



PAL Holdings, Inc.

July 29, 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 July 30, 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

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Despite oil-price shock

PAL posts \$30-M income

MANILA – Philippine Airlines today reported a total comprehensive income of \$30.6 million for its financial year to March 31, 2008, a noteworthy result in the escalating-fuel-price environment that has battered the aviation industry since last year.

In a filing with the Securities and Exchange Commission, PAL said the profit was a \$99.9 million decline from the previous fiscal year's income of \$130.5 million, due mainly to the absence this time of extraordinary gains that boosted the airline's revenues a year ago.

Still, it was PAL's fourth consecutive annual profit and its first since successfully emerging from an eight-year stint in receivership in September 2007 – indicators of the flag carrier's robust financial health.

More importantly, the results revealed a stellar performance by PAL on the core operating front. Operating revenue was up 15% to \$1.46 billion in fiscal year 2008, leading to an operating profit of \$84.3 million – exceeding fiscal 2007's \$70.3 million by an impressive 20%.

“These results, while modest, confirm that PAL has strong fundamentals that enabled it to weather many challenges, including constant oil-price shocks,” said PAL president Jaime J. Bautista.

“They also position PAL well for an expected rebound in the market in which our investments in products and services are poised to give us an edge,” he added.

Fiscal 2008's profit was sparked by a \$110.5 million or 8% increase in total revenues, which reached a new high of \$1.504 billion.

This was anchored by the strong performance of passenger operations, with PAL ferrying 7.6 million passengers on 47,403 flights during the year, for an average load factor of 79.5% – another high.

Revenue passenger kilometers (RPK), the industry's most common measure of demand, topped 17.5 billion.



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All these statistics rose from year-ago levels, when PAL carried 6.9 million passengers on 42,506 flights, for a load factor of 76.9% and RPK of 16.1 billion.

Cargo contributed \$119.5 million in revenue, with 122,672 tons lifted during fiscal year 2008.

However, core operating expenses surged by 14.9% to \$1.37 billion from the previous year's \$1.12 billion, mainly as a result of the huge jump in jet-fuel prices. In 2008, the average price of fuel spiked to \$89.52 per barrel from \$79.81 per barrel in 2007.

This added \$68.2 million to PAL's fuel bill, which swelled to \$470.1 million during the year.

Despite this, PAL management continued to reinvest in the company's long-term viability by upgrading the fleet, systems and human-resource assets, and by introducing new products.

The launch last May of a new, low-fares brand, PAL Express, and the restoration of a network of mostly secondary routes served by turbo-propeller aircraft exemplifies this thrust, PAL said.

The flag carrier is also in the midst of a comprehensive, P3.5-billion cabin refurbishment on its current wide-body fleet, which will see a new, bi-class product, alongside a major upgrade of the interiors and amenities, introduced soon.

The wide-body modernization program reaches its peak late next year when the first of six Boeing 777-300ER aircraft enters service. The state-of-the-art, ultra-long-range jets will be used mainly on the key trans-Pacific routes.

This comes as PAL completes the major part of its narrow-body fleet upgrade program later this year. The last two of 15 firm orders comprising Airbus A319 and A320 jets are scheduled for delivery before the end of 2008, giving PAL one of the youngest narrow-body fleets in the region.

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