IMPORTANT NOTICE

STRICTLY CONFIDENTIAL – DO NOT FORWARD

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT").

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached supplemental offering memorandum (the "**Supplemental Offering Memorandum**") and accompanying offering memorandum dated July 7, 2026 (the "**Original Offering Memorandum**"). The Supplemental Offering Memorandum should only be read together with the Original Offering Memorandum. The information in the Supplemental Offering Memorandum supplements the Original Offering Memorandum and supersedes the information in the Original Offering Memorandum to the extent inconsistent with the information in the Supplemental Offering Memorandum. You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the Supplemental Offering Memorandum. In accessing the Supplemental Offering Memorandum, you agree to be bound by the following terms and conditions including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to Primero Agila Limited (the "**Company**") and to Deutsche Bank AG, Singapore Branch (the "**Initial Purchaser**") that (1) (i) you are a person outside the United States and (ii) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, to the extent you purchase the securities described in the attached Offering Memorandum, you will be doing so pursuant to Regulation S under the Securities Act and (2) if you are an investor in Singapore, you are either (a) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) for the purposes of Section 274 of the SFA or (b) an accredited investor (as defined in Section 4A of the SFA) purchasing the Notes pursuant to and in accordance with the conditions specified in Section 275 of the SFA (3) that you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission and (4) that you agree to the foregoing terms and conditions.

The attached Offering Memorandum has been made available to you in electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Initial Purchaser, or any person who controls any of them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Initial Purchaser will provide a hard copy version to you upon request.

Restrictions: The attached Supplemental Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in this Supplemental Offering Memorandum. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If you have gained access to this transmission contrary to any of the restrictions herein, you are not authorized and will not be able to purchase any of the securities described in this Supplemental Offering Memorandum.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH SUPPLEMENTAL OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED SUPPLEMENTAL OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this announcement, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

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SUPPLEMENTAL OFFERING MEMORANDUM

CONFIDENTIAL

Supplemental Offering Memorandum to the Original Offering Memorandum dated July 7, 2026

Primero Agila Limited

(incorporated in the Cayman Islands with limited liability)
(Company Incorporation Number: 436030)

U.S.$50,000,000 7.75% Senior Notes due 2031

Issue Price: 99.000%, plus accrued interest from July 16, 2026 to, but not including, the issue date of the Additional Notes

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(to be consolidated and form a single series with the existing U.S.$300,000,000 7.75% senior notes due 2031 issued on July 16, 2026)

This document (the "**Supplemental Offering Memorandum**") is a supplement to the offering memorandum dated July 7, 2026 (the "**Original Offering Memorandum**") for the U.S.$50,000,000 aggregate principal amount of 7.75% senior notes due 2031 (the "**Additional Notes**") to be issued by Primero Agila Limited (the "**Issuer**" or the "**Company**"), an exempted company incorporated with limited liability under the laws of the Cayman Islands. The payment of principal, premium, if any, and interest in respect of the Additional Notes and all other amounts payable by the Issuer under or pursuant to the Indenture (as defined herein) will be unconditionally and irrevocably guaranteed by Philippine Airlines Inc. ("**PAL**" or a "**Topco Guarantor**") and its future material subsidiaries (together with PAL, "**PAL Guarantors**") and Air Philippines Corporation ("**APC**" or a "**Topco Guarantor**") and its future material subsidiaries (together with APC, "**APC Guarantors**") (the PAL Guarantors together with APC Guarantors, the "**Guarantors**"), to the extent set forth in the terms and conditions of the Notes (such guarantees, the "**Guarantees**"). The Guarantors' liability under the Guarantees is joint and several. This Supplemental Offering Memorandum should only be read together with the Original Offering Memorandum. The information in this Supplemental Offering Memorandum supplements the Original Offering Memorandum and supersedes the information in the Original Offering Memorandum to the extent inconsistent with the information in this Supplemental Offering Memorandum. Terms defined in the Original Offering Memorandum shall have the same meaning when used in this Supplemental Offering Memorandum, unless the context requires otherwise.

The Additional Notes to be issued by the Issuer will be issued under the indenture dated as of July 16, 2026 (the "**Indenture**"), pursuant to which the Issuer issued the U.S.$300,000,000 aggregate principal amount of 7.75% Senior Notes due 2031 (the "**Original Notes**", together with the Additional Notes, the "**Notes**"). The Additional Notes will be consolidated and form a single series with the Original Notes. The Additional Notes will be issued on the same terms and conditions (other than the issue date and issue price) as the Original Notes and will vote on any matter submitted to noteholders with holders of the Original Notes. The Additional Notes will share ISIN numbers and Common Codes and be fungible with the Original Notes. Upon issuance of the Additional Notes, the aggregate principal amount of the outstanding Notes will be U.S.$350,000,000.

The Additional Notes will bear interest at the rate of 7.75% per annum, payable semi-annually in arrears on January 16 and July 16 of each year, commencing January 16, 2027. The due and punctual payment of all amounts at any time becoming due and payable in respect of the Notes will be unconditionally and irrevocably guaranteed by the Guarantors as set forth in "*Description of the Notes — The Guarantees*" in the Original Offering Memorandum. The obligations of the Issuer under the Notes will be secured by the Collateral (as defined herein), as described in "*Description of the Notes — Security*" in the Original Offering Memorandum. The Notes will be general obligations of the Issuer and will otherwise rank at least *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of the Issuer. The Guarantees are general obligations of the Guarantors and will otherwise rank *pari passu* in right of payment with all other unsecured, unsubordinated indebtedness of such Guarantors. For a more detailed description of the Notes, see "*Description of the Notes*" in the Original Offering Memorandum.

Unless previously redeemed or purchased and cancelled, the Notes will mature on July 16, 2031. Not later than 30 days following a Change of Control Triggering Event (as defined herein), the Issuer or a Topco Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. The Issuer, any Topco Guarantor or a Surviving Person (as defined herein) may redeem the Notes, in whole but not in part, at the principal amount plus accrued interest upon certain changes in tax law. At any time on or after July 16, 2028, the Issuer may redeem the Notes, in whole or in part, at the redemption prices specified under "*Description of the Notes — Optional Redemption*" in the Original Offering Memorandum plus accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 16, 2028, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 16, 2028, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds (as defined herein) of one or more sales of Common Stock of PAL in an Equity Offering (as defined herein) at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; provided that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding the Notes held by PAL and its Affiliates) remains outstanding after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Supplemental Offering Memorandum. To the best of the knowledge of the Issuer and the Guarantors (each of whom have taken all reasonable care to ensure that such is the case), the information contained in this Supplemental Offering Memorandum is in accordance with the facts and does not omit anything likely to affect the import of such information. Prospective investors should have regard to the risk factors described under the sections headed

"*Risk Factors*" beginning on page 26 of the Original Offering Memorandum and "*Additional Risk Factors*" on page S-11 of this Supplemental Offering Memorandum.

