EL AL HOME AWAY FROM HOME

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

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Tel-Aviv, Israel, May 26, 2009 – El al Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier Reports first Quarter of 2009 financial Results.

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

- Revenues in the first quarter of 2009 amounted to $ 346.7 million, a decrease of about 26% versus the previous year. The fighting in Gaza and the severe damage to business travel led to a drop of about 150,000 passengers in the first quarter, of whom about 50,000 were El Al passengers, responsible for about 16% of the total decline in revenues.

  Revenues from cargo were responsible for 10% of the decline in revenues, mainly as a result of a 27% decrease in the market size for freight to and from Israel.

- Operating costs this quarter amounted to $327.9 million, compared to $415.7 million in the same quarter last year, a decrease of about 21%.

- Gross profit in the first quarter amounted to $18.7 million, compared to $53.5 million in the same quarter last year.

- The Company's expenses for jet fuel, including hedging costs of $36.2 million, decreased by $56.4 million, and amounted to $107.6 million compared to $163.9 million in the same quarter last year. The expenditure represents about 31% of turnover.

- The loss after taxes in the first quarter of 2009 amounted to $39.8 million, compared to a loss of $50 million in the first quarter last year.

- Cash flow used for the Company's regular activities current activity in the first quarter of 2009 amounted to $16.2 million.

- Traffic at Ben Gurion Airport was down about 14%, although El Al maintained its 42.9% share of the market.

- Competition in terms of passenger seats offered by foreign airlines at Ben Gurion Airport has increased by about 9%. However, El Al's load factor, one of the highest in the aviation industry, amounted to 79%, compared to a load factor of 61.3% representing a drop of 16%.

Results for the first quarter of 2009

- **Revenues** in the first quarter amounted to $346.7 million compared to $469.3 in the same quarter last year, a drop of about 26%. The decline in revenues from operations is mainly due to a decrease of about 13% in the number of passengers, compared to the first quarter of 2008, and a decrease in the average revenue per passenger kilometer. Cargo revenues decreased by about 52% compared to the same quarter last year, as a result of the initiated discontinuation of the losing activity of freight aircraft to the Far East that began in the second quarter of 2008, and of a decline in revenue per ton/km due to competition.
- **Operating costs** in the quarter amounted to $327.9 million, compared to $415.7 million in the same quarter last year, a decrease of about 21%. The main decrease was due to the decline in jet fuel costs, a drop in wage costs, and adjustment of variable costs to the decrease in activity. The Company's expenditure on jet fuel fell from $163.9 million in the first quarter of 2008 to $107.6 million in the first quarter of 2009, a reduction of about 34%. The Company's total fuel costs also include hedging costs of about $36.2 million. Following the adjustment of the Company's activity to the decline in demand, operating costs fell by about $40 million compared to the same quarter last year. Operating costs as a proportion of turnover rose from 88.6% in the first quarter of 2008 to 94.6% in the current quarter.
- **Wage costs** fell by about $27 million, mainly as a result of the depreciation of the shekel compared to the dollar, and of a cut of about 311 jobs.
- **The gross profit** this quarter amounted to $18.7 million (representing about 5.4% of turnover), compared to $53.5 million in the same quarter last year (about 11.4% of turnover), a decrease of some 65%.
- **Cost of sales** decreased from $54.5 million in the first quarter of 2008 to $41.4 million in the current quarter. The reduction is due to a decrease in distribution costs from the increase in direct sales, and following the decline in revenues from passengers and freight.

- **Administrative and general costs** fell from $25 million in the first quarter last year to $21.3 million this quarter. The reduction was due mainly to the decrease in wage costs resulting from the depreciation of the shekel against the dollar in the current quarter.
- **The operating loss** amounted to $42.5 million, compared to an operating loss of $47.4 million in the same quarter last year.
- **Net financing costs** in the current quarter amounted to $2.8 million, compared to $12.7 million in the same quarter last year. The reduction derives from the decrease in the cost of interest rate hedging that amounted to $0.7 million compared to $9.1 million in the same quarter last year, and also from a decrease in the average LIBOR rate from 3.3% in the first quarter of 2008 to 1.2% in the current quarter, which reduced the Company's interest payments on its outstanding loans.
- **The net loss** in the first quarter of 2009 amounted to $39.8 million compared to a net loss of $50 million in the same quarter last year.
- In the quarter ending on March 31, 2009 the Company made use of **cash flow for current activity**, totaling $16.2 million, compared to a cash flow of $41.2 million that the Company derived from current activity in the same quarter last year. The main reason for the change was the loss the company incurred during the quarter and the difference in non cash flow costs between the quarters.
- As of March 31, 2009, the Company's **cash balances and cash equivalents** grew by $23 million amounting to $77.5 million. The increase was the result of the release of hedged deposits totaling $37.3 million, of the sale of an aircraft for $9 million, and of the increase of $15 million in short term credit. The Company invested $13.4 million in fixed assets, repaid short term loans amounting to $9 million, and used $16 million for current activity. In addition to the cash balance, as of March 31, 2009 the Company had deposits of about $115.6 million pledged in favor of jet fuel hedging institutions.
- **Working capital** as of March 31, 2009 amounted to $89 million, compared to $119 million as of March 31, 2008, a decrease of about $30 million. The decrease in the Company's working capital was mainly due to the loss in the quarter set against the growth in a capital fund for fuel hedging as a result of the increase of about $10 million in its fair value.

