



IT'S NOT JUST AN AIRLINE, IT'S ISRAEL

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EL AL's President & CEO, Elyezer Shkedy, presented the financial results for the third quarter of 2010

EL AL, Israel's national airline continues to present revenue growth and improvement in cash flow for the last three consecutiveness quarters

The company's revenues grew by 13%, and totaled \$561.2 million, compared to \$496.1 million in the parallel period last year

Net profit grew by 245% and totaled \$42.5 million compared to \$12.3 million in the parallel period last year

- Net Profit during the third quarter of 2010 totaled \$42.5 million, compared to net profit of \$12.3 million in the parallel period last year, an increase of 245%.
- Revenues for this quarter totaled \$561.2 million, an increase of about 13% compared to the parallel period last year.
- Operating expenditure for the third quarter of 2010 totaled \$426.2 million, compared to \$400.7 million in the parallel period last year, an increase of about 6%. The ratio of operating expenditure to turnover was reduced from 80.8% to 75.9%.



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- **Gross profit rose by 42% during this quarter, and totaled \$135 million. This compares to a gross profit of \$95.4 million in the parallel period last year. The ratio to turnover was 24.1%, compared to 19.2% in the parallel period last year.**
- **Load factor reached 83.8%, in comparison to 85.1% in the parallel period last year, a decrease of 1.5%. The overall scheduled foreign airlines' load factor at Ben Gurion Airport was 81.4%.**
- **EL AL's market share totaled 34%, compared to 34.7% in the parallel quarter in 2009, a decrease of 2% compared to the parallel period last year.**
- **Cash flow from operating activities during the quarter totaled \$46.6 million, compared to a negative cash flow of \$18.8 million in the parallel period last year.**
- **Shareholders' equity totaled \$211 million, compared to \$124 million as at December 31, 2009, an increase of 70%.**

Tel-Aviv, Israel, November 17, 2010 – EL AL Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier reports Third Quarter of 2010 financial results.

Elyezer Shkedy, Company President & CEO said: "During the first nine months of 2010, EL AL continued its improvement trend and ended the third quarter with a significant increase of 13% growth in revenue and a growth of 245% in net profit totaling \$42.5 million.

Cargo activity revenue grew by about 34% during the quarter. At the same time, we are cultivating other growth engines via cooperation agreements with other passenger airlines and expanding our activity and strengthening our relationships in the maintenance, commerce and tourism sectors.

The company ended the quarter with a positive cash flow from regular activities, amounting to \$47 million, compared to a negative cash flow of \$18.8 million in the same quarter last year. This cash flow provides a solid base to further develop the company. The significant cash balance of about \$191 million provides a solid ground to take advantage of opportunities and to develop growth engines and additional revenue sources.



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The company inaugurated 3 daily flights to Eilat this quarter. During the first 2 months of operating the Eilat line EL AL flew 37 thousand passenger legs and captured 16% of the market share on the domestic route to Eilat.

In August 2010 we signed an interline agreement with JetBlue Airways. The agreement enables us to extend our route offering across the U.S., Latin America and the Caribbean from JFK.

We hope to continue our improvement and growth. We look forward to serving our loyal customer base in Israel and the rest of the world.

I would like to thank all of the company's employees. Their determination and devotion was crucial to stabilizing and improving the company. I know that together we will continue on the road to great success."

Financial and operational highlights – Third quarter

	<u>3rd quarter</u> <u>2010</u>	<u>3rd quarter</u> <u>2009</u>	<u>% change</u>
Revenues	561.2	496.1	13%
Gross profit	135.0	95.4	42%
Operating profit	55.6	23.8	134%
Cash flow from operating activities	46.6	(18.8)	—
Market share	34%	34.7%	(2%)
Load factors	83.8%	85.1%	(2%)

Results for the third quarter 2010.

Revenues for the present quarter totaled \$561.2 million, compared to \$496.1 million in the parallel period last year, an increase of 13%. The increase resulted from the increase in passenger traffic, and the increased yield per passenger/kilometer. Cargo revenues grew by about 34%, largely as a result of the increase in cargo flown and the increase yield in ton/kilometer. Other revenues for the group also increased, amongst others from providing maintenance services to outside companies and from duty free products.



