



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

Elyezer Shkedy, El Al's CEO and President, today presented the Company's financial results for the third quarter of 2011

The Company's revenues for the quarter increased by 6% and totaled \$602 million, compared to \$566 million in the parallel quarter of last year

The Company's net profit totaled about \$21 million, compared to about \$42.5 million

The 47% rise in the cost of aviation fuel, increased the Company's expenditure on fuel by about \$45 million compared to in the parallel quarter of last year

Hedging on the cost of aviation fuel produced revenues of about \$16.3 million for the Company, compared to hedging payments of about \$17.3 million in the parallel quarter of last year

Load factors on passenger aircraft were about 82.4%, compared to a load factor average of 83.3% in the parallel quarter of last year

Operating costs during the current quarter totaled \$489 million, compared to \$426 million in the parallel quarter of last year, a 17% increase. This was the result of the increase in the cost of fuel

The Company's has cash and cash equivalents balance totaling \$123million

Elyezer Shkedy, El Al's CEO and President said: "During the quarter the Company faced up to the challenges and changes in the international and local aviation world. The challenges included the ongoing long-term increases in fuel costs, in addition to the world financial crisis.



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“As a result we adjusted our activities to match the situation, and instituted efficiency measures to reduce El Al’s expenditures, including optimizing our fleet and a re-evaluation of our network and destinations. As part of the renewed assessment of the route network, the route to Sao Paulo was terminated this month. As a result we are now utilizing our freed-up flagship aircraft – the fuel-saving and efficient Boeing 777 – on other routes. In addition, we this month announced the termination of our routes to Odessa and to Dnepropetrovsk.

“At the same time we are continuing with our program to remove six older aircraft from service. (A 747-200 freighter went out of service this summer; two 767-200s stopped flying last month, and three 757s which we will stop using during 2012.) This will reduce our aircraft fleet from including seven aircraft types to only five. We are also continuing with our program of adding winglets to the edges of the Company’s aircrafts’ wings. This recently-completed plan is a part of our strategy to reduce expenditure, to increase efficiency and to save fuel.

“El Al will continue relentlessly to become more efficient, so as to be able to meet the commercial and organizational challenges that may arise in 2012, as a result of the world financial crisis. Within this framework we are implementing a plan to reduce the Company’s expenses and to make El Al more efficient. Amongst others, this includes plans to dismiss some 200 employees, as well as other intra-Company organizational procedures.

“We are constantly developing and instituting new revenue sources, so that in the medium and the long term, the Company’s ‘dependence’ on fuel costs and other outside factors will be reduced.

“We continue to develop new growth engines for the Company in various significant fields, in addition to strategic cooperational activities. During the quarter the Company signed a new contract with the Canadian airline WestJet, thus expanding the number of destinations El Al can now offer to North America.

“El Al invested in a significant upgrade of the website, and as a result, recorded a significant increase – 36% – in sales through the site, and an 18% growth in ticket sales through the Call Center.”

Shkedy concluded: “We are committed to and prepared for continuing to overcome the economic changes in Israel and the world; the challenging market conditions, and the competition. El Al is committed to internalizing the spirit of



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fine service into all employees, making our watchword excellence in service to our customers. We believe that El Al's continued robust and stable financial foundation, together with our endeavors to become more efficient and to offer ever finer services, are the key steps to maintaining El Al's status as the lead player in the field of civil aviation."

Financial results for the third quarter of 2011.

- **Revenues** for the present quarter totaled about \$602 million, compared to \$566 million in the parallel period last year, an increase of about 6%. Revenues from passenger traffic increased as a result of the increase in passenger/kilometers flown, and the increased yield per passenger/kilometer. Cargo revenues also grew by about 16%, and totaled \$52 million, compared to \$45 million in the parallel quarter last year, as a result of the increase in yield per ton/kilometer.
- **Operating expenditure** for this quarter, including expenditure for jet fuel, totaled about \$489 million, compared to \$426 million in the parallel period last year, an increase of about 15%. The ratio of operating expenses to turnover rose from about 75.4% in the third quarter of 2010, to 81.2%. Most of the increase stemmed from the costs of aviation jet fuel, which totaled about \$205 million (representing a ratio of about 34.1% on turnover), compared to about \$160 million in the parallel period last year (28.3% on turnover). The Company's expenditure on jet fuel increased largely as a result of the 47% increase in the average price of the fuel, compared to in the parallel quarter last year: from 220.7 cents a gallon to 317.5 cents a gallon. (The price of a barrel of Brent Crude went up during this period by about 47%, from \$76 to \$112 a barrel.)
- During the present quarter El Al registered returns as a result of jet fuel hedging of about \$15 million (compared to hedging costs of about \$17 million in the parallel quarter of last year).
- **The gross profits** for the present quarter totaled about \$113 million (representing about 18.8% on turnover, compared to about \$139 million in the parallel quarter of last year (a ratio of about 24.6% on turnover). The reduced gross profit resulted mainly from the said increase in the Company's operating expenditure, over and above the increased revenues.
- **Operating profits** totaled about \$25 million, compared to operating profits of about \$56 million in the parallel quarter of last year.
- **Net profit** for the third quarter of 2011 totaled \$21 million, compared to a net profit of about \$42.5 million in the parallel quarter of 2010.