Mr. Haim Romano, El Al CEO, stated: "The first quarter was characterized by a number of material elements that affected the Company's results, mainly the global financial crisis and the fighting in the southern border. These factors affected majority of the profit and loss, and impacted by the decrease in the number of passengers, and consequently in the Company's revenues. The operation in the south led to a dramatic drop in the number of passengers in January and February, predominantly on incoming passenger traffic. We estimate that this drop, together with the drop of about 30% in business travel, which is one of the Company's main engines of growth, reduced the Company's revenues by some $30-40 million.

This quarter we continued dealing with the consequences of the global financial crisis, which had a significant effect on the aviation industry in general, and on passenger and freight traffic. The total traffic at Ben Gurion Airport fell by about 14% compared to the same quarter last year. The seat capacity offered by foreign airlines grew by about 9% compared to the same quarter last year, and the slowdown in passenger traffic led to a significant decrease of about 16% in the average capacity rates of foreign companies. Nevertheless, we managed to retain our significant market share of 43%, and we doubled our efforts during this period to adjust quickly to the situation; we cut back the seat capacity by about 8% which allowed us to maintain a high rate of occupancy in our aircraft – about 79%.

During this quarter we continued to improve efficiency and adapt to the new reality of the global financial crisis and stronger competition. Our operating results in this quarter decreased by about $88 million, of which about $56 million was due to the cost of jet fuel. We also achieved a savings of about $27 million in our wage costs, and cut some 311 jobs.

I want to stress that we are continuing our actions to reduce the fleet and thus save related costs. In April we acquired a 737-800 aircraft and sold an old 757-200 aircraft in a sale and re-leasing deal, which was transferred to our subsidiary Sun d'Or, thus increasing the fleet in use by Sun d'Or as part of its program to expand its activity and start operating scheduled flights.

Further to the strategy of developing and establishing the Company's direct channels of distribution and marketing, we showed an impressive increase of over 109% on sales via the Internet, which amounted to $22 million this quarter. In addition to these moves, we are continuing to reduce the Company's cost of sales. These costs fell by about 24% as a result in the decrease in commissions paid to agents and reductions in manpower.

We are working fiercely in line with the milestones we set ourselves in the strategic plan, and taking all the steps required by the new situation of the financial crisis. Our eyes are fixed on our main goal – to improve profitability. We are constantly carrying out actions, both inside and outside the organization, to enable us face the competition and the changing reality, as well as continually examining our cost structure, so that at the end of the crisis we shall be better prepared to work from a strong and stable basis.

Mr. Nissim Malki, CFO and VP Finance of El Al, noted: "During this quarter we faced a drop in the price of crude oil from an average of $98 per barrel in the same quarter last year to $44 in the current quarter. This decrease in price of jet fuel contributed to the reduction in the flight operating costs, however, since the Company is hedged according to a long term hedging policy as costumed in the world of aviation, and similarly to the majority of airline companies, the effective price that the Company paid, including the hedging payments, was higher than the spot market price for jet fuel.

The Company is ending this quarter with an increase of about $23 million in its cash balance, which amounted to $77 million. The increase resulted from realizing mortgaged deposits, the proceeds of selling an aircraft, and the increase in short term credit from local banks in Israel. The company invested about $13 million in fixed and other assets during the quarter, and we repaid long term loans of about $9 million.

The Company's current assets grew by $27 million, mainly as a result of the seasonal increase in customers and in prepaid sales of flight tickets. We are concluding a challenging quarter almost describing a perfect storm. The activities led by the management proved once again that flexibility in developing resources and adjusting rapidly to a changing environment is the name of the game. El Al has proved once again its ability to cross storming weather and sail to a safer harbor.

About El Al

El Al Israel Airlines is Israel's national carrier. El Al has annual revenues of about $2.1 billion and it carries about 1.9 million passengers every year. The Company flies to about 40 direct destinations worldwide, and to many other destinations by means of cooperation agreements with other airlines, and it currently operates 35 aircraft. The

Company owns 28 aircraft. El Al is the leader in the market for freight in Israel. The Company is active in the charter flight market through its subsidiary Sun d'Or.