



PHILIPPINE AIRLINES EMERGES FROM CHAPTER 11 REINVIGORATED FOR THE FUTURE

News / Airlines, Finance



Philippine Airlines Inc. has emerged from its voluntary Chapter 11 proceedings as a more efficient airline with a strengthened balance sheet, reaffirming its continuing role as the Philippines' sole full-service airline with the largest international network. PAL successfully completed its financial restructuring within four months, in contrast to other airlines that remain in the Chapter 11 process more than a year after filing in 2020. The Philippine flag carrier credits the strong support of its creditors and shareholders, the cooperation of its industry partners and the collective efforts of PAL employees around the world who sustained flights on multiple international and domestic routes throughout the restructuring period.

PAL has streamlined operations with a reorganized fleet and is now better capitalized for future growth. The Company's Plan of Reorganization, which was approved by the U.S. restructuring Court on December 17, 2021, provides for over US\$2.0 billion in permanent balance sheet reductions from existing creditors, improvements in PAL's critical operational agreements and additional liquidity including a US\$505 million investment in long-term equity and debt financing from PAL's majority shareholder.

The airline's consensual restructuring plan was accepted by 100% of the votes cast by its primary aircraft lessors and lenders, original equipment manufacturers and maintenance, repair, and overhaul service providers, and certain funded debt lenders.

"Philippine Airlines stands ready to help grow back the Philippines' local and international air travel markets in ways that renew the tourism industry, serve the needs of global citizens including overseas Filipinos, and contribute actively to the recovery of the Philippine economy," said PAL Director Lucio C. Tan III, quoting PAL Chairman and CEO Dr. Lucio C. Tan. "Our mission as the flag carrier matters more than ever, and we are thankful for the chance to rebound from the pandemic and continue to fulfill this mission as best as we can."

"This is a celebratory moment for PAL, for all our partners and stakeholders, and for our personnel who sacrificed much while working successfully to keep the airline flying," said Gilbert F. Santa Maria, PAL President and Chief Operating Officer. "Above all, we thank our customers for their support, and the Filipino people for keeping faith in their flag carrier through the entire restructuring process. There are immense challenges ahead, but we look forward to tackling them as a reinvigorated Philippine Airlines, better positioned for strategic growth to continue serving our customers."

Moving forward, PAL will reinvest in its operations to better serve its valued customers by:

- Reinforcing PAL's position as the Philippines' sole full-service airline with the largest international network serving four continents, including:
 - The only nonstop flights linking the Philippines to the U.S., Canadian East and West Coasts, Hawaii, Brisbane, and Melbourne;
 - The largest network of flights from the Philippines to multiple cities in Japan, Australia and the Middle East, along with convenient schedules to Hong Kong, Korea, Taipei, Singapore, Thailand, Indonesia, Vietnam and Malaysia;
 - A high-frequency domestic network encompassing trunk routes to the major cities of Visayas, Mindanao and Luzon, as well as inter-island services to the nation's tourist hot spots and paradise islands;
 - The only full-service options in Philippine domestic skies, including Business Class on many local routes.
- Restoring more routes and increasing flight frequencies as travel restrictions ease and borders reopen, including the resumption of regular flights to multiple cities in mainland China, full regularization of flights to Australia and the commencement of historic new services to Israel.
- Building on code sharing and interline partnerships to complement the airline's current and future network and allow PAL passengers to enjoy better connections and access to more destinations through partner airlines.
- Expanding PAL's newly established cargo business to tap more air cargo market opportunities, including the operation of all-cargo flights to keep supply chains moving and to meet specific freight transport needs such as the airlift of vaccines and medical equipment.
- Offering year-round great value fares and competitive promotional offers.

- Developing innovations to PAL's Mabuhay Miles frequent flyer program, including an expansion of membership rolls and enhancements to program terms and benefits.
- Accelerating digital transformation initiatives to deliver seamless and intuitive experiences to PAL customers, including a more personalized website and mobile app, a streamlined booking process that offers more flexible payment options such as e-wallets and installment plans, enhanced self-service options for rebooking and check-in, and improved chat facilities and inter-active voice response (IVR) functions through PAL's contact center.
- Rolling out new product advancements within 2022, as part of a commitment to continuously upgrade services and the overall customer travel experience.
- Upholding, as always, the strictest professional safety standards and health protocols in all of PAL's operations.

Under the newly effective recovery plan, PAL has the option to obtain up to US\$150 million in additional financing from new investors.

PAL reiterated its commitment to fulfill all refund obligations. The Company has cleared over 99% of past refunds and is now back to normal processing times for refunds, except for some 2020 cases that require validation procedures mostly involving third party providers.

Philippine Airlines Inc. was the only party included in the Chapter 11 filing; while PAL Holdings Inc., which is listed on the Philippine Stock Exchange (PSE: PHI), and Air Philippines Corporation, known as PAL Express, were not included in the Chapter 11 filing.

02 JANUARY 2022

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