



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

Elyezer Shkedy, President and CEO of El Al presented the financial reports for the fourth quarter of 2010, and for 2010 financial year

The Net profit totaled \$57.1 million, compared to a loss of \$76.3 million in the parallel period last year

Company's revenues for 2010 increased by 19%, and totaled \$1.97 billion, compared to \$1.65 billion in 2009.

Shareholders' equity as of 31st December 2010 totaled \$249 million, compared to \$124 million as at 31st December 2009, an increase of about 100%.

In light of the profitability, and in accordance with the comprehensive Labor Agreement that was signed between El Al and its employees in 2008, El Al will award the employees with a salary increase of 3%.

Elyezer Shkedy, Company President & CEO, has informed the Board of Directors of his decision, made in accordance with his employment contract, to transfer an amount equal to 50% of his annual bonus for 2010, to a fund that is to be established this year, "The Excellence and people Fund". The gross amount is 5.7 million shekels.

This amount will be added to the 2 million shekels that will be deposited in the fund, as reported by the Company when the employment contract with the CEO was signed.

El Al's market share, 37.1%, reflected a reduction of about 1% compared to 2009.

- El Al's load factor reached 81.6%, compared to 81% last year, an increase of about 1%. The overall scheduled foreign airlines' load factor at Ben Gurion Airport was 76.7%.
- Operating expenditure in 2010 totaled \$1,584.6 million, compared to \$1,444.3 million in 2009, an increase of about 10%. The ratio of operating expenditure on turnover dropped from 87.2% to 80.3%.



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- Gross profits increased by 83% in 2010, and totaled \$387.7 million, compared to a gross profit of \$211.6 million in 2009. The profit ratio over turnover was 19.7%, compared to 12.8% in 2009.
- Cash flow from operating activities in 2010 totaled \$203.3 million, compared to a cash flow of \$22.4 million in 2009, an increase of 807%.
- Shareholders' equity at 31st December 2010 totaled \$249 million, compared to \$124 million as at 31st December 2009, an increase of about 100%

Elyezer Shkedy, President and CEO of El Al said: “In 2010, El Al went from a loss of \$76.3 million to a profit of \$57.1 million. The Company showed a significant increase in revenues, by 19%, and significantly improved its cash flow. These results are directly related to the actions we have taken in various areas.

“During 2010, the Company managed to maintain a load factor of about 81%, and a market share of about 37%.

“Cargo activities showed a noteworthy improvement in revenues, which grew by about 37% during the year.

“The Company ended 2010 with a sizeable cash flow from operating activities – \$203.3 million, compared to the cash flow of \$22.4 million last year. This represents a firm basis on which to continue advancing and developing the Company, with significant cash balance of \$167.3 million. This embodies an excellent platform that will assist us in taking advantage of opportunities in the future and to develop growth engines and additional revenue sources.

“During the year the Company focused on short term fleet , and renewed the long term fleet . The Company purchased one Boeing 747 passenger aircraft, which delivered in February 2011. In 2010, two leased passenger aircraft also entered service with the Company; one 767-300 and one 737-800, in addition to one 747-400 cargo aircraft. Another leased 767-300 is expected to join our fleet in the middle of April 2011. The Company has also signed lease agreements for additional five aircraft.



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“In February 2011, the Company signed a commercial contract with Boeing Company to purchase four new advanced-design 737-900s. These aircraft are expected to join El Al's fleet at the end of 2013 until 2015. The contract also allows purchasing two more similar aircraft that can be exchanged for optional purchases. El Al also received an option to purchase an additional two aircraft of this type. El Al's Board of Directors yesterday approved the contract.

“In parallel, we continue to develop growth engines in other fields, including maintenance, commerce, cooperation agreements and tourism. During the year the Company signed a number of code share agreements with some of the world's leading airlines, to increase the number of destinations we offer. The companies include the US airline Jet Blue; the agreement with Jet Blue enables El Al to offer a range of onward destinations throughout the USA. Agreements were also signed with the Russian Airline S7, and the Chinese airline Air China. The Company is at the final stages of signing several other cooperation agreements.

“During 2010, El Al began offering three daily flights on Ben Gurion-Eilat route. Since starting the service, passenger traffic to Eilat has increased, and the Company flew about 95,000 flight-segments. Our share of the domestic passenger traffic to Eilat was about 16%.

“During the second quarter of 2010, El Al faced with the volcanic cloud crisis, during which flight traffic all over Europe ceased. El Al decided to institute an airlift from five European airports to help returning Israelis who wanted to get home for the Day of Remembrance and for Independence Day. For a 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.

“After a long period during which no salary increases have been given, this year, as a result of El Al's results for 2010, and in careful adherence to the Labor Agreement between the Company & the employees, all Company employees will receive a salary increase, including a one-time bonus.



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“I would like to thank everyone in the Company; on the ground, in the air, in Israel and all over the world. Thanks to your quality, your determination, devotion and concern we managed to stabilize the Company and bring it to successful profitability. Together we’ll continue to guide El Al to greater heights and achievements, with our vision of a bright future for us all.”