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Operating expenditure for this quarter totaled \$426.2 million, compared to \$400.7 million in the parallel period last year, an increase of about 6%. At the same time, the ratio of operating expenses on turnover dropped from about 80.8% during the third quarter of 2009, to about 75.9% now. Most of the increase stemmed from the cost of aviation fuel, which totaled \$160.1 million (representing about 28.5% over turnover), compared to \$136 million in the parallel period last year (27.4% on turnover). The average market price of a barrel of oil during the third quarter of 2010 was \$76.2, compared to \$68.2 in the parallel period last year - an increase of 12%.

Gross profits for the quarter totaled \$135 million, (a ratio of about 24.1% on turnover), compared to \$95.4 million in the parallel period last year (about 19.2% on turnover) – an increase of about 42%.

Cost of sales totaled \$54.6 million during this quarter, compared to \$49.3 million in the parallel period last year, an increase of about 11%. Nevertheless, there was a reduction in the ratio of cost of sales to turnover, from 9.9% to 9.7%.

Management and general expenditures in the third quarter of 2010 totaled \$23.2 million, compared to an operating profit of \$21.1 million in the parallel period last year, an increase of 10%. The ratio over turnover dropped from 4.3% to 4.1% in the third quarter of 2010.

The operating profit totaled \$55.6 million (ratio of 9.9% on turnover) compared to an operating profit of \$23.8 million in the parallel period last year (ratio of 4.8% on turnover), an increase of 134%.

Net financing expenses during this quarter totaled \$8.6 million compared to \$13.1 million in the parallel quarter last year – a reduction of about 34%. The reduction in financing costs during the present quarter, compared to in the parallel period last year, stems largely from the decrease in the LIBOR interest rate, from a decrease in company's loans that decreased interest expenditures.

The net profit for the third quarter of 2010 totaled \$42.5 million, compared to a net profit of \$12.3 million in the parallel period last year, an increase of 245%.

Cash flow from operating activities during the quarter ending 30th September 2010, totaled \$46.6 million, compared to a negative cash flow totaling \$18.8 million in the parallel period last year.

As of 30th September 2010, the company's **cash balances, cash equivalent values and short-term deposits** stood at \$190.8 million. During the present quarter, the company invested about \$11 million in fixed assets, and repaid long-term debts totaling \$21 million.

Shareholders' equity as at 30th September 2010 reached \$211 million, compared to \$124 million as at 31st December 2009. The increase in shareholders' equity resulted



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mainly from the increase in equity funds for cash flow hedging, resulting from the increase in the fair value of hedging activities, which are recognized [under accounting principles] as protective transactions and from the net profit for the period.

Mr. Nissim Malki, CFO, Vice President Finance, noted: “The company succeeded in increasing its revenue by 13% despite the fact that the seat availability of the foreign airlines in Israel increased by 9% in comparison to the last quarter and by 93% since 2005. The company’s activity increased both in terms of flight hours and number of landings by 4% and 9% respectively but the operational expenditures, fuel price increase notwithstanding, remained the same. This is a good indication of the operational efficiency achieved by the company.

The gross profit increased by \$40 million and it increased from 19% to 24% of the total revenue. In addition to the increased operational efficiency we almost doubled the shareholder’s equity from \$124 million at the end of last year to \$211 million this quarter and an improvement in current assets of over \$100 million. We repaid \$21 million of our long-term loans this quarter and \$50 million since the beginning of the year.

One of the most prominent signs of the company strength is its cash flow from operating activities which totaled \$183 million in nine months compared to \$6 million in the same period last year, an increase of more than \$175 million. The EBITDA rate on turnover for the third quarter is 14.5% and 10% since the beginning of the year. The results obtained for each of the parameters described above is a clear improvement compared to EL AL’s peers and it surpasses the industry average for the same period.

About EL AL

EL AL Israel Airlines is Israel's national carrier. The company has annual revenues of about \$2.1 billion. The airline flies approximately 1.9 million passengers a year. EL AL serves 37 destinations directly and many other destinations around the globe, through cooperation agreements with other airlines. The company operates 39 aircraft, 27 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.