None of Deutsche Bank AG, Singapore Branch (the "**Initial Purchaser**"), the Trustee, the Collateral Agent or any of the Agents have independently verified the information in this Supplemental Offering Memorandum. To the fullest extent permitted by law, none of the Initial Purchaser, the Trustee, the Collateral Agent or any of the Agents accepts any responsibility or liability for the contents of this Supplemental Offering Memorandum, for the information incorporated by reference into this Supplemental Offering Memorandum, or for any other statement, made or purported to be made by the Initial Purchaser, the Trustee, the Collateral Agent or any of the Agents or on their behalf in connection with the Issuer, the Guarantors or the issue and offering of any Additional Notes. Each of the Initial Purchaser, the Trustee, the Collateral Agent and the Agents accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Supplemental Offering Memorandum or any such statement. None of the Initial Purchaser, the Trustee, the Collateral Agent or any of the Agents undertakes to review the Issuer's or the Guarantors' financial condition or affairs during the life of the arrangements contemplated by this Supplemental Offering Memorandum nor to advise any investor of any information coming to the attention of any of them.

The Original Notes are rated "Ba2" by Moody's Investors Service, Inc. ("**Moody's**") and "BB" by Fitch Ratings Ltd. ("**Fitch**") and the rating is not expected to be affected by the issuance of the Additional Notes. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation of the Additional Notes on the Official List of the SGX-ST. The SGX-ST takes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Supplemental Offering Memorandum. Approval in-principle for the listing and quotation on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, their respective subsidiaries, this offering or the Additional Notes. The Additional Notes will be traded on the SGX-ST in a minimum board lot size of U.S.$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

It is expected that delivery of the Additional Notes will be made on or about August 6, 2026. The Additional Notes will be issued in book-entry form only through The Depository Trust Company ("**DTC**") for the accounts of its participants (persons that have accounts with DTC, "**participants**") including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Additional Notes will be shown on, and transfers thereof will be effected only through, the records maintained by DTC and its participants, including Euroclear and Clearstream.

The Additional Notes and the Guarantees have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Additional Notes and the Guarantees are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on resale or transfer, see "*Transfer Restrictions*" in this Supplemental Offering Memorandum.

THE ADDITIONAL NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SECURITIES REGULATION CODE ("SRC") AND THE 2015 IMPLEMENTING RULES AND REGULATIONS OF THE SRC, AS AMENDED ("SRC RULES"). THE ISSUANCE OF THE ADDITIONAL NOTES TO QUALIFIED BUYERS UNDER SECTION 10.1 (L) OF THE PHILIPPINE SRC OR RULES 10.1.4 AND 10.1.5 OF THE SRC RULES IN THE REPUBLIC OF THE PHILIPPINES IS CONSIDERED AN EXEMPT TRANSACTION. ANY FUTURE SALE OR OFFER OF THE ADDITIONAL NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE ADDITIONAL NOTES QUALIFY AS EXEMPT SECURITIES OR QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC. FURTHER, THE OFFER, SALE AND PURCHASE OF THE ADDITIONAL NOTES ARE SUBJECT TO APPLICABLE REGULATIONS OF THE PHILIPPINE SEC.

This Supplemental Offering Memorandum has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Supplemental Offering Memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Additional Notes may not be circulated or distributed, nor may the Additional Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Sole Global Coordinator and Sole Bookrunner

DEUTSCHE BANK

The date of this Supplemental Offering Memorandum is July 31, 2026

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NOTICE TO INVESTORS

This Supplemental Offering Memorandum is confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the issue and offering of the Additional Notes described herein. Each of us and Deutsche Bank AG, Singapore Branch (the "**Initial Purchaser**"), as sole bookrunner of the issue and offering of the Additional Notes, reserves the right to reject any offer to purchase the Additional Notes, in whole or in part, for any reason. This Supplemental Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Additional Notes. Any disclosure of any of the contents of this Supplemental Offering Memorandum, without our prior written consent, is prohibited. Each prospective purchaser, by accepting delivery of the Supplemental Offering Memorandum, agrees to the foregoing and to make no photocopies of this Supplemental Offering Memorandum or any documents attached hereto.

The distribution of this Supplemental Offering Memorandum and the offering or sale of the Additional Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Supplemental Offering Memorandum comes are required by the Issuer, the Guarantors and the Initial Purchaser to inform themselves about and to observe any restrictions. No action is being taken to permit a public offering of the Additional Notes or the distribution of this Supplemental Offering Memorandum in any jurisdiction where action would be required for such purposes.

No person has been authorized to give any information or to make any representation other than those contained in this Supplemental Offering Memorandum in connection with the issue or sale of the Additional Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Guarantors or the Initial Purchaser. Neither the delivery of this Supplemental Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the Issuer's or the Guarantors' affairs since the date hereof or the date upon which this Supplemental Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the Issuer's or the Guarantors' financial position since the date hereof or the date upon which this Supplemental Offering Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Additional Notes is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Initial Purchaser, the Trustee, the Registrar, the Principal Paying Agent and the Transfer Agent (each as defined herein) do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Supplemental Offering Memorandum. None of the Initial Purchaser, the Trustee, the Registrar, the Principal Paying Agent or the Transfer Agent has independently verified any of such information and assumes no responsibility for its accuracy or completeness. Each person receiving this Supplemental Offering Memorandum acknowledges that such person has not relied on the Initial Purchaser, the Trustee, the Registrar, the Principal Paying Agent, the Transfer Agent or any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision. The appointment of the Trustee and the Agents is subject to internal approvals by the entities named as such in this Supplemental Offering Memorandum.

Each person contemplating making an investment in the Additional Notes must make their own investigation and analysis of our creditworthiness and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Each person should not construe the contents of this Supplemental Offering Memorandum as legal, business or tax advice and should be aware that it may be required to bear the financial risks of any investment in the Additional Notes for an indefinite period of time. Each person should consult their own counsel, accountant and other advisers as to legal, tax, business, financial and related aspects of a purchase of the Additional Notes.

This Supplemental Offering Memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Additional Notes by or on behalf of the Issuer, the Guarantors, the Initial Purchaser or any affiliate or representative of any of them in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation.

None of the Issuer, the Guarantors, the Initial Purchaser nor any affiliate or representative of any of them is making any representation to any investor regarding the legality of an investment by such investor under

applicable laws.

