



8 באוגוסט 2006

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רשות ניירות ערך  
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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 השני של שנת 2006, שבכוונתנו לפרסם היום בארה"ב ולהגישה כדו"ח 6K לרשות ניירות ערך האמריקאית.

בכבוד רב,

אילן פכולדר  
מזכיר החברה



## **Earnings Release**

### **ELBIT SYSTEMS REPORTS SECOND QUARTER 2006 RESULTS**

**Revenues Increased by 41.4% Year over Year to \$344.8 Million**

**Backlog of Orders Reached a New Record of \$ 3.6 Billion**

**Excluding One-Time In Process R&D Write-Offs**

**Net Profit Increased by 19.4% Year over Year and EPS Reached \$0.41**

**Haifa, Israel, August 8, 2006 – Elbit Systems Ltd. (the “Company”) (NASDAQ GLOBAL MARKET: ESLT)**, the international defense company, today reported its consolidated results for the second quarter ended June 30, 2006.

**The Company’s backlog of orders as of June 30, 2006** reached \$3,599 million, a 7.5% increase as compared with \$3,347 million at the end of 2005. Approximately 74% of the backlog relates to orders outside of Israel. Approximately 56% of the Company’s backlog as of June 30, 2006 is scheduled to be performed over the next two quarters of 2006 and during 2007.

**Consolidated revenues for the second quarter of 2006** increased by 41.4% to \$344.8 million from \$243.8 million in the second quarter of 2005.

**Gross profit for the second quarter of 2006** was \$89.6 million (26% of revenues), as compared with gross profit of \$66.1 million (27.1% of revenues) in the second quarter of 2005.

**Reported consolidated net income for the second quarter of 2006** was \$15.1 million (4.4% of revenues), as compared with \$10.9 million (4.5% of revenues) in the second quarter of 2005. Reported diluted earnings per share for the second quarter of 2006 were \$0.36, as compared with \$0.26 for the second quarter of 2005.

The Company had one time in-process R&D write-offs, related to the purchase in the second quarter of an additional 4.3% (approximately) of the outstanding shares of Tadiran Communications Ltd. (“Tadiran”), and the purchase of 20% of Sandel Aviation, Inc. Excluding these in-process R&D write-offs, the Company’s net income for the second quarter of 2006 was \$17.2 million (or 5.0% of revenues), and the diluted earnings per share were \$0.41, as compared to \$14.4 million and \$0.35, respectively, in the second quarter of 2005.

During the first six months of 2006 the Company produced an operating cash flow of \$104.4 million.



The President and CEO of Elbit Systems, Joseph Ackerman, commented: "Our second quarter results reported today underscore Elbit Systems' continued growth in revenues and profit. We maintain our focus on generating new business and bringing newly developed technologies and products to the market. At the same time, we continue to explore new markets as well as to further develop our market position in existing areas. We also are engaged in the ongoing implementation of the synergies in the recent acquisitions of Elisra and Tadiran Communications, including developing new integrated solutions."

Mr. Ackerman added, "We have operated continuously throughout the recent events which have affected the north of Israel and have maintained our ability to meet our commitments to both our international customers and to the Israeli Ministry of Defense. As a global group Elbit enjoys the support of our international subsidiaries and their employees, and we extend our thanks to our employees for the strength and dedication they have demonstrated during this period. Our plans for 2006 and beyond remain on target".

The Board of Directors declared a dividend of \$0.15 per share for the second quarter of 2006. The dividend's record date is August 29, 2006, and the dividend will be paid on September 11, 2006, net of taxes and levies, at the rate of 18.85%.

### **Conference Call**

The Company will also be hosting a conference call on the same day, Tuesday, August 8, at 9.00am EDT. On the call, management will review and discuss the second quarter 2006 results and will be available to answer questions.

To participate, please call one of the following teleconferencing numbers. Please begin placing your calls at least 10 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: 1 866 229 7198**  
**UK Dial-in Number: 0 800 917 5108**  
**ISRAEL Dial-in Number: 03 918 0610**  
**INTERNATIONAL Dial-in Number: +972 3 918 0610**

**At:**  
**9:00am Eastern Time**  
**6:00am Pacific Time**  
**2:00pm London Time**  
**4:00pm 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) 0 800 169 8104 (UK) or +972 3 925 5925 (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.

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

	June 30 2006 <u>Unaudited</u>	December 31 2005 <u>Audited</u>
<b><u>Assets</u></b>		
Current Assets:		
Cash and short term deposits	119,817	94,629
Trade receivable and others	421,571	416,067
Inventories, net of advances	369,567	328,428
Total current assets	<u>910,955</u>	<u>839,124</u>
 Affiliated Companies & other Investments	 231,457	 201,339
Long-term receivables & others	166,429	154,650
Fixed Assets, net	285,447	284,997
Other assets, net	133,238	137,364
	<u><u>1,727,526</u></u>	<u><u>1,617,474</u></u>
 <b><u>Liabilities and Shareholder's Equity</u></b>		
Current liabilities	725,618	612,168
Long-term liabilities	526,150	541,622
Minority Interest	12,782	12,907
Shareholder's equity	462,976	450,777
	<u><u>1,727,526</u></u>	<u><u>1,617,474</u></u>



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

	Six Months Ended June 30		Three Months Ended June 30		Year Ended December 31
	2006	2005	2006	2005	2005
	Unaudited		Unaudited		(Audited)
Revenues	679,185	474,470	344,815	243,782	1,069,876
Cost of revenues	502,067	346,821	255,237	177,695	786,616
Restructuring expenses	-	-	-	-	3,488
Gross Profit	177,118	127,649	89,578	66,087	279,772
Research and development, net	39,789	32,961	18,351	17,795	71,903
Marketing and selling	53,630	34,386	27,382	17,740	78,648
General and administrative	37,727	25,424	18,720	12,652	54,417
IPR&D write-off	-	-	-	-	7,490
Total operating expenses	131,146	92,771	64,453	48,187	212,458
Operating income	45,972	34,878	25,125	17,900	67,314
Financial expenses, net	(10,918)	(3,197)	(6,677)	(1,465)	(11,472)
Other income, net	160	(185)	(748)	(354)	(5,326)
Income before income taxes	35,214	31,496	17,700	16,081	50,516
Taxes on income	9,366	8,043	4,762	4,056	16,335
	25,848	23,453	12,938	12,025	34,181
Equity in net earnings (losses) of affiliated companies and partnership *	3,614	(127)	1,347	(1,169)	(1,636)
Minority rights	77	273	786	53	(58)
Net income	29,539	23,599	15,071	10,909	32,487
Earnings per share					
Basic net earnings per share	\$ 0.72	\$ 0.58	\$ 0.37	\$ 0.27	\$ 0.80
Diluted net earnings per share	\$ 0.71	\$ 0.57	\$ 0.36	\$ 0.26	\$ 0.78

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