

August 18, 2010

**El Al's CEO, Elyezer Shkedy, presented today the financial results for the second quarter of 2010**

**From a loss of \$19.7 million in the parallel period last year, El Al presented a profit of \$14.8 million in this year's second quarter**

**The Company's revenues grew by 25%, and totaled \$498.5 million, compared to \$399.4 million in the Parallel period last year**

**The operating profit totaled \$25 million – a ratio of about 5% on turnover, compared to an operating loss of \$24.5 million in the parallel period last year**

**Cash flow from regular activities during this quarter totaled \$82.8 million, compared to \$41.1 million in the parallel period last year, an increase of 101%**



**Tel-Aviv, Israel, August 18, 2010** – El Al Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier Reports Second Quarter of 2010 financial Results.

**Amikam Cohen, Chairman of the Board of Directors noted that:** “The financial results for the quarter reflect a significant improvement for the Company, in several parameters. El Al successfully faced the competition; maintained its large market share, and continues to be the leading airline in Israel. The Company’s management took a firm stand in order to implement the Company’s growth policy. I do believe that together, the Board of Directors, the management and the employees will continue to bring the Company’s vision to fulfillment”.

**Elyezer Shkedy, Company CEO & President said:** “After stabilizing the Company, we also succeeded in improving and reversing the trend, thus bringing El Al to profitability. This was achieved by creating a significant increase in revenues – by about 25% - which totaled \$498.5 million, as well as an 88.4% drop in operating costs – to a ratio of 80% on turnover. We adopted a very focused commercial policy to achieve the improved revenues.

“We boosted our activities and seat availability, leading to an increase in passenger numbers. The Company continues to successfully meet the competition, and we achieved a market share of 38%. We also signed for and received a dedicated 747-400 cargo freighter which began operating during the quarter, resulting in a considerable improvement in cargo activities. Cargo activity during the quarter grew by about 56%.

“The Company ended the quarter with a very positive cash flow from regular activities, to the tune of \$82.9 million. This represents a solid base on which to advance and further strengthen the Company. The significant cash balance of about \$180 million provides a good basis, which will assist us in taking advantage of opportunities and to develop growth engines and additional revenue sources, all in accordance with the Company’s commercial strategies.

“During the second quarter the Company had to face the volcanic ash crisis, when all European flights were suspended. El Al elected to operate an airlift from many European airports, in order to bring Israelis back in time for the Day of Remembrance and for Independence Day. For a full week we sent out dozens of flights to any European airport where landings and take-offs were possible, and in a major airlift we brought all our passengers back to Israel, without requiring them to make any ticketing changes whatsoever.

“During the quarter we reached a mutual agreement with Boeing Company, whereby we cancelled an agreement that had been signed by the Company in March 2008 for the purchase of four Boeing 777-200s. In addition, we reached an agreement with Boeing concerning the conditions under which El Al will be able to make use of the advances that were paid to Boeing, for purchasing other aircraft in the future.

“In April 2010 I met with David (Dave) Barger, CEO & President of JetBlue Airlines at JetBlue’s New York headquarters. The two CEOs reached an understanding to sign an interline agreement leading to close cooperation between the two airlines. The final agreement was signed this week during Dave Barger’s visit to El Al’s Ben Gurion Airport headquarters.

“I would like to thank all the company employees. Thanks to their determination and devotion we have stabilized and improved the company. I know that together we will continue on the route to achieving greater successes”.

- **Profits during the second quarter totaled \$14.8 million, compared to a loss of \$19.7 million in the parallel period last year in 2009.**
- **Revenues for this quarter totaled \$498.5 million, an increase of about 25% compared to the parallel period last year.**
- **El Al’s market share remained at about the same level as in the parallel period last year, about 38%.**
- **Load factors for the Company reached 80.1%, in comparison to 77.6% in the parallel period last year. The overall scheduled-airline load factor of foreign airlines at Ben Gurion Airport was 76.2%.**
- **Operating expenditure for the second quarter of 2010 totaled \$400.9 million, compared to \$353.1 million in the parallel period last year, an increase of about 14%. The ratio of operating expenditure to turnover was reduced from 88.4% to 80.4%**
- **Gross profits rose by 111% during this quarter, and totaled \$97.6 million. This compares to a gross profit of \$46.3 million in the**

**parallel period last year. The ratio to turnover was 19.6%, compared to 11.6% in the parallel period last year**

- **Cash flow from operating activities during the quarter totaled \$82.9 million, compared to \$41.1 million in the parallel period last year – an increase of 101%.**

