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Tel-Aviv, Israel, March 28, 2010 – El al Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier Reports fourth Quarter and 2009 financial Results.

El Al Israel Airlines presents the financial reports for 2009

The loss for 2009 totaled \$76.3 million, compared to a loss of \$41.9 million in 2008.

Revenues for 2009 totaled \$1,656 million, a drop of about 21% compared to the previous year.

El Al increased its market share to 37.5%, compared to 35.7% in the previous year, an increase of about 5%. The market share during the fourth quarter of 2009 increased by a similar percentage.

El Al's load factor totaled 81%, in comparison with the overall load factors of the foreign carriers at BGN, which totaled about 74.2%.

Operating costs for 2009 totaled \$1,444 million, compared to \$1,776 million in 2008, a decrease of about 19%.

Gross profits this year totaled \$212 million, compared to gross profits of \$320 million in 2008.

Cash flow from activities in 2009 totaled \$22.4 million.

Amikam Cohen, Chairman of the Board of Directors of El Al said: “In 2009, El Al had to cope with the many challenges it faced as a result of ‘Operation Cast Lead’; the world financial crisis; and heavy security costs. The Company had to adjust its activities and prepare itself for the complex situations that arose. El Al adapted itself to the dynamic reality of the

international markets, and shall continue to do so in 2010 as well. The Company’s management is presently preparing a new strategic plan that will prepare the company to face the challenges of the near future, to provide solutions to changes in aviation in particular, and to the challenges that face the company in general. The plan will be presented soon.

“The employees and the management will stand firm to achieve our targets. We continue our program to make real-time adjustments, all this in order to maintain El Al’s status as a leader in the market.”

Results for 2009

	2009		
	<u>2009</u>	<u>2008</u>	<u>% change</u>
Revenues	1,655.8	2,096.3	(21%)
Gross profits	211.6	320.0	(34%)
Operating profit/loss	(75.0)	(5.7)	(1,226%)
Cash flow from regular activities	22.4	118.9	(81%)
Market share	37.5%	35.7%	5%
Load factors	81%	82.3%	(2%)
On-time operations	83%	80%	4%

Results for 2009

- **Revenues** for this year totaled \$1,656 million compared to \$2,096 million in 2008, a decrease of about 21%. The reduction derives mainly from having to match ticket prices as a result of the drop in aviation fuel prices, and the drop in passenger traffic at Ben Gurion Airport. Cargo revenues declined by about 46% compared to 2008, as a result of air cargo slowdown at Ben Gurion Airport; the drop in air cargo rates – mostly because of the world financial crisis; and El Al’s initiative to withdraw cargo activities from the Far East routes during the 3rd quarter of 2008. Other Company revenues were also reduced, mainly because of the reduction in duty free sales and in providing maintenance services to other companies.
- **Operating expenses** in 2009 totaled \$1,444.3 million, compared to \$1,776.3 million in 2008, a reduction of about 19%. The reduction is mostly caused by the drop in jet fuel prices, which went down by

- 38.3% compared to 2008, and represented 28.7% on turnover in 2009, compared to 36.8% in 2008. Jet fuel prices dropped as a result of the drop on world markets of about 44% compared to 2008. Because some of the jet fuel transactions are not recognized for accounting purposes, and are calculated according to the equitable market value on the date of the reports, an increase in this value was recorded, in such a way that jet fuel costs were reduced by about \$63 million.
- **Gross profits** for 2009 totaled \$211.6 million (about 12.8%) on turnover), compared to \$320 million in 2008 (about 15.3% on turnover) - a drop of about 34%.
 - **Sales Expenses** dropped by \$44.6 million, and totaled \$183 million in this year, compared to \$227.6 million last year, a drop of 20%. The reduction derives from a decline in distribution costs and costs of salaries.
 - **Management and general expenses** dropped by about 9% and totaled \$88.6 million, compared to \$97.1 million in 2008, mostly as a result of reduced salary costs.
 - **Cost of salaries** for the Company dropped in 2009 by 10% compared to 2008. Most of the reduction is the result of the devaluation in the overall shekel ratio in relation to the \$, during 2009, and as a result of removing 191 staffing positions this year.
 - **Other operating expenses** during 2009 totaled about \$15 million compared to \$1 million in 2008. The major portion was the result of recording a drop in value of 757 aircraft, which are going out of service – to be replaced by 737s, and a drop in value of old 747-200.
 - **Operating losses** totaled \$75 million, compared to an operating loss of \$5.7 million in 2008.
 - **Net financing expenses** this year totaled \$26.3 million, compared to \$44.6 million in 2008, a drop of about 11%. The reduction resulted from the drop in the LIBOR interest rates, as well as a drop in hedging interest costs, compared to 2008.
 - **The net loss** for 2009 totaled \$76.3 million, compared to the net loss of \$41.9 million in 2008.
 - **Cash flow** from operating activities for the year ending 31st December 2009 totaled \$22.4 million, compared to a cash flow of \$118.9 million in 2008.
 - As of 31st December 2009, the Company's **cash balance, cash equivalent value and short-term deposits** totaled \$113.9 million. In addition, the Company has deposits pledged for aviation fuel hedging

purposes, totaling \$5 million (the deposits were returned to the Company in January 2010). During 2009, the Company invested \$178.7 million in fixed assets, including \$124 million for the cost of three 737-800s. The Company also repaid \$75 million in long-term loans. The Company took long-term loans in 2009 totaling \$106 million, to finance the purchase of the 737-800, hence the net investment was lower.