None of the Issuer, the Guarantors, the Initial Purchaser nor any affiliate or representative of any of them is responsible for any third party social, environmental and sustainability assessment of the Additional Notes. The Additional Notes may not satisfy an investor's requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Additional Notes from a sustainability perspective.

The Additional Notes and the Guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Additional Notes are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on transfer of the Additional Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*."

This Supplemental Offering Memorandum is highly confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the proposed offering of the Additional Notes described herein, and solely for use in connection with the offer of the Additional Notes outside the United States under Regulation S. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it has been delivered by the Initial Purchaser or any of its affiliates.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Additional Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Additional Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Additional Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Additional Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"). Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Additional Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Additional Notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

EU MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Additional Notes has led to the conclusion that: (i) the target market for the Additional Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Additional Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Additional Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Additional Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Each purchaser of the Additional Notes must comply with all applicable laws and regulations in force in each

jurisdiction in which it purchases, offers or sells such Additional Notes or possesses or distributes this Supplemental Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Additional Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and none of the Issuer, the Guarantors or the Initial Purchaser shall have any responsibility therefor.

THE ADDITIONAL NOTES AND THE GUARANTEES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. SEE "*TRANSFER RESTRICTIONS*" AND "*PLAN OF DISTRIBUTION*" HEREIN. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

SUMMARY OF THE ADDITIONAL NOTES

The following is a general summary of the terms of the Additional Notes. This summary is derived from and should be read in conjunction with the full text of the section "Description of the Notes" in the Original Offering Memorandum and the Indenture relating to the Notes. The section "Description of the Notes" and the Indenture prevail to the extent of any inconsistency with the terms set out in this section. Capitalized terms used but not defined in this section have the meanings ascribed to them in the section "Description of the Notes."

Issuer	Primero Agila Limited (Legal Entity Identifier: 254900WJBIMD6A73JF42)
Topco Guarantors	PAL and APC
Subsidiary Guarantors	Future material subsidiaries of PAL and future material subsidiaries of APC. On the Original Issue Date, there were no Subsidiary Guarantors.
Additional Notes Offered	U.S.$50,000,000 aggregate principal amount of 7.75% Senior Notes due 2031 (the "**Additional Notes**") to be consolidated and form a single series with the Issuer's U.S.$300,000,000 aggregate principal amount of 7.75% Senior Notes due 2031 issued on July 16, 2026 (the "**Original Notes**", and together with the Additional Notes, the "**Notes**"). The Additional Notes will be issued on the same terms and conditions (other than the issue date and issue price) as the Original Notes and will vote on any matter submitted to noteholders with holders of the Original Notes.
Issue Price	99.000%, plus accrued interest from July 16, 2026 to, but not including, the issue date of the Additional Notes.
Maturity Date	July 16, 2031.
Interest	7.75% per annum, payable semi-annually in arrears on each January 16 and July 16, commencing on January 16, 2027.
Ranking of the Notes	The Notes will: • be general obligations of the Issuer; • be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; • rank at least *pari passu* in right of payment with all unsecured and unsubordinated obligations of the Issuer (subject to any priority rights of such unsecured unsubordinated obligations pursuant to applicable law); • be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described under the caption "*Description of the Notes — The Guarantees*" in the Original Offering Memorandum and in "*Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering*" in the Original Offering Memorandum; • be effectively subordinated to any secured obligations of the Issuer to the extent of the value of the assets serving as security therefor (other than the Collateral); • be effectively subordinated to all existing and future obligations of any other Subsidiaries of the Topco Guarantors that are not Subsidiary Guarantors as to the assets of such other Subsidiaries; and

- be secured by the Collateral (subject to Permitted Liens) as described under "*Description of the Notes — Security*" in the Original Offering Memorandum.

Ranking of the Topco Guarantee

The Topco Guarantee of each Topco Guarantor will:

- be a general obligation of such Topco Guarantor;
- be effectively subordinated to secured obligations of such Topco Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- be senior in right of payment to all future obligations of such Topco Guarantor expressly subordinated in right of payment to such Topco Guarantee;
- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Topco Guarantor (subject to any priority rights of such unsubordinated obligations pursuant to applicable law);
- be effectively subordinated to all existing and future obligations of any Subsidiaries of such Topco Guarantor that are not Subsidiary Guarantors; and
- be secured by the Collateral (subject to Permitted Liens) as described below under "*Description of the Notes — Security*" in the Original Offering Memorandum.

Ranking of the Subsidiary Guarantees

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- be a general obligation of such Subsidiary Guarantor;
- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;
- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and
- be secured by the Collateral as described below under "*Description of the Notes — Security*" in the Original Offering Memorandum.

Collateral

The obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture are secured on a first priority basis (subject to Permitted Liens) by a security interest granted by the Issuer over all of its rights in the Interest Reserve Account. See "*Description of the Notes – Interest Reserve Account*" in the Original Offering Memorandum.

Use of Proceeds

The Issuer will use the net proceeds from the sale of the Additional Notes in the manner specified under "*Use of Proceeds*."

Additional Amounts

All payments of principal of and premium (if any) and interest on the Notes and all payments under the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any

Relevant Jurisdiction (as defined under "*Description of the Notes — Additional Amounts*" in the Original Offering Memorandum), unless such withholding or deduction is required by law, by regulation or governmental policy having the force of law or by the interpretation or administration thereof. In the event that any such withholding or deduction is so required, the Issuer, a Surviving Person or the applicable Guarantor, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts as will result in receipt by the Holder of each Note of such amounts payable under the Notes or the Guarantees as would have been received by such Holder had no such withholding or deduction been required. See "*Description of the Notes—Additional Amounts*" in the Original Offering Memorandum.

Redemption for Taxation Reasons

The Issuer, any Topco Guarantor or a Surviving Person may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes outstanding plus accrued and unpaid interest, if any, to the redemption date, upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes—Redemption for Changes in Taxes*" in the Original Offering Memorandum.

