

ELBIT VISION SYSTEMS LTD.

ELBIT VISION SYSTEMS LTD. REPORTS FINANCIAL RESULTS FOR THE 2ND QUARTER OF 2006

Second Quarter Highlights

	<i>June 30, (U.S. dollars in thousands)</i>	
	<i>2006</i>	<i>2005</i>
<i>Net Sales</i>	<i>\$5,706</i>	<i>\$4,446</i>
<i>Net Loss</i>	<i>\$344</i>	<i>\$225</i>
<i>Net Income (Loss) before amortization and stock based compensation</i>	<i>\$21</i>	<i>\$(71)</i>

Yoqneam, Israel, August 20, 2006 – Elbit Vision Systems, Ltd. (OTCBB: EVSNF.OB), a leading provider of automatic optical inspection and quality non-destructive ultrasound inspection systems, today announced its consolidated financial results for the first half and second quarter ended June 30, 2006.

Financial Results

Revenues for the first half of 2006 were \$9,758,000, an increase of 14% compared with \$8,589,000 in the first half of 2005. Revenues for the second quarter of 2006 were \$5,706,000 an increase of 28% compared with \$4,446,000 in the second quarter of 2005.

Revenues for the first half and for the second quarter of 2006 from the sale of Automatic Optical Inspection systems and services were \$4,718,000 and \$1,916,000 respectively compared with \$3,099,000 and \$1,428,000 in the same periods in 2005. Revenues for the first half and for the second quarter of 2006 from the sale of non-destructive ultrasound inspection

systems and services were 5,040,000 and \$3,790,000 respectively compared with \$5,490,000 and \$ 3,018,000 in the same periods in 2005.

Net loss for the first half of 2006 was \$1,433,000, or \$0.052 per share, compared to a net loss of \$342,000, or \$0.013 per share, for the first half of 2005. Net loss for the second quarter of 2006 was \$344,000, or \$0.012 per share, compared to a net loss of \$225,000, or \$0.009 per share, for the second quarter of 2005.

Excluding amortization related to acquisitions and stock based compensation, the Company recorded net income of \$21,000 in the second quarter of 2006, compared with a net loss of \$71,000 in the second quarter of 2005.

Comments of Management

Commenting on this latest financial report, Mr. David Gal EVS' Chairman said: "We are pleased with the fact that our sales have increased during the first half and the second quarter of 2006. During the past year we have invested our resources building our marketing and service infrastructure in the emerging markets of Asia and Russia and the best evidence that we are on the right path are the significant new orders of our products, which have been recently announced. Over the past few months we have been focusing on adjusting our cost level following completion of a recent acquisition. We believe that the positive momentum in generating new orders together with efficient operational cost controls will enable us to keep improving our operational results."

About Elbit Vision Systems Ltd. (EVS): www.evs.co.il

EVS offers a broad portfolio of automatic in-line inspection and quality monitoring systems used to improve product quality and increase production efficiency. The Company's Industrial Division provides automatic optical inspection (AOI) and non-destructive ultrasound inspection systems for heavy manufacturing (automotive, aeronautics, steel and others). EVS maintains headquarters and manufacturing in Israel, R&D operations in Israel, and offers global sales and support coverage.

Safe Harbor:

This press release contains forward-looking statements. Such statements are subject to certain risks and uncertainties, such as market acceptance of new products and our ability to execute production on orders, which could cause actual results to differ materially from those in the statements included in this press release. Although EVS believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, it can give no assurance that its expectations will be achieved. EVS disclaims any intention or obligation to update or revise any forward-looking statements, which speak only as of the date hereof, whether as a result of new information, future events or otherwise. EVS undertakes no obligation to update forward-looking statements to reflect subsequently occurring events or circumstances.