### **Financial and operational highlights – Second quarter**

	<u>2nd quarter</u> <u>2010</u>	<u>2nd quarter</u> <u>2009</u>	<u>% change</u>
<b>Revenues</b>	498.5	399.4	25%
<b>Gross profit</b>	97.6	46.3	111%
<b>Operating profit/loss</b>	25	(24.5)	—
<b>Cash flow from operating activities</b>	82.4	41.1	100%
<b>Market share</b>	37.7%	38%	(1%)
<b>Load factors</b>	80.1%	77.6%	3%

### **Results for the second quarter 2010.**

**Revenues** for the present quarter totaled \$498.5 million, compared to \$399.4 million in the parallel period last year, an increase of about 25%. Overall, the increase resulted from the increase in passenger traffic, and the increased yield per passenger/kilometer. Cargo revenues grew by about 56%, and totaled \$48.4 million, compared to \$31.0 million in the parallel period last year, largely as a result of the increase in cargos flown. Other revenues for the group also increased, amongst others from providing maintenance services to outside companies.

**Operating expenditure** for this quarter totaled \$400.9 million, compared to \$353.1 million in the parallel period last year, an increase of about 14%. At the same time, the ratio of operating expenses on turnover dropped from about 88.4% during the second quarter of 2009, to about 80.4% now. Most of the increase stemmed from the cost of aviation fuel, which totaled \$155.6 million (representing about 31.2% over turnover), compared to \$111.2 million in the parallel period last year (27.8% on

turnover). The average market price of a barrel of oil during the second quarter of 2010 was \$78.1, compared to \$59.8 in the parallel period last year - an increase of 31%.

**Gross profits** for the quarter totaled \$97.6 million, (a ratio of about 19.6% on turnover), compared to \$46.3 million in the parallel period last year (about 11.6% on turnover) – an increase of about 111%.

**Cost of sales** totaled \$49.1 million during this quarter, compared to \$47.6 million in the parallel period last year, an increase of about 3%. The increase stemmed mainly from payments made to Global Distribution Systems (GDS), as well as distribution expenses resulting from increased activities. Nevertheless, there was a reduction in the ratio of cost of sales to turnover, from 11.9% to 9.8%.

**Management and general expenditures** in the second quarter of 2010 totaled \$22.8 million, compared to \$21.8 million in the parallel period last year, an increase of about 5%. Nevertheless, the ratio of these expenditures over turnover dropped, and totaled about 4.6%, compared to 5.5% in the parallel period last year.

**The operating profit** totaled \$25.0 million (a ratio of about 5% on turnover), compared to an operating loss of \$24.5 million in the parallel period last year (about -6.1% over turnover).

**Net financing expenses** during this quarter totaled \$5.2 million compared to \$7.1 million in the parallel quarter last year – a reduction of about 27%. The reduction in financing costs during the present quarter, compared to in the parallel period last year, stems largely from revenues of \$1.9 million resulting from exchange rate fluctuations and the decline of the shekel against the dollar, while in the second quarter of 2009, the Company had exchange rate costs of \$3 million.

**The net profit** for the second quarter of 2010 totaled \$14.8 million, compared to a net loss of \$19.7 million in the parallel period last year.

**Cash flow** from operating activities during the quarter ending 30<sup>th</sup> June 2010, totaled \$82.9 million, compared to the cash flow totaling \$41.1 million in the parallel period last year.

As of 30<sup>th</sup> June 2010, the Company's **cash balances, cash equivalent values and short-term deposits** stood at \$181.0 million. During the present quarter, the Company invested about \$12.1 million in fixed assets, and repaid long-term debts totaling \$19.3 million.

**Shareholders' equity** as at 30<sup>th</sup> June 2010 reached at \$139 million, compared to \$124 million as at 31<sup>st</sup> December 2009. The increase in shareholders' equity resulted 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.

### **Financial and operational highlights – H1**

	<u>H1 2010</u>	<u>H1 2009</u>	<u>% change</u>
<b>Revenues</b>	919	746	23%
<b>Gross profit</b>	154.4	65	137%
<b>Operating profit/loss</b>	10.1	(66.9)	—
<b>Cash flow from operating activities</b>	136.7	24.9	449%
<b>Market share</b>	39%	40%	(2.5%)
<b>Load factors</b>	80.6%	78.4%	3%

**Mr. Nissim Malki, CFO, Vice President Finance, noted:** “During this quarter the Company succeeded in significantly increasing revenues, in reducing expenses, and improving gross profits by over 110%. We carried out all our investment plans in accordance with our work plan; we made an investment of \$12 million in fixed assets and we repaid about \$19 million in long-term loans. The cash flow from the Company’s operating activities that reached about \$83 million is an additional proof of the Company’s stability. The Company has shown that even after meeting all its obligations, it can produce an impressive cash flow.”

#### ***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 about 1.9 million passengers a year. El Al serves about 38 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.***