Optional Redemption

At any time on or after July 16, 2028, the Issuer may redeem the Notes, in whole or in part, at the redemption prices equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the 12-month period commencing on July 16 of any year set forth below:

Period	**Price**
2028	103.875%
2029	101.938%
2030	100%

At any time prior to July 16, 2028, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock (or options, warrants or rights relating to Common Stock) of PAL in an Equity Offering at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding Notes held by PAL and its Affiliates) remains outstanding after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

At any time prior to July 16, 2028, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible or liable for calculating or verifying the Applicable Premium.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Issuer or a Topco Guarantor will make an Offer to

	Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "*Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event*" in the Original Offering Memorandum.
Certain Covenants	The Indenture will limit the ability of the Issuer, the Topco Guarantors and the restricted subsidiaries to, among other things: • incur additional Indebtedness and issue preferred stock; • make investments or other specified restricted payments; • enter into agreements that restrict the restricted subsidiaries' ability to pay dividends and transfer assets or make intercompany • loans; • issue or sell capital stock of restricted subsidiaries; • issue guarantees by restricted subsidiaries; • enter into transactions with equity holders or affiliates; • create any lien; • enter into sale and leaseback transactions; • sell assets; • engage in different business activities; and • effect a consolidation or merger. These covenants are subject to important exceptions and qualifications. For a detailed description of the Notes, see "*Description of the Notes*" in the Original Offering Memorandum. See also "*Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering*" in the Original Offering Memorandum.
Transfer Restrictions	The Additional Notes have not been registered under the Securities Act or any state or other securities laws. The Additional Notes are subject to restrictions on transfer and may only be offered or sold in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*."
Form, Denomination and Registration	The Additional Notes will be issued only in fully registered form, without coupons, in minimum denominations of U.S.$200,000 of principal amount and integral multiples of U.S.$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company ("**DTC**").
Book-Entry Only	The Additional Notes will be issued in book-entry form only through DTC for the accounts of its participants (persons that have accounts with DTC, "**participants**") including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). For a description of certain factors relating to clearance and settlement, see "*Description of the Notes – Book-Entry; Delivery and Form*" in the Original Offering Memorandum.
Delivery of the Additional Notes	The Issuer expects to make delivery of the Additional Notes, against payment in same-day funds, on or about August 6, 2026, which the Issuer expects will be the fourth business day following the date of this Supplemental Offering Memorandum. Such settlement timing is referred to as "T+4." You should note

	that initial trading of the Additional Notes may be affected by the T+4 settlement. See "*Plan of Distribution*."
Trustee	The Bank of New York Mellon
Collateral Agent	The Bank of New York Mellon
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon
Registrar	The Bank of New York Mellon
Listing	The Original Notes are listed on the SGX-ST. Approval in-principle has been obtained from the SGX-ST for the listing of and quotation for the Additional Notes on the Official List of the SGX-ST. The Additional Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Additional Notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York. For governing laws of the Collateral, please see "*Description of the Notes*" in the Original Offering Memorandum.
Risk Factors	You should carefully consider the information under the caption "*Risk Factors*" in the Original Offering Memorandum and the other information included in this Supplemental Offering Memorandum before deciding whether to invest in the Additional Notes.
Ratings	The Original Notes are rated "Ba2" by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") and "BB" by Fitch Ratings Ltd. ("**Fitch**") and the rating is not expected to be affected by the issuance of the Additional Notes. The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. See "*Risk Factors – Risks Relating to the Notes, the Guarantees and this Offering - The ratings assigned to the Notes may be lowered or withdrawn entirely in the future*" in the Original Offering Memorandum.
Security Codes	The Additional Notes will share the same CUSIP Number, ISIN and Common Code with the Original Notes as set forth below and will be fungible with the Original Notes.

Regulation S:

CUSIP Number: G7261A AA7
ISIN: USG7261AAA72
Common Code: 343076746

Unless otherwise stated in this Supplemental Offering Memorandum, this Supplemental Offering Memorandum shall be read in conjunction with the Original Offering Memorandum.

SIGNIFICANT DEVELOPMENTS

Issue of the Original Notes

On July 7, 2026, the Issuer priced the offering of the Original Notes, consisting of U.S.$300,000,000 aggregate principal amount of 7.75% Senior Notes due 2031. The Original Notes were issued on July 16, 2026. The net proceeds from the issuance of the Original Notes were used for general corporate purposes, refinancing offshore existing indebtedness and capital expenditures of the PAL Group.

Fleet Expansion and Modernization

On July 20, 2026, PAL announced a commitment for the proposed purchase of 15 Boeing 787-10 Dreamliner aircraft, together with the opportunity to purchase five additional aircraft, with expected deliveries from 2031 to 2034. The proposed transaction remains subject to the execution of definitive documentation. In connection with the proposed acquisition, PAL selected GE Aerospace GEnx-1B engines to power the proposed Boeing 787-10 aircraft.

On July 21, 2026, PAL entered into a memorandum of understanding with Airbus S.A.S. for the proposed purchase of nine Airbus A350-1000 aircraft, together with purchase rights for five additional aircraft, with expected deliveries from 2034 to 2036. If finalized, the proposed transaction would bring PAL’s total Airbus A350-1000 orders to 18 aircraft. The proposed transaction remains subject to the execution of definitive documentation.

In connection with the proposed Airbus acquisition, PAL entered into a memorandum of understanding with Rolls-Royce plc for Trent XWB-97 engines and a proposal for Rolls-Royce’s TotalCare engine maintenance and support program.

The proposed Boeing 787-10 and Airbus A350-1000 aircraft are expected to replace certain existing widebody aircraft in PAL's fleet as those aircraft leases expire or reach approximately 24 years of age.

ADDITIONAL RISK FACTORS

An investment in the Additional Notes is subject to significant risks. In addition to the factors set forth under "Risk Factors" beginning on page 26 of the Original Offering Memorandum, prospective investors are urged to consider the following additional risk factors described below before deciding to invest in the Additional Notes. Additionally, some risks that may currently be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment.

Our proposed aircraft acquisitions may not be completed and, if completed, will require significant future capital commitments.

In July 2026, PAL announced a memorandum of understanding with Airbus S.A.S. for the proposed purchase of nine Airbus A350-1000 aircraft, together with purchase rights for five additional aircraft, and a commitment for the proposed purchase of 15 Boeing 787-10 Dreamliner aircraft, together with options for five additional aircraft. These proposed aircraft are expected to replace certain existing widebody aircraft in PAL's fleet. These proposed transactions remain subject to the execution of definitive documentation, and there can be no assurance that they will be completed on the currently contemplated terms, or at all.

If completed, these proposed aircraft acquisitions will require significant capital commitments over an extended period, with deliveries currently expected between 2031 and 2036, and may require us to obtain additional financing or enter into additional lease arrangements. There can be no assurance that such financing or lease arrangements will be available on commercially acceptable terms, or at all. Any failure to complete the proposed transactions, obtain the necessary financing or lease arrangements or otherwise implement our planned fleet expansion and replacement program could have a material adverse effect on our business, financial condition, results of operations and prospects.

