



15 במרס 2006

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א.ג.ג.,

**הندון : אלביט מערכות בע"מ ("החברה") – הودעה לעיתונות**

מצ"ב הودעה לעיתונות (Press Release) בדבר תוצאות פעילות החברה בربعון הרביעי  
ובשנה שהסתיימו ב- 31 בדצמבר 2005, שבכוננותנו לפרסם הימים בארה"ב ולהגישה  
כדו"ח K6 לרשות ניירות ערך האמריקאית.

בכבוד רב,

אלון פולדר  
מציר 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<br>2005     | December 31<br>2004*    |
|--|-------------------------|-------------------------|
|  | Audited                 | Audited                 |
| <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                                  | <u>142,728</u>          | <u>95,987</u>           |
|  | <u><u>1,619,745</u></u> | <u><u>1,034,491</u></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                               | <u>450,777</u>          | <u>432,184</u>          |
|  | <u><u>1,619,745</u></u> | <u><u>1,034,491</u></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<br>December 31 |         | Three Months Ended<br>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<br>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