

Contact: Liraz Bauer Investor Relations EL AL Israel Airlines LTD.  
Email: [lirazba@elal.co.il](mailto:lirazba@elal.co.il) Tel #: 972-3-9714612

**Company revenues reached their highest-ever level since the Company's establishment, and totaled \$607.3 million, compared to \$566.7 million in the parallel quarter last year, a growth of 7%**

- **Record revenues of \$607.3 million, an increase of about 7% compared to the parallel quarter last year**
- **Gross profits for the quarter totaled \$133.4 million, compared to a profit of \$151.8 million in the parallel quarter last year**
- **The operating profit this quarter totaled \$50.4 million, compared to a profit of \$61.8 million in the parallel quarter last year**
- **The profits this quarter totaled \$30.4 million, compared to a profit of \$40.7 million in the parallel quarter last year**
- **The Company's cash balance stood at \$222.9 million**
- **The aircraft load factor for the quarter reached at 85.4% - one of the highest in the world.**

**In presenting the financial reports, Prof. Israel (Izzy) Borovich, Chairman of the Board of Directors of El Al, noted that:**

"During this quarter the Company continued to operate under the shadow of the international crisis besetting civil aviation. This is reflected in the high fuel prices and the ever-increasing competition from both scheduled and charter foreign airlines, that have increased service to and from Israel. In spite of the effect of the erosion of the dollar exchange rate, the Company effectively faced the changes and challenges brought about by these factors. These results are proof of this".

**Haim Romano, El Al President, said:** "The Company recorded record revenues during the third quarter, totaling \$607.3 million. This is a growth of 7% compared to the parallel quarter last year. The major portion of increased revenues was from passenger revenues".

"El Al showed a drop in most expenditure items. Nevertheless, in the third quarter, the Company continued to successfully meet the challenges of the world crisis that has beset civil aviation, the increase in fuel costs (which in July reached record highs of \$147 a barrel), and the effects of the exchange rates".

"In spite of all this, and in spite of the increased competition, we faced the situation successfully, by optimizing our entire route network; by reducing costs; and by our informed pricing policy".

"In our efforts to reinforce the Company's growth engines, we tripled ticket sales through the internet and the call center, all of which totaled \$33.3 million. Our sales increased and we also continued with aircraft purchases".

"The results achieved in the quarter are remarkably gratifying, in the light of the difficult business situation, and the signs of the international economic recession. In

these difficult times, our aim is to preserve stability, utilizing our advantages for change and adapting our operations to market demands. We continue to work on achieving increased efficiency in day-to-day operations, and on reducing costs. The Company Management's hard work with the Workers' Committee during this difficult period contributed to the positive results we achieved. Thanks to the steps taken, we are well prepared for the future.

## **El Al today published its financial reports for the third quarter of 2008.**

### Third quarter results for 2008:

- **Revenues** totaled \$607.3 million, compared to \$566.7 million in the parallel quarter last year, an increase of about 7%. The increase in overall revenues stemmed mainly from the approximately 9% increase in passenger revenues, as well as the approximately 30% increase from other sources such as duty free sales and providing maintenance services to outside entities. Cargo revenues dropped as a result of the Company's initiative to withdraw cargo service to the Far East. Revenues for the first nine months of 2008 totaled \$1.64 billion, a growth of about 6%.
- **Operating expenses** totaled \$473.9 million, compared to \$414.9 million in the parallel quarter last year, an increase of about 14%. The increase in operating expenses is largely the result of the increased price of jet fuel – a fundamental factor in the Company's expenses. The rate of operating expenses on turnover rose from about 73.2% in the third quarter of 2007, to about 78% in the third quarter of 2008. In this quarter, jet fuel expenses totaled \$214.7 million, compared to \$153 million in the parallel quarter last year, an increase of \$61 million, representing an increase of 40%. This is after the net hedging returns, which totaled \$14 million (compared to hedging returns totaling \$5.1 million in the parallel quarter last year.) The net hedging returns for the first nine months of 2008 totaled \$42 million, compared to \$1.7 million in the parallel quarter last year. Jet fuel costs represent about 35.4% on turnover, compared to 27.1% in the parallel quarter last year. El Al's aircraft load factors – amongst the highest in civil aviation circles – reached 85.4%.
- **Gross profits** totaled \$133.4 million (a ratio of about 22.0% on turnover), compared to \$151.8 million in the parallel quarter last year (a ratio of about 26.8% on turnover). This is a reduction of about 12%.
- **Cost of sales** during the quarter dropped from \$66.0 million in the parallel quarter last year, to \$63.9 million. The ratio on turnover dropped from 11.6% in the parallel quarter last year, to 10.5% in this quarter. The decrease resulted from the increase in direct sales, and the drop in distribution and commissions expenses.
- The ratio of cost of **management and general expenses** to turnover remained with no significant change (about 4%) compared to the parallel quarter last year. The costs totaled \$24.6 million, compared to \$21.7 million in the parallel quarter last year, and increase of \$2.9 million – largely as a result of the increase in salary costs due to the revaluation of the shekel against the dollar.

