

Philippine Airlines Inc. (PAL) Reaches Agreement with Key Stakeholders to Successfully Navigate the COVID-19 Pandemic and Position the Company for Long-Term Growth and Profitability

- *Flights to continue uninterrupted and all valid tickets, vouchers, refund applications and Mabuhay Miles to be honored*
- *Agreements with majority of lessors, lenders and other creditors for over US\$2.0 Billion in payment reductions and other changes from the permanent restructuring of the PAL balance sheet*
- *Infusion of US\$505 Million of new debt and equity funding from existing shareholder and domestic commercial banks to provide sufficient liquidity during recovery*
- *Arrangement for US\$150 Million of additional debt financing from global private investors to facilitate post-restructuring activities*
- *Voluntary pre-arranged filing in the US under Chapter 11 to implement restructuring plan*
- *Recognition of the U.S. filing in the Philippines under Financial Rehabilitation and Insolvency Act (FRIA)*
- *Ongoing trade creditors and suppliers, are expected to be unimpaired by the restructuring plan*
- *Passengers and employees are unaffected by the restructuring*

Manila, Philippines — Philippine Airlines Inc. (PAL) announced today that it has entered into a series of agreements with substantially all of the Company's lenders, lessors, and aircraft and engine suppliers, as well as its majority shareholder, to allow the Company to successfully restructure and reorganize its finances to navigate the COVID-19 crisis and emerge as a leaner and better-capitalized airline.

The restructuring plan, which is subject to court approval, provides over US\$2.0 Billion in permanent balance sheet reductions from existing creditors and allows the airline to consensually contract fleet capacity by 25% and includes US\$505 Million in long-term equity and debt financing from PAL's majority shareholder and US\$150 Million of additional debt financing from new investors.

As part of the agreements with key stakeholders, the Company has voluntarily filed for a pre-arranged restructuring under the U.S. Chapter 11 process in the Southern District of New York to implement the consensual restructuring plan. PAL will also complete a parallel filing for recognition in the Philippines under the Financial Insolvency and Rehabilitation (FRIA) Act of 2010.

PAL will continue to operate flights in the normal course of business in accordance with safety regulations, and the Company expects to continue to meet its current financial obligations throughout this process to employees, customers, the government, and its lessors, lenders, suppliers, and other creditors.

"We welcome this major breakthrough, an overall agreement that enables PAL to remain the flag carrier of the Philippines and the premier global airline of the country, one that is better equipped to execute strategic initiatives and sustain the Philippines' vital global air links to the world. We are grateful to our lenders, aviation partners and other creditors for supporting the plan, which

empowers PAL to overcome the unprecedented impact of the global pandemic that has significantly disrupted businesses in all sectors, especially aviation, and emerge stronger for the long-term,” said Dr. Lucio C. Tan, PAL Chairman and CEO.

“Following the recent celebration of our 80th anniversary, we move forward with renewed confidence, as today’s actions enable us to continue serving our customers and the Philippine economy long into the future. I would also like to recognize the incredible dedication of our employee teams around the world, who have continued to deliver the highest quality of service through these trying times,” added Gilbert F. Santa Maria, PAL President & Chief Operating Officer.

Business operations to continue as usual during restructuring

PAL is committed to maintaining business continuity throughout the restructuring process – especially with respect to employees, customers, suppliers, commercial partners, and local communities – and anticipates receiving the requisite approvals from the U.S. Court to facilitate the following:

- PAL continues to gradually increase domestic and international flights in line with market recovery. In coming weeks, PAL will build up flight frequencies on key regional and long-haul routes while expanding domestic networks from its hubs in Manila and Cebu.
- All passenger and cargo flights will continue to operate, subject to demand and travel restrictions.
- All valid tickets and travel vouchers will be honored.
- PAL reaffirms its commitment to fulfill all refund obligations.
- Mabuhay Miles and benefits will be honored.
- Valid travel benefits for retired employees will be honored.
- Ongoing suppliers and trade creditors will be paid in the ordinary course for goods and services delivered throughout this process.
- Travel agencies and other commercial partners will experience no disruption in their interactions with PAL.
- PAL continues to operate special all-cargo flights to transport vaccines, medical supplies and sustain critical supply chains.
- PAL continues to work with the Philippine government to mount flights to bring Overseas Filipino Workers (OFWs) home after having repatriated the majority of displaced Filipinos during the course of the global pandemic.
- PAL continues to innovate and enhance customer experience by working with the government and IATA on streamlined rules for travel, including travel passes and vaccine “passports” while maintaining the highest standards of passenger safety through this pandemic.

Filing Entities

Philippine Airlines Inc. is 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, are not included in the Chapter 11 filing.

Additional Information

Additional resources for customers and other stakeholders, and other information on PAL's filings, can be accessed by visiting the Company's restructuring website at www.PALrecovery.com. Court filings and other documents related to the Chapter 11 process in the U.S. are available on a separate website administered by PAL's claims agent, KCC, at www.kccllc.net/PAL. Information is also available by calling (866) 967-0671 (U.S./Canada) or (310) 751-2671 (International).

Debevoise & Plimpton LLP, Norton Rose Fulbright US LLP and Angara Abello Concepcion Regala & Cruz (ACCRA) are acting as legal advisors and Seabury Securities LLC as financial advisor and investment banker to the Company.

About Philippine Airlines

Philippine Airlines, Inc. (PAL) is the flag carrier of the Philippines and the country's only full-service network airline. PAL was the first commercial airline in Asia and marked its 80th anniversary in March 2021. PAL's young fleet of Boeing 777s, Airbus A350s, Airbus A330s, Airbus A321s and De Havilland DHC Q400 aircraft operate out of hubs in Manila, Cebu and Davao to 29 destinations in the Philippines and 32 destinations in Asia, North America, Australia, Europe and the Middle East. PAL was rated a 4-Star Global Airline by Skytrax in 2018 and a 5-Star Major Airline by the Association of Airline Passengers (APEX) in 2020, and was likewise voted the World's Most Improved Airline in the 2019 Skytrax worldwide passenger survey with a ranking of 30th best airline in the world.

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