- **Cash flow** during the third quarter of 2011, from regular activities, totaled \$6.4 million. It should be noted that the lion's share of the drop in cash from regular activities during the quarter is the result of seasonal elements involving imparities in timing of the revenue levels from the beginning to the end of September, compared to the end of June.
- **Load factors** on the Company's aircraft during the third quarter of 2011 were about 82.4%, compared to 83.8% for the rest of the scheduled airlines at Ben Gurion Airport.
- **Revenues** for the first nine months of this year totaled about \$1,558 million, compared to about \$1,491 million in the parallel quarter of last year, an increase of about 4%.
- **Operating expenditure** for the first nine months of the year totaled about \$1,362 million, compared to about \$1,191 million in the parallel quarter of last year, an increase of about 14%. Most of the increase was the result of expenditure on jet fuel, which totaled about \$536 million (representing about 34.4% on turnover) compared to about \$445 million in the parallel quarter of last year (29.8% on turnover).
- **Net profit** was \$195 million compared to about \$300 million in the parallel quarter of last year. The reduction stemmed mainly from the stated increase in operating expenses.
- **The operating loss** for the first three financial quarters of 2011 totaled about \$51 million, compared to the operating profit of about \$66 million in the parallel quarter of 2010.
- **The net loss** totaled about \$42 million compared to a profit of \$40.8 million in the parallel quarter of 2010.

Additional information

- As at 30th September 2011, the Company's **cash balances, cash equivalent values and short-term investments** totaled \$123 million. It should be noted that during the first three financial quarters of 2011, the Company invested about \$85 million in fixed assets, including the purchase of a Boeing 747-400 aircraft, a replacement CFM engine, plus advance payments for the purchase of Boeing 737s.
- **Shareholders' equity** as at 30th September 2011 stood at \$184 million. The reduction in shareholders' equity during the first three financial quarters of 2011 resulted mainly from the losses for the period, and the



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decrease in equity funds for cash flow hedging, resulting from the decrease in the fair value of the hedging activities held by the Company.

Mr. Nissim Malki, Vice President Finance, noted: “This was another challenging quarter for the world of civil aviation in general and for El Al in particular. Some of the largest world airlines, such as Air Canada and American Airlines, reported losses in their economic results, while other airlines reported diminished profits. We are showing a 4.7% pre-tax profit on turnover, in spite of the leaps in jet fuel prices of about 47%. Other operating expense components also increased, from between 5% to 7%.

“The Company ended the quarter with a cash balance of about \$123 million, while from the beginning of the year created a cash flow from regular activities of about \$83 million. Moreover, since the beginning of the year we have invested about \$85 million in fixed assets, and have repaid loans to the tune of about \$62 million.

“Shareholders’ equity as at 30th September 2011 stood at \$184 million. The major reason for the reduction (in shareholders’ equity) stemmed from the increase in balance of losses for the first nine months of 2011, by about \$42 million and from the decrease in equity funds for cash flow hedging by about \$21 million. El Al is prepared and ready to continue to strengthen the Company’s economic foundation so as to face the challenges 2012 may bring. We are increasing our efficiency, rejuvenating our fleet of aircraft and continuing to implement our investment policy for the Company’s growth.”

About El Al

El Al Israel Airlines is Israel's national carrier. In 2010 El Al's revenues totaled about \$2 billion and the Company carried about 2 million passengers during the year. El Al serves about 38 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 also Israel's leading cargo carrier.