

Elal Israel Airlines Ltd. Reports Second Quarter of 2007 Results

- **El Al presents the results of the 2nd quarter – a 6% increase in Company revenues, which totaled about \$453 million, compared to \$429 million in the comparative quarter last year.**
- **The Company recorded a reduction of \$8.9 million in operating expenses, including a decrease of 5% in administrative and general expenses, resulting from the implementation of the Company's efficiency program.**
- **Gross profits soared by 49% in comparison with the parallel quarter last year, totaling \$98.9 million now.**
- **The operating profit totaled about \$25.9, compared to an operating loss of \$4.6 million last year.**
- **Cash flow from operating activities this quarter totaled about \$72.1 million.**
- **The Company's pre-tax profit totaled about \$18.4 million, compared to a loss of \$14.4 million in the comparative quarter last year. After-tax profits reached about \$12.6 million compared to a loss of \$10.4 million in last year's 2nd quarter – an increase of about 222%.**

Lod, Israel, August, 15, 2007, Elal Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier Reports Second Quarter of 2007 Results.

Prof. Israel (Izzy) Borovich, Chairman of the Board of El Al, noted, "We have recently completed the purchase of two new aircraft, and reached the climax of our renewal drive. The Company continues to fulfill its projections and to lead the Israeli aviation market. El Al remains the first choice and preferred carrier for all air traffic into and out of Israel. The Management continues to implement its "El Al 2010" commercial planning, including manifold steps towards implementing its growth policy. I believe that the Company's sound financial status will continue to serve as a solid basis for additional investment to support the Company's growth plans".

Haim Romano, El Al President, noted that El Al's ability to present profitable reports is the result of the determination that resulted in a growth of revenues and an increase in load factors. These were reflected in this quarter as a result of implementing the Company's management policy; emphasizing El Al's attractiveness to customers; meticulous care in improving service and the overall product; adding destinations; offering a wide range of fares; schedules that suit passenger requirements and increasing frequencies to meet demand. All these were done while increasing efficiency on most expense items.

- Revenues for the quarter totaled about \$452.8 million, an increase of about 6% in comparison with the \$429.2 million last year. The increased revenues from operations stem largely from the increase in passenger revenues.
- Operating expenses for the quarter totaled about \$354 million, a drop of about 2.5% compared to last year. The drop in operating expenses resulted largely from increased efficiency, which was expressed by the improvement in load factors on passenger aircraft. Load factors averaged 86.5% during the current quarter (compared to 80.5% in the parallel quarter last year).
- The gross profit totaled about \$98.9 million, a ratio of about 21.8% on turnover, compared to about \$64.4 million last year, with a ratio of about 15.5% on turnover. The increase in gross profits and the ratio on turnover stem mainly from revenue increases, reduction in operating expenses and the reduction in salary expenditure. Salary expenses dropped this quarter in comparison with the parallel quarter last year mainly due to the reduction in the number of employees in Israel and abroad, and a reduction in salary expenditure. This occurred in spite of the strengthening of the shekel and the euro against the dollar during the quarter, which actually increased salary expenses. Fuel expenses grew to about \$120.1 million (compared to about \$116.6 million in the comparative quarter last year), even after receiving hedging returns this quarter, which totaled about \$2.7 million. Nevertheless, there was a reduction in the rate of jet fuel expenditure, representing about 26.5% on turnover, compared to about 27.2% during the parallel quarter last year.
- Operating profits reached about \$25.9 million, a ratio of about 5.7% on turnover, compared to an operating loss of about \$4.6 million last year – about 1.1% on turnover. Amongst other things, this is the result of a reduction of 5% in administrative and general expenses, all resulting from the implementation of the Company's efficiency program.
- Pre-tax profits for the quarter totaled about \$18.4 million, compared to a loss of about \$10.4 million last year. After-tax profits were about \$12.6 million.
- The cash balance of the Company on the 30th June 2007 stood at about \$225.3 million, after loan repayments of about \$20.1 million and payments for fixed assets totaling about \$37.3 million, during the first half of the year. This compares to a balance of about \$143.4 million on the 31st December 2006.
- Company equity on the 30th June 2007 stood at about \$256.9 million, a growth of \$42.8 million compared to 31.12.06.
- The cash flow from operating activities for the quarter totaled about \$72.1 million, compared to a cash flow of about \$54.9 million in the parallel quarter last year. The change in cash flow from regular ongoing activities stems mainly from the profits for the period and from net changes in items of assets and obligations, that were set off mainly by deposits to the compensation fund and from redeeming options issued by the Company.

