

Elal Israel Airlines Ltd. Reports Third Quarter of 2007 Results

- ❖ **All-time record revenues since the Company's founding in 1948 – a growth of 27% in Company revenue – totaled about \$566.7 million, compared to \$447 million in the comparative quarter last year.**
- ❖ **Gross profits soared by about 96% in comparison with the parallel quarter last year, totaling about \$151.3 million now.**
- ❖ **The operating profit totaled about \$63.8 million, compared to an operating profit of \$8.5 million last year.**
- ❖ **Cash flow from regular activities this quarter totaled about \$74 million.**
- ❖ **The Company's pre-tax profit totaled about \$51.00 million, compared to a profit of \$1.6 million in the comparative quarter last year. After-tax profits reached about \$XXX million compared to a loss of \$1.4 million in last year's equivalent quarter.**

Lod, Israel, November 20, 2007 - Elal Israel Airlines Ltd. (TASE: ELAL) the Israeli national carrier Reports Third Quarter of 2007 Results.

Prof. Israel (Izzy) Borovich, Chairman of the Board of El Al, noted, "The financial results reflect the Company's significant growth in all parameters, while it still continues with its efficiency program. 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 program, including multiple steps aimed at implementing its growth policy. I do believe that the Company's sound financial status will persist as a solid basis for our additional investment and to steer the Company to its planned fruition".

Haim Romano, El Al President, noted: "El Al's ability to present profitable reports is the result of the determination that resulted in an increase in all the Company's growth engines and to a record increase in revenues and load factors. All 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; offering a wide range of fares; schedules that suit passenger requirements and increasing frequencies to meet market demand. The Company invested about one billion dollars in growth and upgrading, a sum higher than in any other period since privatization. We concluded the purchase and introduction to service of two new aircraft; we invested \$20 million in state-of-the-art seats and have reached new heights in the renewal momentum".

- **Revenues** for the quarter totaled \$566.7 million, an increase of 27% in comparison with the \$447 million last year. The increased revenues stem largely from: The increase in passenger revenues compared to the parallel quarter last year (in which the 2nd Lebanon war took place); the increased revenue per passenger/kilometer; the increase in cargo revenues; revenues from aircraft leasing and from maintenance services provided to other airlines.
- **Operating expenses** for the quarter totaled \$415.4 million, a ratio of 73.3% on turnover, compared to \$369.7 million, a ratio of 82.7% on turnover. The increase in operating expenses resulted from increased activity and the increase in fuel expenditure, which is a most fundamental Company expense. The Company's aviation fuel expenses in this quarter grew to \$154.4 million, compared to \$131.9 million in the comparative quarter last year. Hedging activity by the Company in the 3rd quarter saved \$5.1 million in fuel costs. Aviation fuel expenses in this quarter represent 27.2% of turnover, compared to 29.5% in the parallel quarter last year. In addition, during the quarter, the dollar devalued in relation to the shekel and the euro; this added about \$6 million to Company expenditure during the quarter in question, compared to the parallel quarter last year.
- **The gross profit** totaled \$151.3 million, a ratio of 26.7% on turnover, compared to \$77.3 million last year, with a ratio of about 17.3% on turnover. The increase in gross profits and the ratio on turnover stem mainly from an increase in revenue per passenger/kilometer and the improvement in operating efficiency. This is reflected in the improved passenger load factors.
- **Operating profits** totaled \$63.8 million, a ratio of 11.3% on turnover, compared to an operating profit of \$8.5 million last year, or 1.9% on turnover. During the present quarter, there was a reduction in administrative and general expenses, all resulting from the implementation of the Company's efficiency program and cost-cutting measures.
- **Net profits** before tax totaled \$51.00 million, compared to a profit of \$1.6 million for last year's parallel quarter.
- **Net profits** totaled \$XXX million compared to a profit of \$1.4 million in the parallel quarter last year.
- **The cash balance** of the Company on the 30th September 2007 stood at \$265.4 million, after loan repayments of \$81 million and payments for fixed assets totaling \$221 million, during the first nine months of the year. This compares to a balance of \$143.4 million on the 31st December 2006.
- **Company equity** on the 30th September 2007 stood at \$256.9 million, compared to \$214 million on the 31st December 2006. The growth resulted from profits during the period and from exercising options that had been issued by the Government and the Company.
- **The cash flow from regular ongoing activities** for the quarter totaled \$74.1 million, compared to a negative cash flow of \$4.7 million in the parallel quarter last year. The increased cash flow from regular ongoing Company activities stems mainly from the profits for the period.

Haim Romano, El Al's President, said: "In the third quarter, the Company achieved its targets. We increased revenues, reduced expenditure, and correctly managed the Company's returns - 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, and while continuing with our investment program. Amongst others, the Company has invested in infrastructure and service to enable it to increase its competitiveness. We have upgraded the aircraft seats; introduced two brand-new 777 aircraft into service, at a cost of about one billion shekels; we have upgraded the reservations system to AMADEUS; and more.

"During the third quarter, the Company recorded improved and best-ever revenues: \$566.7 million, representing an increase of 27% compared to the parallel quarter last year. The financial results of the quarter are also exceptional in comparison to parallel quarters in other past years. The third quarter is traditionally the best in aviation circles. **The Company recorded an increase in passengers; increased seat capacity by 4% while at the same time efficiently utilizing the fleet of aircraft; and achieved extremely high load factors during this quarter – about 87%.** The Company also recorded its highest-ever revenues since its inception in 1948. All this was accomplished in the face of growing competition characterized by an increase in capacity by other airlines, both in seats and cargo volume. I must emphasize that these remarkable results were attained even though we stood by our targets; in the face of ever-growing competition; increases in aviation fuel prices that added \$12 million to Company expenditure compared to last year's parallel quarter; and changes in exchange rates that added \$6 million to the Company's expenditure.

"The Company continued with its efficiency program, cut inefficient and unprofitable routes such as Turkey and Cyprus because of 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 153 positions, compared to the parallel quarter last year. The reduction was reached in agreement with the employees.** We are making great efforts concerning employee-employer relations, so that a positive agreement with the employees' representatives can be reached in the near future.

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 "El Al 2010" strategic plans, and within that framework, have taken action to implement our growth plans too. Amongst others, last summer the Company received its new 777's, named "Sderot" and "Kiryat Shemona", purchased from the Boeing Company. Both these aircraft are fitted with innovative seats and a state-of-the-art entertainment systems. The Company inaugurated its new Business Lounge at JFK airport, in cooperation with Bank Leumi, 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".

Haim Romano concluded: "We believe that the steps we have taken will continue, and will bear fruit in the foreseeable future. The continuing growth in revenues and passenger volume – even as we face-up to the exogenous influence of fuel price increases and a devaluation of the dollar; increased efficiency; and measures aimed at ongoing improvement in the quality of our product and excellence in service standards – prove that the Company's management and employees can successfully meet the growing competition, thus enabling El Al to maintain its status as the leading airline in the aviation sector".

Nissim Malki, El Al's Vice President Finance said: "Once again in this quarter, we are very pleased to present an increase in Company activities and profitability, while at the same time reducing operating expense-to-turnover ratios. The ratio declines constantly, thanks to the Company's careful management of resources – all with the aim of increasing efficiency and of economizing. I would like to stress that the Company's solid financial standing is reflected in the high cash balances and positive cash flow, totaling \$74.1 million during the quarter. We invested \$159 million in new aircraft, and during the quarter repaid debts to a volume of about \$61 million".

About El Al

El Al Israel Airlines is Israel's national carrier. The Company's annual revenues total about \$1.8 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 37 aircraft, 30 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.