



PAL Holdings, Inc.

August 19, 2008

Philippine Stock Exchange
Philippine Stock Exchange Center,
Exchange Road, Ortigas Center
Pasig City


Attention : ATTY. PETE M. MALABANAN
Head, Disclosure Department

Gentlemen:

Please find herewith the Official Media Release of Philippine Airlines, Inc. intended for August 20, 2008 publication.

We trust that you will find everything in order.

Very truly yours,
PAL HOLDINGS, INC.
By:


ATTY. MA. CECILIA L. PESAYCO
Corporate Secretary



MEDIA RELEASE



Philippine Airlines

Please refer to:
Mr. ROLANDO G. ESTABILLO or Mr. RENE C. SOLIMAN
Tel. nos. (632) 556-1890; (632) 556-2881 Fax (632) 556-1892
E-mail: rolando_estabillo@pal.com.ph

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PAL's First Quarter Operating Income Declines 78%

Philippine Airlines today reported a substantial reduction in operating income for its first quarter which ended June 30, 2008 in light of record oil price spikes that hit the airline industry hardest.

The result for April-to-June 2008 was contained in a filing by PAL with Securities and Exchange Commission a little over a week before the company's annual stockholders' meeting.

With operating revenues at \$432.4 million and operating expenses of \$420 million, PAL generated a modest operating income of \$12.4 million for the period in review—a substantial decline of \$43.3 million or 78% over the same quarter in 2007.

The operating revenues for the quarter was 20% higher than previous year's level. Revenue passenger kilometers (RPK), the industry yardstick for passenger sales volume, increased by 4.3% to 4.73 billion RPK's. This is a result of PAL carrying 2.16 million passengers on 14,495 flights for the quarter, up 11.6% and 25.6%, respectively, over the same period in 2007. Passenger load factor was a high 80%.

Expenses related to PAL's passenger, cargo and related services or operating expenses was up by 38% over the same quarter in 2007 due mainly to soaring oil prices which increased by 70% year on year.

While PAL's performance for the first quarter remained positive bucking the trend where many airlines have started to report operating losses, the airline faces serious challenges throughout the rest of the year with fuel prices expected to remain well over \$100 per barrel.

The sharp increase in fuel prices prompted the chief executive of the International Air Transport Association, the global grouping of the world's largest carriers, to warn that the industry faces massive losses and is at a critical crossroad.

“The airline sector is in trouble. Losses this year could reach \$6.1 billion, more than wiping out the \$5.6 billion that airlines made in 2007. Falling demand and rising costs are reshaping the industry,” said Giovanni Bisgnani in a recent statement.



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Moreover, for the period April to June 2008, PAL recognized a net gain from the fair value changes of its outstanding derivative positions and with the modest operating income described above, together with other non-operating expenses, resulted in a total comprehensive income of USD 45.8 million.

“The positive result shows PAL’s underlying strength and resilience in the face of the unprecedented escalation of fuel prices in the period under review,” said PAL president Jaime Bautista.

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