

Elbit Systems to Supply UAV Systems to IDF



Anvishud Ios

Elbit Systems Ltd. has received a new order to supply UAV systems estimated at a value of approximately US\$ 30 million for the Israeli Defense Forces (IDF). The order includes the development, manufacture and supply of new and improved UAV systems, as well as the upgrade of existing UAV systems, designed to enhance and expand the IDF's existing UAV platform. Development and sup-

ply is scheduled to take place over a period that exceeds three years.

The Hermes 450, which was originally developed by the company has already being successfully operated by the IDF since several years. During the recent war in Lebanon its UAVs flew many combat sorties proving their efficiency in performing their missions by providing effective operational results and achieving their goal - the supply

of necessary, visual intelligence to the ground forces.

The Hermes® 450 UAVs are operated by various military forces worldwide and are deployed in battlefields such as Iraq and Afghanistan to the full satisfaction of the customers.

Haim Kellerman, Corporate Vice President and General Manager, Elbit Systems UAV Division said: "We are proud to receive IDF's renewed order, attesting to the long-standing quality and operational abilities of the Hermes® 450. We regard the IDF as our central customer and the cornerstone of our increased success among the Hermes® 450's users worldwide. The accumulated operational experience and feedback we receive from the IDF are important elements in the success of the Hermes® 450 around the globe. The Hermes® 450 unique features constitute a solid basis for the entire Hermes® UAV family. I have no doubt that the Hermes® 900,

HERMES 450 _ Versatile
Long Endurance Tactical UAV



Elbit Systems Ltd Consolidated Results

Elbit Systems Ltd 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 million 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".

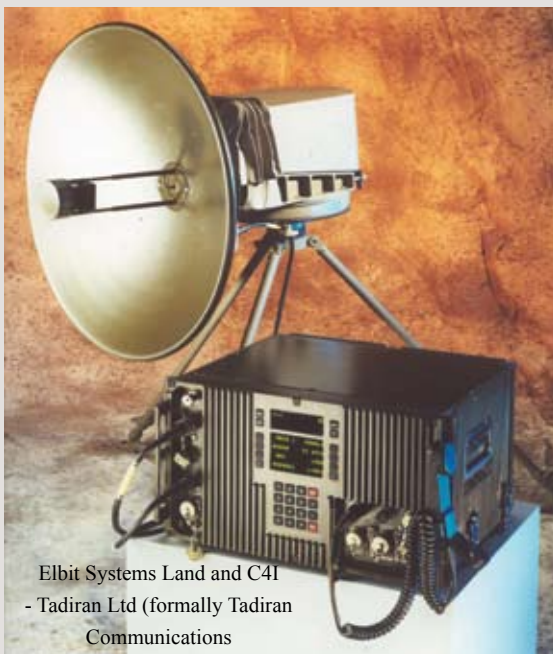
The Board of Directors has declared a dividend of 0.16 per share for the fourth quarter of 2006. The dividend will be paid on April 16, 2007, net of taxes and levies, at the rate of 18.15%. The record date of the dividend is April 1, 2007.

which will undergo flight tests in the coming months, will enjoy similar success."

Currently, the UAV family has accumulated tens of thousands of operational flight hours in Israel and other countries worldwide. The various UAVs designed to meet a range of requirement include the Hermes® 1500, Hermes® 450 - chosen to lead the British Armed Forces prestigious WATCHKEEPER programme, Hermes® 900 - incorporating all features of Hermes® 450 and more - longer flight duration, larger payload configurations and ability to operate under extreme



SKYLARK _ Man-pack UAV for Beyond-the-hill Missions by Elbit Systems UAV Systems Division



Elbit Systems Land and C4I
- Tadiran Ltd (formally Tadiran Communications)

weather conditions, and Hermes® 180 – the smallest UAV in the Hermes family.

Elbit Systems Ltd announced that its board of directors, as well as the board of directors of its wholly-owned subsidiary Tadiran Communications Ltd., have approved a plan to merge Tadiran Communications into Elbit Systems Ltd.

Pursuant to the merger plan, Tadiran Communications will be merged into Elbit Systems and will cease to exist as an independent legal entity. Moreover, a new, wholly-owned Elbit Systems subsidiary, Elbit Systems Land and C4I – Tadiran Ltd., will assume Tadiran Communications' Israeli operations as well as those of Elbit Systems' Land and C4I Division, all in accordance with the merger plan.

The merger plan will be submitted to the Israeli Companies Registrar for approval. Subject to receipt of the Companies Registrar's

and other applicable approvals, the merger is expected to take place at the beginning of 2008.

Joseph Ackerman, President and CEO of Elbit Systems, said: "The synergic activities of Tadiran Communications with those of the rest of the Elbit Systems Group are already bearing fruit. We expect that the establishment of the new merged company will provide further business opportunities due to the ability to offer more comprehensive and competitive solutions to existing and new customers."

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 ●

Elbit Systems' New-Generation IEDJ (Improvised Explosive Device Jammer) to Counter Growing IED Threat

Elbit Systems has devised a modular, programmable multi-band radio-frequency jammer which denies the enemy use of selected portions of the RF spectrum in the jammer's vicinity. The new-generation IEDJ is intended for use in a vehicle-mounted configuration. Remotely-triggered IED's have emerged as a major threat in today's high and low intensity combat scenarios. Although their preparation is relatively easy, they are sometimes quite sophisticated, and finding ways to counter them is a high priority task.

The IEDJ consists of multiple programmable RF modules housed in a single transit case and served by a common power supply. The system is controlled (i.e., on, off, or zeroize) by

the vehicle's driver using a Remote Control Unit (RCU). As new threats are identified, the system is reconfigured by uploading new "waveform" software using an external laptop connected to the RCU's Ethernet port. The laptop computer is only required during software uploads.

The IEDJ operates as a waveform jammer, not a barrage jammer. Barrage jamming in this hardware is an additional capability that is not currently programmed. All bands can be enabled simultaneously. There is frequency overlap between some channels providing the capability to focus more RF power on a particular threat. Each of the RF bands has a separate, independent exciter and

waveform generator, so the jammer can be operated band-by-band. Each band has the capability to output 100 watts (50dBm) average and the output power is controllable. The programming of this signal into IEDJ primary unit is performed by an FSR or operator using a designated ruggedized lap-top with the approved software interface and management tools referred to as the IEDJ Graphical User Interface (GUI). The special design of the exciter enables a very "clean" waveform to be transmitted. This feature ensures the capability to maintain communications with a vehicle carrying a full power operating jammer on-board protecting the troops. ●