHEETS**  
(In thousand of US Dollars)

	December 31 2005	December 31 2004*
	<u>Audited</u>	<u>Audited</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and short term deposits	94,629	34,847
Trade receivable and others	416,067	266,610
Inventories, net of advances	328,428	248,041
Total current assets	<u>839,124</u>	<u>549,498</u>
 Affiliated Companies & other Investments	 201,339	 59,618
Long-term receivables & others	151,557	85,100
Fixed Assets, net	284,997	244,288
Other assets, net	142,728	95,987
	<u>1,619,745</u>	<u>1,034,491</u>
 <b><u>Liabilities and Shareholder's Equity</u></b>		
Current liabilities	612,168	376,157
Long-term liabilities	543,893	221,810
Minority Interest	12,907	4,340
Shareholder's equity	450,777	432,184
	<u>1,619,745</u>	<u>1,034,491</u>

\* Adjusted due to the Tadiran share purchase transaction

**ELBIT SYSTEMS LTD.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(In thousand of US Dollars, except for per share amounts)

	For the Year Ended December 31		Three Months Ended December 31	
	2005	2004*	2005	2004*
	Audited		Unaudited	
Revenues	1,069,876	939,925	321,760	270,775
Cost of revenues	786,616	689,826	239,836	198,198
Restructuring expenses	3,488	-	3,488	-
Gross Profit	279,772	250,299	78,446	72,577
Research and development, net	71,903	66,846	18,460	23,277
Marketing and selling	78,648	69,912	23,953	19,190
General and administrative	54,417	47,832	16,155	12,876
IPR&D write-off	7,490	-	7,490	-
Total operating expenses	212,458	184,590	66,058	55,343
Operating income	67,314	65,709	12,388	17,234
Financial expenses, net	(11,472)	(5,852)	(5,199)	(2,974)
Other income (expenses), net	(5,326)	770	(5,134)	831
Income before income taxes	50,516	60,627	2,055	15,091
Provisions for income taxes	16,335	15,219	4,046	3,507
	34,181	45,408	(1,991)	11,584
Equity in net earnings (losses) of affiliated companies and partnership **	(1,636)	6,645	(2,974)	2,059
Minority rights	(58)	(180)	(710)	(639)
Net income	32,487	51,873	(5,675)	13,005
Earnings per share				
Basic net earnings per share	0.80	1.30	(0.14)	0.32
Diluted net earnings per share	0.78	1.26	(0.14)	0.31

\* Adjusted due to the Tadiran share purchase transaction

\*\* Includes IPR&D write-off of \$8,500 in 2005