



Earnings Release

ELBIT SYSTEMS REPORTS FOURTH QUARTER AND FULL YEAR RESULTS FOR 2006

- **Record Revenues, Net Profit, Backlog and Operating Cash Flow**
 - **2006 revenues increased by 42% to \$1.52 billion with year end backlog at a record \$3.79 billion**
 - **2006 net profit more than doubled to \$72.2 million and EPS increased to \$1.72 with operating cash flow of \$201 million**

Haifa, Israel, March 14, 2007 – Elbit Systems Ltd. (the “Company”) (NASDAQ: ESLT, TASE: ESLT), the international defense electronics company, today reported its consolidated results for the fourth quarter and year-ended December 31, 2006.

The Company’s backlog of orders as of December 31, 2006 reached \$3.79 billion, an increase of 13.1% as compared to \$3.35 billion at the end of 2005. 68% of the backlog relates to orders outside of Israel. Approximately 70% of the Company’s backlog as of December 31, 2006 is scheduled to be performed during 2007 and 2008.

Consolidated revenues for the year ended December 31, 2006 increased by 42.4% to \$1,523 million, as compared to \$1,070 million in 2005.

Consolidated revenues for the fourth quarter of 2006 increased by 45.3% to \$467.4 million, as compared to \$321.8 million in the corresponding quarter of 2005.

Consolidated net earnings for the year ended December 31, 2006 increased by 122% to \$72.2 million, as compared to \$32.5 million in 2005. Diluted earnings per share (“EPS”) in 2006 were \$1.72, as compared to \$0.78 in 2005.

Consolidated net earnings for the fourth quarter of 2006 were \$24.0 million, as compared to a net loss of \$5.7 million in the same period of 2005. Diluted EPS for the fourth quarter of 2006 was \$0.57, as compared to \$(0.14) for the fourth quarter of 2005.

Gross profit for the year ended December 31, 2006 was \$373.5 million, as compared to gross profit of \$279.8 million in 2005, and the gross profit margin in 2006 was 24.5%, as compared to 26.1% in 2005.

The Company's annual gross profit margin was negatively affected by approximately 2 percentage points due to the results of the Company's 70%-owned subsidiary Elisra Electronic Systems Ltd. ("Elisra").

Gross profit for the fourth quarter of 2006 was \$100.2 million, as compared to gross profit of \$78.4 million in the fourth quarter of 2005, and the gross profit margin in the fourth quarter of 2006 was 21.4%, as compared to 24.4% in the fourth quarter of 2005. The Company's fourth quarter 2006 gross profit margin was negatively affected by approximately 3.8 percentage points due to Elisra's results.

It should be noted that in 2005 the Company's full year and fourth quarter gross profit and net profit were affected by one-time IPR&D and other one-time expenses and write-offs related to the purchases of shares in Elisra and in Tadiran Communications Ltd.

Operating cash flow produced by the Company in 2006 was \$201 million, as compared to \$187.6 in 2005.

The President and CEO of Elbit Systems, Joseph Ackerman, commented: "I am pleased to report another year of record financial results for Elbit Systems, continuing our revenue and profitability growth trend. We have also begun to see the results of our long-term development strategy that enabled us to pass \$1.5 billion in revenues for the first time and to deliver another year of record net profit and cash flow. Our results were achieved despite the negative impact from Elisra's financial performance, and we intend to continue the Elisra turn-around in 2007, making it a contributor to our financial results, while maintaining our growth and profitability patterns".

Mr. Ackerman added: "We see the results of our continued investments in R&D and in developing leading edge technologies. These technologies and our proven track record enabled us to win prestigious and important contracts and to further enhance our network of customers and business partners. I believe that the results of all these efforts will be reflected in our performance in 2007 and beyond as we continue the execution of our growth strategy both organically and through selective acquisitions".

The Board of Directors has declared a dividend of 0.16 per share for the fourth quarter of 2006. The dividend will be paid on April 16, 2007, net of taxes and levies, at the rate of 18.15%. The record date of the dividend is April 1, 2007.

Conference Call

The Company will be hosting a conference call on Wednesday, March 15, at 9.00am EDT.

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: 1 888 407 2553
UK Dial-in Number: 0 800 917 5108
ISRAEL Dial-in Number: 03 918 0610
INTERNATIONAL Dial-in Number: +972 3 918 0610
at:
9:00 am Eastern Time
6:00 am Pacific Time
3:00 pm Greenwich Mean Time
5:00 pm Israel Time

This call will also 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.

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: 1 888 254 7270 (US) 0 800 917 4256 (UK) or +972 3 925 5942 (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.

Contacts:

Company Contact:

Joseph Gaspar, Corporate VP & CFO
Dalia Rosen, Director of Corporate
Communications

Elbit Systems Ltd
Tel: +972-4-8316663
Fax: +972-4-8316944

E-mail: gspr@elbit.co.il
daliarosen@elbit.co.il

IR Contact:

Ehud Helft / Kenny Green

G.K. Investor Relations
Tel: 1-866-704-6710
Fax: + 972 - 3 - 607 - 4711

E-mail: info@gkir.com

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(FINANCIAL TABLES TO FOLLOW)

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

	December 31 2006 <u>Audited</u>	December 31 2005 <u>Audited</u>
<u>Assets</u>		
Current Assets:		
Cash and short term deposits	85,400	94,629
Trade receivable and others	471,194	416,067
Inventories, net of advances	<u>371,962</u>	<u>328,428</u>
Total current assets	928,556	839,124
 Affiliated Companies & other Investments	 235,723	 201,339
Long-term receivables & others	182,180	159,505
Fixed Assets, net	294,628	284,997
Other assets, net	<u>128,995</u>	<u>137,172</u>
	<u><u>1,770,082</u></u>	<u><u>1,622,137</u></u>
 <u>Liabilities and Shareholder's Equity</u>		
Current liabilities	810,591	612,168
Long-term liabilities	458,742	546,285
Minority Interest	6,871	12,907
Shareholder's equity	<u>493,878</u>	<u>450,777</u>
	<u><u>1,770,082</u></u>	<u><u>1,622,137</u></u>

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	
	2006	2005	2006	2005
	Audited		Unaudited	
Revenues	1,523,243	1,069,876	467,388	321,760
Cost of revenues	1,149,768	786,616	367,163	239,826
Restructuring expenses	-	3,488	-	3,488
Gross Profit	373,475	279,772	100,225	78,446
Research and development, net	92,232	71,903	27,869	18,460
Marketing and selling	111,880	78,648	30,853	23,953
General and administrative	77,505	54,417	20,051	16,155
IPR&D write-off	-	7,490	-	7,490
Total operating expenses	281,617	212,458	78,773	66,058
Operating income	91,858	67,314	21,452	12,388
Financial expenses, net	(21,456)	(11,472)	(6,093)	(5,199)
Other income (expenses), net	1,814	(5,326)	1,423	(5,134)
Income before income taxes	72,216	50,516	16,782	2,055
Provisions for income taxes	20,694	16,335	4,049	4,046
	51,522	34,181	12,733	(1,991)
Equity in net earnings (losses) of affiliated companies and partnership *	14,743	(1,636)	6,554	(2,974)
Minority rights	5,977	(58)	4,673	(710)
Net income	72,242	32,487	23,960	(5,675)
Earnings per share				
Basic net earnings per share	1.75	0.80	0.57	(0.14)
Diluted net earnings per share	1.72	0.78	0.57	(0.14)

* Includes IPR&D write-off of \$8,500 and \$2,200 in 2005 and 2006, respectively