

# ***NEWS RELEASE***

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FOR IMMEDIATE RELEASE

## **NO LABOR AGREEMENT REACHED AT PHI**

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LAFAYETTE, LA – August 28, 2006 – PHI, Inc. (“PHI”) regrets to report that no agreement was reached this week in the last round of mediation in Washington, D.C., convened to resolve the labor dispute between PHI and the OPEIU, which represents PHI's domestic pilots. The Company has been in negotiations and mediation with the OPEIU over a renewed labor agreement since February, 2004.

The Company also reported that the negotiations broke down over the union's insistence on unreasonable economic demands, and other issues on which the parties were far apart. The union walked out of the talks shortly after 11 pm EDT on Sunday, August 27, which was the last day of the cooling-off period.

PHI has announced, effective immediately at 12:01 am EDT, August 28, 2006 that it has now implemented substantial economic improvements for its pilots, consistent with its final contract proposals made at the bargaining table. The union, over the past two years, has often stated that PHI pilots were among the lowest paid in the industry. These claims ignored the fact that PHI repeatedly sought agreement from the union during this period to allow the Company to provide interim economic relief to its pilots and their families, without prejudice to the union's bargaining position in ongoing negotiations toward a final labor agreement. The union consistently rejected the Company's request, as well as its requests to allow the issue to be voted on by the pilots. As soon as the mediation process and cooling-off period ended, which freed the parties from their status quo obligations, the Company immediately applied its enhanced wage and benefit proposals, which reflect an economic package equal to or better than PHI's primary competitors in the oil and gas and air medical services segments of the helicopter service industry. Indeed, the Company's implemented final offer included wages and benefits superior to those that the same union had recently negotiated with PHI's main business unit competitors.

In the final analysis, PHI could not agree to the union's irresponsible demands because they were not in the overall best interests of the Company or its employees, including its pilots. The fundamental disagreement is and has been between the Company and the union, and not between the Company and its pilots, who will soon see and benefit from the economic improvements the Company has implemented today.

Despite the union's threat that it is preparing to engage in job actions against the Company and its customers during the Hurricane Season, PHI, with a firm contingency plan in place, is committed to doing everything reasonably necessary to maintain operations at normal levels. Maintaining flight safety and meeting customer requirements will at all times remain the Company's highest priority.

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PHI provides helicopter transportation and related services to a broad range of customers including the oil and gas industry, air medical industry and also provides third-party maintenance services to select customers. PHI Common Stock is traded on The Nasdaq National Market System (symbols PHII and PHIIK).

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