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November 26, 2009

El Al Israel Airlines: Results for the Third Quarter of 2009

- **Revenues for the third quarter of 2009 totaled $496.1 million, a decrease of 18% compared to last year.**
- **Operating expenditure in this quarter totaled $400.7 million, compared to $472.4 million in the corresponding quarter last year, a decrease of about 15%.**
- **Gross profits for the second quarter totaled $95.4 million, compared to a gross profit of $134.5 million in the same quarter last year.**
- **The Company's expenditure on jet fuel dropped by $78.7 million and totaled $136 million, compared to $214.7 million in the same quarter last year. Jet fuel expenses constitute about 27.4% of turnover.**
- **Net gains for the third quarter of 2009 totaled $12.3 million, compared to a net gain of $31 million in the same quarter last year.**
- **The cash flow used by the Company for current activities in the third quarter of 2009 amounted to $18.8 million.**
- **El Al managed to increase its market share to about 35%, compared to 33% in the equivalent quarter last year, a 6% increase**
- **El Al's load factors totaled 85.1%, in comparison with the overall load factors of the foreign carriers at BGN, which totaled about 82.3%.**

Results for the third quarter of 2009

- **Revenues** for the quarter totaled $496.1 million compared to $606.9 million in equivalent quarter last year, a drop of about 18%. The drop in revenues derives mainly from a reduction in yields caused by a reduction in average revenue per passenger, as well as the rise of the U.S. Dollar in relation to the euro. Cargo revenues declined by about 47% compared to the same quarter last year, as a result of worldwide air cargo slowdown, which led both to drops in quantities of air cargo shipped and in the average price per ton of cargo.

- **Operating expenses** for this quarter totaled $400.7 million, compared to $472.4 million in the equivalent last year, a reduction of about 15%. The reduction is mostly caused by the drop in jet fuel price. The ratio of operating expenditure to turnover rose from 77.8% in the third quarter of 2008 to 88.4% in the reported quarter, due to the sales turnover reduction.
- **Salary expenses are** unchanged, despite of an 8% increase in takeoffs and landings and a 7% increase in seat availability as a result of streamlining that led to an average reduction of 140 positions from the work roster, offset in part by the revaluation of the Israeli Shekel against the US Dollar this quarter. This quarter's salary expenses include a one-time $3.4 million payment to the employees.
- **Gross profits** during the quarter reached $95.4 million (9.2% on turnover) compared to $134.5 million in the same quarter last year (22.2% of turnover), a drop of 29%.
- **Sales expenses** dropped by $15 million and totaled $49.3 million in the current quarter compared to $64.4 million in the same quarter last year, a 23% decrease. The reduction derives from a decline in distribution costs brought about by the decrease in passenger and cargo revenues and the increase in direct sales by the Company through its Call Center.
- **Management and general expenditure** dropped some 14% and totaled $21.1 million compared to $24.4 million in the same quarter last year, largely due to a drop in salary costs.
- **Operating profits** totaled $23.8 million, compared to operating profits of $51.1 million in the same quarter last year.
- **Net financing expenses** during this quarter totaled $13.1 million compared to $10 million in the equivalent quarter last year. The increase in financing expenses is largely the result of an increase in the Company's loans, offset in part by the drop in LIBOR rates and the $3.1 million increase in financing revenues from foreign currency hedging.
- **Net profit** for the third quarter of 2009 totaled $12.3 million, compared to a net profit of $31 million in the equivalent quarter last year.
- **Cash flow** used for the Company's regular activities during the quarter ending on September 30 2009, totaled $18.8 million. This is in comparison to the cash flow used for regular activities to the amount of $11.3 million in the equivalent quarter last year. The main reason for the difference is the drop in pre-tax profit in the reported period relative to the same quarter last year.
- **As of September 30 2009 the Company's cash balance**, **cash equivalents and short-term deposits** totaled $115.4 million. In addition, the Company has deposits pledged to aviation-fuel

hedging totaling $28.5 million. During the current quarter the Company invested $15 million in fixed assets and. repaid long-term loans totaling $20 million.

- **Shareholders' equity** as of September 30, 2009 totaled $129.2 million, compared to $118.7 million as of December 31 2008, a $10.4 million increase. This increase in the Company's equity derives largely from the increase in capital reserves due to hedging the cash flow that resulted from the increase in the fair value of jet fuel and exchange rate transactions. These are recognized under accounting principles as protective transactions that offset the loss for the period.

Mr. Haim Romano, El Al's CEO, notes: "At a time when most of the world's airlines are reporting huge losses, El Al presents net operational profits, indicative of its ability to weather the global financial crisis which has led to a fierce erosion in premium traffic prices and the collapse of the cargo market. I shall note that for the first time since the crisis came to a head in 2008, in the third quarter of the year BGN listed a moderate increase of one percent in international passenger traffic. Here at El Al we present a 7% increase in the number of passengers compared to the same quarter last year. As a result of its strategy to remain the leader of the Israeli aviation market, the Company's market share increased by 6% to 35%.

"In this regard, allow me to note that we are continuing to carefully manage out seat availability levels and we are taking active measures, including adjusting capacity, using a flexible price policy and matching supply and demand very closely. These actions have borne fruit and we now have a high load factor of 85% in our aircraft. As a strategic goal the Company set for itself, a 23% decrease has been made in sales expenses, this as a result of the material increase in direct sales, which have led to a reduction in commission rates this quarter. Administrative and general costs dropped 14% and as part of the streamlining process we have cut back some 140 positions compared to the same period last year.

"Our main objective is to maintain stability during these difficult times, while using the competitive advantages we possess, including a high level of flexibility to changes and adjustment of our activities in accordance with market requirements. In light of the Company's efforts to continually streamline its regular activities, reduce costs and employ an adaptive pricing policy, we are well-prepared for the future."

Mr. Nissim Malki, El-Al's CFO and VP of Finance, commented: "In spite of the global financial crisis and the crisis in the aviation industry, we have carried out all of our investment plans and upheld all of our obligations laid out in our 2009 work plan. We invested $15 million in fixed assets and repaid $20 million in long term loans. Since the beginning of the year we have invested $166 million in fixed assets, $125 million of which went towards the purchase of 3 new 737-800 airplanes, and repaid debts in the sum of $47 million. We are finishing this quarter with $115.4 million in our cash balances.

Our equity equals $129.2 million, a $21 million increase over the previous quarter. This increase derives from the net quarterly profit, from the increase in the fair value of jet fuel hedging agreements and as a result of new currency hedging agreements conducted in the third quarter, which produced a positive fair value."

Conference Call Details

El Al management will hold a conference call on Thursday November 26 2009 at 15:00, in which the results of Q3 2009 shall be reviewed. This call may be listened in on at 09-9180650. A recording may be listened to starting November 26 2009 at 17:00 until December 3 2009 at 03-9255945.

About El Al

El Al Israel Airlines is Israel's national carrier. In 2008 El Al listed some $2.1 billion in revenues and it carries 1.9 million passengers a year. El Al serves some 40 direct destinations around the world and many other destinations through cooperation agreements with other airlines, and it operates 38 aircraft. The Company owns 28 aircraft. El Al is Israel's leading cargo carrier. The Company is active in the charter market through its subsidiary Sun D'Or.