We are dependent on a limited number of engine suppliers for our proposed fleet expansion and may be subject to engine supply constraints, maintenance capacity limitations and operational disruptions.

In connection with our proposed fleet expansion, PAL has entered into arrangements with Rolls-Royce plc for Trent XWB-97 engines to power its proposed Airbus A350-1000 aircraft and has selected GE Aerospace GEnx-1B engines to power its proposed Boeing 787-10 aircraft. Accordingly, we will be dependent on Rolls-Royce and GE Aerospace, together with their respective supply and support networks, for the timely delivery, maintenance and ongoing support of these engines.

The global aviation industry continues to experience supply chain constraints affecting the production and delivery of aircraft engines, components and spare parts, as well as limitations in maintenance, repair and overhaul capacity. There can be no assurance that Rolls-Royce, GE Aerospace or their respective suppliers will be able to deliver engines, spare parts or related services on the anticipated timeline or in sufficient quantities to support our fleet expansion plans. In addition, manufacturing defects, design issues, mandatory inspections, airworthiness directives or other regulatory actions affecting these engine types could result in aircraft delivery delays, temporary aircraft groundings, increased maintenance costs or operational disruptions. Any delay in engine deliveries or maintenance support, or any inability to obtain replacement engines, spare parts or related services on commercially reasonable terms, could have a material adverse effect on our business, financial condition, results of operations and prospects.

USE OF PROCEEDS

We expect the net cash proceeds from the offering and issue of the Additional Notes as described herein, after deducting (i) underwriting fees, commissions and other estimated transaction expenses related to this offering and issue of the Additional Notes and (ii) amounts used to fund the Interest Reserve Account ("**IRA**"), to amount to approximately U.S.$47.2 million.

Subject to compliance with applicable law and regulations, we intend to use the net proceeds of the offering of the Additional Notes for general corporate purposes and refinancing offshore existing indebtedness and capital expenditures of the PAL Group.

The foregoing represents our current intentions and our best estimate of our allocation of the net proceeds of the Offering based upon our current plans and estimates regarding our anticipated expenditures. We may find it necessary or advisable to use portions of the net proceeds for other business related purposes.

CAPITALIZATION

The table below sets forth PAL's consolidated capitalization and indebtedness as of March 31, 2026 (i) on an actual basis, (ii) as adjusted to give effect to the issuance of the Original Notes and the drawdown of U.S.$100 million in aggregate principal amount under a U.S. dollar securitization facility on July 24, 2026 and (iii) as further adjusted to give effect to the issuance of the Additional Notes. This information has been partially extracted from the Financial Statements of PAL as at March 31, 2026 included in the Original Offering Memorandum.

You should read this table in conjunction with PAL's Financial Statements and the related notes to the financial statements included in the Original Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Use of Proceeds*" in the Original Offering Memorandum.

CAPITALIZATION AND INDEBTEDNESS OF PAL

The following table sets forth the indebtedness and capitalization of PAL as of March 31, 2026. This table should be read in conjunction with PAL's unaudited consolidated interim financial statements as of and for the three months ended March 31, 2025 and 2026 and the notes presented in the Original Offering Memorandum.

	March 31, 2026		
	Actual	**As Adjusted[1]**	**As Further Adjusted[2]**
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
		(in millions) U.S.$	
Indebtedness			
Current portion of long-term obligations	452.5	481.7	481.7
Long-term obligations – net of current portion	1,367.9	1,438.7	1,438.7
Original Notes[3]	-	297.0	297.0
Additional Notes offered hereunder[4]	-	-	49.5
	1,820.4	2,217.4	2,266.9
Equity			
Capital stock	34.9	34.9	34.9
Capital in excess of par	529.5	529.5	529.5
Other equity reserves	26.3	26.3	26.3
Other comprehensive loss	(17.7)	(17.7)	(17.7)
Retained earnings	289.9	289.9	289.9
	862.9	862.9	862.9
Total Capitalization[5]	**2,683.3**	**3,080.3**	**3,129.8**

(1) To give effect to the issuance of the Original Notes and the drawdown of U.S.$100 million in aggregate principal amount under a U.S. dollar securitization facility on July 24, 2026.

(2) To give effect to the issuance of the Additional Notes.

(3) Refers to the discounted proceeds of the offering of the Original Notes issued on July 16, 2026, without taking into account, among others, the estimated bond issuance costs and amounts used to fund the IRA.

(4) The Additional Notes represent the discounted proceeds of the offering of the Additional Notes, without taking into account, among others, the estimated bond issuance costs and amounts used to fund the IRA (see "*Use of Proceeds*").

(5) Total capitalization, computed as the sum of total indebtedness and total equity.

Except as disclosed in this Supplemental Offering Memorandum, there has been no material change in PAL's capitalization and indebtedness since March 31, 2026.

TAXATION

SINGAPORE TAXATION

The following summary is based on tax laws of Singapore as in effect on the date of this Supplemental Offering Memorandum, and is subject to changes in Singapore laws, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any countries other than Singapore. Prospective purchasers in all jurisdictions are advised to consult their own tax advisers as to Singapore or other tax consequence of the acquisition, ownership and disposition of the Additional Notes.

*The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by Inland Revenue Authority of Singapore ("**IRAS**") and the Monetary Authority of Singapore (the "**MAS**") in force as at the date of this Supplemental Offering Memorandum and are subject to any changes in such laws, announcements, administrative guidelines or circulars, or the interpretation of those laws, announcements, administrative guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, announcements, administrative guidelines and circulars are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Supplemental Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Additional Notes or of any person acquiring, selling or otherwise dealing with the Additional Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Additional Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Additional Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant financial sector incentive(s) or hold a specified license) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. The statements also do not consider any specific facts or circumstances that may apply to any particular purchaser. Holders and prospective holders of the Additional Notes are advised to consult their own tax advisers as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Additional Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantors, the Initial Purchaser and any other persons involved in the issue of the Additional Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Additional Notes.*

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from Singapore income tax, including interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium derived from debt securities, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Qualifying Debt Scheme

As the Sole Global Coordinator and Sole Bookrunner of the issue of the Additional Notes is a specified licensed entity, and the Additional Notes are issued as debt securities before December 31, 2028, the Additional Notes would be qualifying debt securities for the purposes of the ITA, to which the following treatments shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Additional Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Additional Notes as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Additional Notes of a statement to the effect that where interest, discount income, early redemption fee or redemption premium from the Additional Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Additional Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Additional Notes derived by a Noteholder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore, or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Additional Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Additional Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Additional Notes as the MAS may require), Qualifying Income from the Additional Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant financial sector incentive(s) who may be taxed at different rates); and

(c) subject to:

- the Issuer including in all offering documents relating to the Additional Notes a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Additional Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

- the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Additional Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Additional Notes as the MAS may require,

payments of Qualifying Income derived from the Additional Notes are not subject to withholding of tax by the Issuer.