- **Operating profits** totaled \$50.4 million, compared to \$61.8 million in the parallel quarter last year, a reduction of about 18%.
- **Net financing expenses** decreased by \$1.3 million, and totaled \$10 million this quarter, compared to \$11.3 million in the parallel quarter last year. The change resulted from the reduction in interest on loans – as a result of the drop in the LIBOR interest rates.
- **Net profits** for the third quarter of 2008 totaled \$30.4 million, compared to a net profit of about \$40.7 million in the parallel quarter of 2007.
- The Company's **cash flow** from regular activities during this quarter totaled \$11.3 million (compared to a cash flow of \$74.1 million for the company in the parallel quarter last year). The above change stems largely from the drop in pre-tax profits in this quarter, compared to the pre-tax profits in the parallel quarter last year, as well as from seasonal fluctuations in the budgetary balances of suppliers, creditors and advanced revenues. The total cash flow for the first nine months of 2008 totaled \$97.8 million, compared to \$178.1 million last year. This is the result of the pre-tax loss for the current period, compared to the pre-tax profit in the parallel quarter last year.
- As at the 30<sup>th</sup> September 2008, the Company's **cash balance** stood at \$222.9 million, compared to \$260.3 million at the 31<sup>st</sup> of December 2007. This drop is mainly the result of investments in fixed and other assets, totaling about \$97.0 million (including about \$34 million for aircraft purchases, and repayment of long-term loans totaling \$39.9 million. This was set off mainly from cash flow from regular activities totaling \$97.8 million.
- **Company equity** on 30<sup>th</sup> September 2008 totaled \$267 million, compared to \$319 million on 31<sup>st</sup> December 2007. The decrease in the Company's equity stems from the accumulated loss during the accounting period, and from the decrease in the fair value of jet fuel hedging transactions up to the reporting date.

**Haim Romano summed up:** "We are obligated to, and ready for, the continuing efforts to face the world crisis in aviation; the challenging market conditions; and the ever-stiffening competition. We believe that El Al's continued financially stable foundation and solidity, together with our steps and efforts at efficiency, and the ongoing process of improving the quality and service excellence of our product, are the keys to maintaining El Al as the leader in the civil aviation sector. We also expect the Government to immediately implement its decision to finance 80% of the security expenses of Israeli airline companies".

**Nissim Malki, El Al's Vice President Finance** said: "The indications of a worldwide recession did not prevent the Company from producing good results, thus demonstrating its financial and commercial stability. During this reporting period, the Company repaid about \$40 million in long-term loans, and invested about \$97 million in aircraft and other equipment purchases. After all that, the Company still succeeded in ending the period with a cash balance of \$223 million, a solid reflection of the Company's strength. Jet fuel, which is the main factor in the Company's operating expenditure, increased from an average price of about \$75 a barrel in the parallel quarter last year, to an average of \$118 a barrel this quarter, an increase of about 57%.



Through its hedging policy, the Company managed to somewhat reduce this increase. Hedging returns this quarter totaled \$14 million (compared to \$5.1 million in the parallel quarter last year). Hedging returns for the first nine months of 2008 totaled \$42 million, compared to \$1.7 million in the parallel period last year. The effects of the changes in exchange rates caused an expenditure increase of \$11 million, even after hedging returns of \$4 million".

### **About El Al**

El Al Israel Airlines is Israel's national carrier. The Company's annual revenues total about \$1.93 billion, and it flies about 1.8 million passengers a year. El Al flies directly to about 40 destinations worldwide, and serves many other destinations around the globe through cooperation agreements with other airlines. The fleet consists of 35 aircraft, 29 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. This is El Al's 60th year.