Financial & operational highlights for 2010

	<u>2010</u>	<u>2009</u>	<u>% change</u>
Revenues	1,972.2	1,655.8	19%
Gross profit	387.7	211.6	83%
Operating profit (loss)	88.00	(75.00)	—
Net profit	57.00	(76.30)	—
Cash flow from operating activities	203.3	22.4	807%
Market share	37.1%	37.5%	(1%)
Load factor	81.6%	81.00%	1%

2010 results

- **Revenues** for this year totaled \$1,972.2 million compared to \$1,655.8 million in the parallel period last year, an increase of about 19%. The increase resulted from the increase in passenger traffic, and as a result of the increased yield per passenger/kilometer. Revenues from cargo operations increased by 37%, a result of the increased freight carried and the yield per ton-kilometer.
- **Operating expenses** in 2010, totaled \$1,584.6 million, compared to \$1,444.3 million in 2009, an increase of about 10%. Nevertheless, the ratio of operating expenditure on turnover dropped from about 87.2% in 2009, to 80.3%. Most of the increase stemmed from the cost of aviation fuel – totaling \$584.3 million (representing about 29.6% on turnover), compared to \$475.7 million in the parallel period last year (28.7% on turnover). Company expenditure on aviation fuel increased largely due to the rise in fuel prices in 2010 compared to 2009, and from increased activity. Aviation fuel prices in the Mediterranean Basin increased on average by about 28% compared to 2009, while

- the effective price to the Company – after hedging – increased by only about 15%.
- **Gross profits** for 2010, totaled \$387.7 million (a ratio of about 19.7% on turnover), compared to \$211.6 million in the parallel period last year (a ratio of about 12.8% on turnover) – an increase of about 83%.
 - **Cost of sales** totaled \$214.8 million this year, compared to \$183.00 million last year, an increase of about 17%. Nevertheless, there was a drop in the ratio on turnover, from 11.00% to 10.9%.
 - **Managerial and general expenses** in 2010 totaled \$96.2 million, compared to \$88.6 million in 2009. At the same time the ratio of these expenses on turnover dropped, and totaled 4.9% compared to 5.3% in 2009.
 - **Profits on operations** totaled \$88 million (a ratio of 4.5% on turnover), compared to a loss on operations of \$75 million in the parallel period last year.
 - **Net financing expenses** this year totaled \$25.1 million, compared to \$26.3 million in the parallel period last year, a drop of about 5%. The reduction stems mainly from hedging of currency exchange rates.
 - **Net profit** for 2010 totaled \$57.00 million, compared to a loss of \$76.3 million in 2009.
 - **Cash flow** from regular activities for the year ended 31st December 2010 totaled \$203.3 million, compared to a cash flow from regular activities of \$22.4 million in 2009.
 - As of 31st December 2010, the Company's **cash balance, cash equivalencies and short-term deposits** totaled \$176.3 million. In 2010 the Company invested \$47 million in fixed assets, and repaid long-term loans to the value of \$78 million.
 - **Shareholders' equity** at 31st December 2010 totaled \$248 million, compared to \$124 million as at 31st December 2009. The increase in the Company's shareholder equity resulted mainly from an increase in the equity fund through hedging activity for cash flow (resulting from the increase in the fair value of hedging activities, which are recognized [under accounting principles] as protective transactions.), and from the net profits for the period.



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Results for the 4th Quarter

	4 th Quarter		
	<u>2010</u>	<u>2009</u>	<u>% Change</u>
Revenues	492.0	413.7	19%
Gross profit	98.2	51.1	92%
Operating Profit/Loss	22.1	(31.8)	————
Net profit/loss	16.3	(29.0)	
Cash flow from operating activities	20.0	16.3	22%
Market share	38.2%	37%	3%
Load factors	81.1%	81.2%	0%

- **Revenues** for the 4th quarter of 2010 totaled \$492 million, an increase of about 19%, brought about by the increase in revenues from passengers and cargo.
- **Operating expenses** totaled \$393.8 million (a ratio of about 80.0% on turnover) compared to \$362.6 million in the parallel quarter of 2009 (a ratio of about 86.7% on turnover) – an increase of about 9%. This was largely the result of expenditure on aviation fuel, both because of the increase in market prices and the increase in Company activity, compared to in the parallel period last year.
- **Gross profits** totaled \$98.2 million, (a ratio of about 20% on turnover), compared to \$51.1 million in the parallel quarter of 2009 (a ratio of 12.4% on turnover), an increase of 92%.
- **Operating Profit** during the 4th quarter of 2010 totaled \$22.1 million, compared to a loss on operations of \$31.8 million in the parallel quarter last year.
- **Net Profit for the quarter** totaled \$16.3 million, compared to a loss of \$29.00 in the parallel quarter last year.
- **Cash flow** from operating activities during the 4th quarter of 2010 totaled \$20 million, compared to \$16.3 million in the parallel period last year.

Mr. Nissim Malki, CFO and Vice President Finance, noted: “The Company shows an improvement in all aspects of the financial results. This is seen in the growth of revenues by about 19%, an improvement in the gross profit ratios on turnover, from 12.8% to about 20%; and in the other



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elements, in such a way that the net profit ratio for the period reached 2.9%, compared to a loss on turnover of 4.6% in 2009.

“It should be noted that during this period the Company repaid bank loans of about \$80 million, and invested about \$50 million in fixed assets, and still ended the year with cash in hand of about \$167 million.

“Two other parameters that indicate the Company’s strength were the cash flow from operating activities, which reached over \$200 million, and the doubling of the shareholders’ equity, from \$124 million to \$248 million.

“Without doubt, this was a year of growth and stabilization, providing for impetus and growth in the future.”

About El Al

El Al Israel Airlines is Israel's national carrier. In 2010 El Al's revenues totaled about \$2 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.