Where interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) is derived from the Additional Notes by any person who (i) is not resident in Singapore and (ii) carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the ITA shall not apply if such person acquires the Additional Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Additional Notes is not exempt from tax (including for the reasons described above) is required include such income in a return of income made under the ITA.

Notwithstanding the foregoing:

(a) if during the primary launch of the Additional Notes, the Additional Notes are issued to fewer than four persons and 50 per cent. or more of the issue of the Additional Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Notes would not qualify as qualifying debt securities; and

(b) even though the Additional Notes are qualifying debt securities, if at any time during the tenure of the Additional Notes, 50 per cent. or more of such Notes which are outstanding at any time during the life of their issue is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Additional Notes held by:

- any related party of the Issuer; or
- any other person where the funds used by such person to acquire the Additional Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

For the purposes of the ITA and/or this Singapore tax disclosure:

(a) The term **related party**, in **relation** to a person ("*A*") means any person (a) who directly or indirectly controls A, (b) who is being controlled directly or indirectly by A, or (c) who, together with A, is directly or indirectly under the control of a common person;

(b) **early redemption fee** means, in relation to debt securities and qualifying debt securities, any fee payable by the issuer of the securities on the early redemption of the securities;

(c) **redemption premium** means, in **relation** to debt securities and qualifying debt securities, any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities; and

(d) **specified licensed entities** means any of the **following** persons:

- a bank or merchant bank licensed under the Banking Act 1970 of Singapore;
- a finance company licensed under the Finance Companies Act 1967 of Singapore;
- a person who holds a capital markets services license under the SFA to carry on a business in any of the following regulated activities:
  - advising on corporate finance; or
  - dealing in capital markets products.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Additional Notes will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Additional Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Noteholders who apply or are required to apply Singapore Financial Reporting Standard ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Additional Notes, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "*Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA requires taxpayers who adopt or are required to comply with

FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "*Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments*".

Holders of the Additional Notes who may be subject to the tax treatment under Section 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Additional Notes.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated July 31, 2026 (the "**Purchase Agreement**") between us and the Initial Purchaser, the Initial Purchaser has agreed to purchase from us, and we have agreed to sell to the Initial Purchaser, U.S.$50,000,000 principal amount of the Additional Notes.

The Purchase Agreement provides that the obligation of the Initial Purchaser to purchase the Additional Notes is subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchaser has agreed to purchase all of the Additional Notes if it purchases any of the Additional Notes. The initial offering price is set forth on the cover page of this Supplemental Offering Memorandum. After the Additional Notes are released for sale, the Initial Purchaser may change the offering price and other selling terms. The Initial Purchaser reserves the right to withdraw, cancel or modify offers to investors and to reject orders in whole or in part.

The Issuer and the Guarantors have agreed to indemnify the Initial Purchaser against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the Initial Purchaser may be required to make in respect of any of such liabilities.

We have agreed not to, for a period of 45 days after the date of this Supplemental Offering Memorandum, without the prior written consent of the Initial Purchaser, directly or indirectly, offer for sale, sell, or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any United States dollars-denominated debt securities of the Issuer or the Topco Guarantors substantially similar to the Additional Notes or securities convertible into or exchangeable for such debt securities, or sell or grant options, rights or warrants with respect to such debt securities or securities convertible into or exchangeable for such debt securities.

The Additional Notes are a new issue of securities with no established trading market. Approval in-principle has been obtained for the listing and quotation of the Additional Notes on the SGX-ST. We have been advised that the Initial Purchaser intends to make a market in the Additional Notes, as permitted by applicable laws and regulations. The Initial Purchaser is not obligated, however, to make a market in the Additional Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchaser. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Additional Notes.

The Initial Purchaser or certain of its affiliates may purchase Additional Notes and be allocated Additional Notes for asset management and/or proprietary purposes but not with a view to distribution.

We expect that delivery of the Additional Notes will be made against payment therefor on or about the closing date specified on the cover page of this Supplemental Offering Memorandum, which will be on or about the fourth business day following the pricing date of the Additional Notes (this settlement cycle being referred to as "**T+4**"). Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Additional Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Additional Notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Additional Notes who wish to trade the Additional Notes on the date of pricing or the next succeeding business day should consult their own legal adviser.

Other Relationships

The Initial Purchaser and its affiliates engage, have in the past engaged and may in the future engage in transactions with us and our affiliates, and perform, have performed and may in the future perform services, including lending, cash management, financial advisory and investment banking services, for us and our affiliates, in their ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchaser, which may include transactions relating to our obligations under the Additional Notes.

Selling Restrictions

General

No action has been taken or will be taken in any jurisdiction by the Issuer, the Guarantors or the Initial Purchaser that would permit a public offering of Additional Notes, or the possession, circulation or distribution of this Supplemental Offering Memorandum or any other material relating to the Additional Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Additional Notes may not be offered or sold, directly or indirectly, and neither this Supplemental Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchaser or any affiliate of the Initial Purchaser is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchaser or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Additional Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. For a description of other restrictions on the transfer of Additional Notes, see "*Transfer Restrictions*".

Accordingly, the Additional Notes are being offered and sold only outside the United States in offshore transactions in accordance with Regulation S. Resales of the Additional Notes are restricted as described under "*Transfer Restrictions*".

Terms used in this paragraph have the meanings given to them by Regulation S.

Prohibition of Sales to EEA Retail Investors

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Additional Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

    (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**");

    (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or

    (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to buy or subscribe for the Additional Notes.

Prohibition of Sales to UK Retail Investors

The Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Additional Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(c) the expression "**retail investor**" means a person who is one (or both) of the following:

    (i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA"); or

    (ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024; and

(d) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Additional Notes to be offered so as to enable an investor to decide to buy or subscribe for the Additional Notes.

Other UK regulatory restrictions

The Initial Purchaser has further represented, warranted and undertaken that:

(e) **Financial promotion**: it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Additional Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(f) **General compliance**: it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Additional Notes in, from or otherwise involving the United Kingdom.