This press release and other releases are available on www.evs.co.il

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ELBIT VISION SYSTEMS LTD.
CONSOLIDATED BALANCE SHEETS

	Jun-30	Dec-31
	2006	2005
	2006	2005
	U.S. dollars in thousands (except per share data)	
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	635	476
Restricted deposit (short term)	1,766	1,961
Accounts receivable:		
Trade	3,810	1,842
Other	1,374	1,275
Inventories	4,219	5,107
Total current assets	11,804	10,661
LONG-TERM RECEIVABLES:		
Severance pay fund	1,785	1,485
Other long-term receivables	154	205
Total long-term receivables	1,939	1,690
PROPERTY, PLANT AND EQUIPMENT – net of accumulated depreciation and amortization		
	915	938
OTHER ASSETS AND DEFERRED CHARGES - net of accumulated amortization:		
Goodwill	3,911	3,893
Other intangible assets	4,607	3,722
Deferred charges	-	343
	8,518	7,958
Total assets	23,176	21,247
	2005	22,064

	Jun-30		Dec-31
	2006	2005	2005
	In thousands		
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Credit from banks	2,755	2,422	2,191
Current maturities of loan from shareholder	160	160	160
Credit from Cornell Capital Partners L.P.	-	2,455	1,449
Accounts payable and accruals:			
Trade	2,543	2,227	2,479
Deferred revenues	2,690	3,347	2,514
Other	4,657	4,684	5,114
Total current liabilities	<u>12,805</u>	<u>15,295</u>	<u>13,907</u>
LONG-TERM LIABILITIES:			
Loans from Related Parties (net of current maturities)	395	219	236
Loans and other liabilities (net of current maturities)	2,106	182	1,626
Accrued severance pay	2,307	2,100	2,196
Total long-term liabilities	<u>4,808</u>	<u>2,501</u>	<u>4,058</u>
Total liabilities	<u>17,613</u>	<u>17,796</u>	<u>17,965</u>
SHAREHOLDERS' EQUITY (*)	5,563	3,451	4,099
Total liabilities and shareholders' equity	<u>23,176</u>	<u>21,247</u>	<u>22,064</u>

(*) After reduction of \$1,168 shares held in escrow

ELBIT VISION SYSTEMS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS

	6 months ended		3 months ended		Year ended
	Jun-30		Jun-30		December 31,
	2006	2005	2006	2005	2005
	U.S. dollars in thousands (except per share data)				
REVENUES	9,758	8,589	5,706	4,446	20,791
COST OF REVENUES	6,016	5,113	3,199	2,566	12,223
GROSS PROFIT	3,742	3,476	2,507	1,880	8,568
RESEARCH AND DEVELOPMENT EXPENSES – net	1,647	1,005	815	399	2,193
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:					
Marketing and selling	2,076	1,652	1,241	930	3,765
General and administrative	1,115	949	562	618	1,565
OPERATING INCOME (LOSS)	(1,096)	(130)	(111)	(67)	1,045
FINANCIAL EXPENSES - net	(392)	(230)	(285)	(157)	(471)
OTHER INCOME (EXPENSES) – net	56	18	53	(1)	41
INCOME (LOSS) BEFORE TAXES ON INCOME	(1,432)	(342)	(343)	(225)	615
TAXES ON INCOME	1	-	1	-	4
INCOME (LOSS) FOR THE PERIOD	(1,433)	(342)	(344)	(225)	611
NON GAAP ITEMS:					
AMORTIZATION DUE TO ACQUISITIONS	392	308	196	154	548
STOCK BASED COMPENSATION EXPENSES	318	-	169	-	-
EARNING (LOSS) BEFORE AMORTIZATION	(723)	(34)	21	(71)	1,159

EARNING (LOSS) PER SHARE – BASIC	(0.052)	(0.013)	(0.012)	(0.009)	0.023
EARNING (LOSS) PER SHARE – DILUTED	(0.052)	(0.013)	(0.012)	(0.0090)	0.021
WEIGHTED AVERAGE NUMBER OF SHARES USED IN COMPUTATION OF LOSS PER SHARE					
BASIC (IN THOUSANDS)	27,714	25,042	28,111	25,042	26,500
DILUTED (IN THOUSANDS)	27,714	25,042	28,111	25,042	28,421