Haim Romano, El Al's President, said: "In the second quarter, the Company achieved its targets. We increased revenues, reduced expenditure, and managed the Company's returns correctly, while at the same time aiming to be a profitable, financially stable Company that emphasizes attentive, quality service for the benefit of the customers, the employees and the shareholders.

"During the second quarter, the Company recorded top revenues of \$452.8 million, representing an increase of 6% compared to the parallel quarter last year. The Company recorded an increase in premium passengers, identified customer potentials and their needs, and placed emphasis on strategic, direct destinations.

"The Company continued with its efficiency program, cut inefficient and unprofitable routes with high security expenses, and increased frequencies on high-demand routes. As part of the efficiency program, the Company reduced human resources during the quarter, by about 8% - about 500 positions. The reduction was reached by agreement with the employees. We are making major efforts concerning employee-employer relations, so that a positive agreement with the employees' representatives can be reached in the near future.

"During the quarter, the Company achieved an extremely high load factor on flights – 86.5%, and recorded a growth in revenues in spite of the growing competition that was characterized by the increase in seat availability on foreign carriers, and in the cargo sector. I believe that we will succeed in facing the competition during the rest of the year as well.

"We continue to invest heavily, with careful consideration, with the aim of maintaining El Al's status as the leader in the field. We continue to implement our strategic plans, and within that framework, have taken action to implement our growth plans too. Amongst other things, about a month ago, the Company received its new 777, named "Sderot", and a second new 777 is expected to be delivered during August. Both these aircraft are fitted with innovative seats and a state-of-the-art entertainment system. The Company inaugurated a check-in-at-home service, and continues with its strategic cooperation plans concerning improved service. Special attention has been paid to the business sector and premium passengers, by adding frequencies to high-demand destinations, introducing breakfasts in cooperation with the Strauss Company, and more."

Haim Romano, Company President, thanked the management and employees for their cooperation and their great efforts to achieve these results. He added that the results belong to all the Company's employees, all of whom did their utmost to achieve these results.

Haim Romano concluded: "We believe that the moves we have made will continue, and will bear fruit in the foreseeable future. The continuing growth in revenues and passenger volume, together with efficiency efforts and procedures for continuing improvement in service and our excellent product, prove that the Company's management and employees can successfully meet the growing competition, thus enabling El Al to maintain its leading status in the aviation sector."

Nissim Malki, El Al's Vice President Finance said: "It is with immense satisfaction that we sum up this quarter, with growth in all result parameters. We are continuing to implement the efficiency programs, expressed in this quarter mainly in the significant growth in the aircraft load factors – 86.5%, and the reduction in the ratio of operating expenses to turnover – a reduction of \$8.9 million. This data reflects the ability of the Company's management and its employees to confront the growing competition successfully, while at the same time working to deal with the fundamental factors that influence the Company's expenses, with the aim of maximizing the Company's results. I would like to stress that the Company enjoys the benefit of high cash balances and a positive cash flow, totaling an amount of about \$72.1 million. These parameters reflect the Company's solid financial standing, even after investment in assets and repaying loans, to the tune of about \$57 million during the first half of this year. The sound cash flow will serve the Company for additional investment to support its strategic plans."

About El Al

El Al Israel Airlines is Israel's national carrier. The Company's annual revenues total about \$1.7 billion, and it flies over 1.8 million passengers a year. El Al serves more than 38 destinations directly, and many other destinations around the globe through cooperation agreements with other airlines. The fleet consists of 36 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 59th year.