Singapore

The Initial Purchaser has acknowledged that this Supplemental Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, the Initial Purchaser has represented and agreed that it has not offered or sold any Additional Notes or caused the Additional Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Additional Notes or cause the Additional Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Supplemental Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Additional Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Hong Kong

The Initial Purchaser has represented and agreed that (1) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Additional Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (2) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Additional Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Additional Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

The Additional Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Supplemental Offering Memorandum nor any other offering or marketing material relating to the Issuer or the Additional Notes constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this Supplemental Offering Memorandum nor any other offering or marketing material relating to the Issuer or the Additional Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Additional Notes will be offered in Switzerland and this Supplemental Offering Memorandum and any other offering or marketing material relating to the Additional Notes will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Additional Notes on the SIX Swiss Exchange Ltd., and, consequently, neither this Supplemental Offering Memorandum nor any other offering or marketing material relating to the Issuer or the Additional Notes constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Investors are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Additional Notes.

Philippines

The Initial Purchaser represents, warrants and agrees that the Additional Notes have not been and will not be registered with the Philippine Securities and Exchange Commission (the "**SEC**") and hence cannot be sold or offered for sale or distribution to the public in the Philippines, except pursuant to transactions that qualify for exemption from the registration requirements of the Securities Regulation Code (the "**SRC**") and the SRC Implementing Rules and Regulations, as amended (the "**SRC Rules**"). The Initial Purchaser represents, warrants and agrees that it has not and will not sell or offer for sale or distribution any Additional Notes in the Philippines, except to persons or entities that are (i) residents of, and organized under the laws of the Philippines and/or licensed to do business in the Philippines, and (ii) "qualified buyers" as defined in Section 10.1(l) of the SRC, or Rule 10.1.4 and 10.1.5 of the SRC Rules.

THE ADDITIONAL NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SRC AND THE SRC RULES. THE ISSUANCE OF THE ADDITIONAL NOTES TO QUALIFIED BUYERS UNDER SECTION 10.1 (L) OF THE PHILIPPINE SRC OR RULES 10.1.4 AND 10.1.5 OF THE SRC RULES IN THE REPUBLIC OF THE PHILIPPINES IS CONSIDERED AN EXEMPT TRANSACTION. ANY FUTURE SALE OR OFFER OF THE ADDITIONAL NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE ADDITIONAL NOTES QUALIFY AS EXEMPT SECURITIES OR QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC. FURTHER, THE OFFER, SALE AND PURCHASE OF THE ADDITIONAL NOTES ARE SUBJECT TO APPLICABLE REGULATIONS OF THE PHILIPPINE SEC.

The offer or sale of the Additional Notes in the Philippines to persons who are "qualified buyers" pursuant to Section 10.1(l) of the SRC or Rules 10.1.4 and 10.1.5 of the SRC Rules is exempt from registration. The Initial Purchaser has represented, warranted and agreed that it has not and will not sell or offer for sale or distribution any Additional Notes in the Philippines except to "qualified buyers" pursuant to Section 10.1(l) of the SRC or Rules 10.1.4 and 10.1.5 of the SRC Rules.

The Issuer has not obtained any confirmation of exemption from the Philippine SEC in respect of any offer or sale of the Additional Notes within the Philippines. Unless such confirmation of exemption in respect of any offer or sale of the Additional Notes is issued by the Philippine SEC, any person claiming exemption under Section 10.1(l) of the SRC has the burden of proof, if challenged, of showing that it is entitled to the exemption. The Philippine SEC may challenge such exemption anytime.

No securities sold under exempt transactions shall be offered for sale or sold to the public without prior registration. Notwithstanding that a particular class of securities issued under Section 10.1(l) of the SRC is exempt from registration, the conduct by any person in the purchase, sale, distribution, settlement and other post trade activities involving such securities, shall comply with the provisions of the SRC, the SRC Rules, and related rules issued by the Philippine SEC. The sale or offer for sale of a security in an exempt transaction shall not be exempt from civil liability and related liabilities and other applicable provisions of the SRC on fraud, among others.

TRANSFER RESTRICTIONS

As the following restrictions will apply to the Additional Notes and the Guarantees, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Additional Notes.

We have not registered the Additional Notes or the Guarantees under the Securities Act and the Additional Notes may only be offered or sold outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. Terms used above and otherwise in this section of this Supplemental Offering Memorandum have the meanings given to them by Regulation S.

Each purchaser of the Additional Notes and the Guarantees outside the United States pursuant to Regulation S and each subsequent purchaser of such Additional Notes and the Guarantees in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Supplemental Offering Memorandum and the Additional Notes and the Guarantees, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(1) It understands that the Additional Notes and the Guarantees have not been and will not be registered under the Securities Act, and the Additional Notes and the Guarantees are being offered and sold in reliance on Regulation S.

(2) It is, or at the time the Additional Notes and the Guarantees are purchased will be, the beneficial owner of such Additional Notes and the Guarantees and (a) it is purchasing the Additional Notes and the Guarantees in an offshore transaction (within the meaning of Regulation S), (b) it is not an affiliate of the Issuer or any Guarantor or a person acting on behalf of such an affiliate, and (c) it is located outside the United States and will continue to be located outside the United States at the time the buy order is originated.

(3) It will not offer, sell, pledge or otherwise transfer the Additional Notes and the Guarantees except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction.

(4) The Issuer, the Guarantors, the Registrar, the Initial Purchaser and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

(5) It understands that the Additional Notes and the Guarantees offered in reliance on Regulation S will be represented by the Regulation S Global Notes. It understands that the Additional Notes and the Guarantees will, unless otherwise agreed between the Issuer, the Guarantors and the Trustee in accordance with applicable law, bear a legend to the following effect:

"THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

For further discussion of the requirements (including the presentation of transfer documents) under the Description of Notes and the Indenture to effect exchanges of transfer of interests in Additional Notes represented by a global note and of Additional Notes in registered certificated form, see "*Description of the Notes—Book-Entry, Delivery and Form*" in the Original Offering Memorandum.

THE ISSUER

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Grand Cayman, KY1-1104
Cayman Islands

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INDEPENDENT AUDITORS OF THE COMPANY

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SOLE GLOBAL COORDINATOR AND SOLE BOOKRUNNER

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Asia Pacific Head Office
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Singapore 048583

STRICTLY CONFIDENTIAL – DO NOT FORWARD

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) A QUALIFIED INSTITUTIONAL BUYER ("QIB") WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR (2) OUTSIDE OF THE UNITED STATES IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering memorandum (the "**Offering Memorandum**"). You are advised to read this disclaimer carefully before accessing, reading or making any other use of the attached Offering Memorandum. In accessing the attached Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached Offering Memorandum on the basis that you have confirmed your representation to Primero Agila Limited (the "**Company**") and to Deutsche Bank AG, Singapore Branch, and BNP PARIBAS (the "**Initial Purchasers**") that (1) either (A) you are a qualified institutional buyer ("**QIB**") (within the meaning of Rule 144A of under the Securities Act) or (B) (i) you are a person outside the United States and (ii) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, (2) if you are an investor in Singapore, you are either (a) an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore (the "**SFA**")) for the purposes of Section 274 of the SFA or (b) an accredited investor (as defined in Section 4A of the SFA) purchasing the Notes pursuant to and in accordance with the conditions specified in Section 275 of the SFA (3) that you consent to delivery of the attached Offering Memorandum and any amendments or supplements thereto by electronic transmission and (4) that you agree to the foregoing terms and conditions.