- **Shareholders' equity** at 31st December 2009 totaled \$126 million, compared to \$119 million as at 31st December 2008, an increase of \$7 million. The increase in the Company's shareholder equity derives mainly from an increase in equitable market value of hedging activity for aviation fuel. This is recognized under accounting principles as protective transactions, after off-setting net losses for the period.

Fourth quarter results

	Fourth quarter		
	2009	2008	% change
Revenues	413.7	462.7	(11%)
Gross profits	51.1	61.5	(17%)
Operating profit/loss	(31.8)	10.4	—
Cash flow from regular activities	16.3	21.0	(22%)
Market share	37%	35.4%	5%
Load factors	81.2%	82.0%	(1%)
On-time operations	82%	81%	1%

- **Revenues** for the 4th quarter of 2009 totaled \$413.7 million, a reduction of about 11%, derives mainly from the drop in revenues from passengers and cargo.
- **Operating expenses** totaled \$362.6 million (a ratio of about 87.6% on turnover) compared to \$401.1 million in the fourth quarter of 2008 (a ratio of about 86.7% on turnover) – a drop of about 10%. Compared to the parallel quarter of 2008, there was a drop in operating expenses as a result of the drop in expenditure on Jet fuel. During the quarter, the ratio of fuel expenditure to turnover was 29%, compared to 38.5% in the same quarter of 2008. Net hedging expenses during the fourth

- quarter of 2009 totaled \$9.5 million, compared to net hedging expenses of \$67.2 million in the equivalent quarter of 2008.
- **Gross profit** totaled \$51.1 million, (12.4% on turnover, compared to \$61.5 million in the equivalent quarter of 2008 (13.3% on turnover), a decline of 17%.
 - **Sales Expenses** during this quarter totaled \$44.6 million, a drop of 6% compared to the equivalent quarter of 2008, where the costs of sales totaled \$47.5 million. The reduction derives from the increase in direct sales, and the drop in distribution costs and in commissions paid.
 - **Other operating expenses** for the quarter totaled about \$14 million, compared to accounting revenues of \$17.7 million which stemmed largely from the cancellation of one-time provisions.
 - **Operating losses** during the fourth quarter of 2009 totaled \$31.8 million, compared to a profit on operations of \$10.4 million in the parallel quarter of 2008.
 - **The net loss for the quarter** totaled \$29.0 million, compared to a loss of \$10.1 in the parallel quarter of 2008.
 - **Cash flow** from regular activities during the 4th quarter of 2009 totaled \$16.3 million.

Elyezer Shkedy, the newly appointed President and CEO of EL AL Israel Airlines: "when coming to the position 3 months ago, we embarked upon an extensive analysis performed by an international consulting company with expertise in the aviation industry.

As a result of the initial findings, we took immediate action and are in the process of changing our commercial approach, management risks, quality and service, with the intention to develop income sources, new collaborations to extract our abilities in passenger, cargo and tourism services.

Our intentions, parallel to preparing El Al's work-plan, are to halt the trend and to ensure that 2010 is a turning-point, by reducing expenses, conducting ourselves in an effective commercial way, approaching new markets and developing potential growth engines.

Looking into the future, understanding and recognizing the strengths of the company and her people, I believe that we have the ability to transform the



trend in 2010, marching forward and strengthening the leadership position of EL AL."

Mr. Nissim Malki, Vice President Finance, noted: "Many factors impacted 2009, including the influence of the war in the southern border; a very competitive business environment throughout the world; the world financial crisis which caused a drop in revenue and a severe slowdown in cargo markets.

The deep reduction of about \$440 million in the company's revenues compared to 2008 was followed by a drop in turnover resulting from severe reductions in air transportation prices for passengers and cargo. Considering expenditures, the Company managed to successfully meet the challenges and to adjust to the new economic situation. Company expenditures were reduced by about \$332 million, compared to the parallel quarter of 2008.

The Company ended the year with a cash balance of \$114 million. The Company carried out its entire investments plan and upheld all of its obligations laid out in our work plan. This included investments in fixed assets totaling \$178 million and repaying long-term loans of \$75 million. In spite of the global financial crisis, and the severe restrictions on credit during 2009, the Company succeeded in raising \$106 million in commercial loans for 12 years, at favorable rates. The Company's shareholders equity totaled \$124 million, and increased by \$5 million, compared to on 31st December 2008.

In conclusion: The year was characterized by the global financial crisis and the war in Israel's south. During the year About 40 world airlines collapsed. Clearly, El Al managed to overcome the crisis; to uphold its obligations and to carry out all its investment strategies without outside intervention. The Company also maintained its superior standards of security, safety and service – among the best in the world. There is no doubt that our basic infrastructure will enable the Company to continue growing and expanding.

About El Al

El Al Israel Airlines is Israel's national carrier. In 2009 El Al's revenues totaled about \$1.7 billion. The airline flies about 1.9 million passengers a year. El Al serves about 36 destinations directly and many other destinations around the globe, through cooperation agreements with other airlines. The Company operates 38 aircraft, 28 of which are self-owned. El Al is Israel's leading cargo carrier. The Company is active in the charter market through its subsidiary Sun D'Or.