The attached Offering Memorandum has been made available to you in electronic format. You are reminded that documents transmitted in an electronic format may be altered or changed during the process of transmission and consequently none of the Company, the Initial Purchasers, or any person who controls any of them or any of their respective directors, employees, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Initial Purchasers will provide a hard copy version to you upon request.

Restrictions: The attached Offering Memorandum is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described in this Offering Memorandum. The materials relating to this offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. You are reminded that the information in the attached Offering Memorandum is not complete and may be changed. If you have gained access to this transmission contrary to any of the restrictions herein, you are not authorized and will not be able to purchase any of the securities described in this Offering Memorandum.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

YOU ARE NOT AUTHORIZED TO AND YOU MAY NOT FORWARD OR DELIVER THE ATTACHED OFFERING MEMORANDUM, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING MEMORANDUM IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING MEMORANDUMIN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are reminded that you have accessed the attached Offering Memorandum on the basis that you are a person into whose possession it may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorized to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions That You May Not Take: If you receive this document by e mail, you should not reply by e mail to this announcement, and you may not purchase any securities by doing so. Any reply e mail communications, including those you generate by using the "Reply" function on your e mail software, will be ignored or rejected.

You are responsible for protecting against viruses and other items of a destructive nature. If you receive this document by e mail, your use of this e mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

OFFERING MEMORANDUM

CONFIDENTIAL

Primero Agila Limited

(incorporated in the Cayman Islands with limited liability)
(Company Incorporation Number: 436030)

U.S.$300,000,000 7.75% Senior Notes due 2031
Issue Price: 98.986%

Primero Agila Limited (the "**Issuer**" or the "**Company**"), an exempted company incorporated with limited liability under the laws of the Cayman Islands, is issuing U.S.$300,000,000 aggregate principal amount of 7.75% Senior Notes due 2031 (the "**Notes**"). The payment of principal, premium, if any, and interest in respect of the Notes and all other amounts payable by the Issuer under or pursuant to the Indenture (as defined herein) will be unconditionally and irrevocably guaranteed by Philippine Airlines Inc. ("**PAL**" or a "**Topco Guarantor**") and its future material subsidiaries (together with PAL, "**PAL Guarantors**") and Air Philippines Corporation ("**APC**" or a "**Topco Guarantor**")) and its future material subsidiaries (together with APC, "**APC Guarantors**") (the PAL Guarantors together with APC Guarantors, the "**Guarantors**"), to the extent set forth in the terms and conditions of the Notes (such, guarantees, the "**Guarantees**"). On the Original Issue Date, there will be no Subsidiary Guarantors (as defined herein). The Guarantors' liability under the Guarantees are joint and several. The Notes will bear interest at a rate of 7.75% per annum and will mature on July 16, 2031. Interest will be payable semi-annually in arrears on January 16 and July 16 of each year, commencing on January 16, 2027.

A portion of the net proceeds from the offering of the Notes equal to one (1) semi-annual payment of interest under the Notes will be used to fund the Interest Reserve Account (as defined herein). Funds remaining on deposit in the Interest Reserve Account will be applied to the payment of interest on the Notes, and any remaining balance shall be applied to the payment of premium and Additional Amounts (as defined herein), if any, due on the Notes on the final Stated Maturity (as defined herein) of the Notes or any redemption date for redemption of all outstanding Notes, in each case for purposes of full or partial payment of outstanding Notes.

Not later than 30 days following a Change of Control Triggering Event (as defined herein), the Issuer or (except as set forth below) the Topco Guarantors (as defined herein) must offer to purchase the Notes at a price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to (but not including) the offer to purchase payment date. The Issuer, any Topco Guarantor or a Surviving Person (as defined herein) may redeem all, but not less than all, of the Notes at the principal amount plus accrued interest upon certain changes in tax law (except as set forth herein). At any time on or after July 16, 2028, the Issuer may redeem the Notes, in whole or in part, at the redemption prices specified under "*Description of the Notes—Optional Redemption*" plus accrued and unpaid interest, if any to (but not including) the redemption date. At any time prior to July 16, 2028, the Issuer may at its option redeem all or any portion of the Notes at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium (as defined herein) and accrued and unpaid interest, if any, to (but not including) the redemption date. At any time prior to July 16, 2028, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with proceeds from certain equity offerings at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date.

The Notes will be general obligations of the Issuer and will otherwise rank at least *pari passu* in right of payment with all other unsubordinated obligations of the Issuer. The Guarantees will be general obligations of the Guarantors and will otherwise rank *pari passu* in right of payment with all other unsubordinated obligations of the Guarantors. For a more detailed description of the Notes, see "*Description of the Notes*."

Investing in the Notes involves a high degree of risk. See "*Risk Factors*" beginning on page 26 for a description of certain risks you should consider before investing in the Notes.

The Notes and the Guarantees have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the securities laws of any other jurisdiction, and may not be offered or sold within the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered or sold only to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and outside the United States in accordance with Regulation S under the Securities Act ("**Regulation S**"). Prospective purchasers that are QIBs are hereby notified that the seller of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions.*"

THE NOTES BEING OFFERED OR SOLD HEREIN HAVE NOT BEEN REGISTERED WITH THE PHILIPPINE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES REGULATION CODE OF THE PHILIPPINES (THE SRC). ANY FUTURE OFFER OR SALE OF THE NOTES IN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE QUALIFIES AS AN EXEMPT TRANSACTION.

In making your investment decision, you should rely only on the information contained in this Offering Memorandum. Each of the Issuer, the Guarantors and the Initial Purchasers, have not authorized anyone to provide you with any other information. If you receive any other information, you should not rely on it. The Issuer and the Initial Purchasers are offering to sell the Notes only in places where offers and sales are permitted. You should not assume that the information contained in this Offering Memorandum is accurate as at any date other than the date on the front cover of this Offering Memorandum. Our business or financial condition and other information in this Offering Memorandum may change after that date.

Approval in-principle has been obtained from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for the listing of and quotation for the Notes on the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained in this Offering Memorandum. Admission of the Notes to the Official List of the SGX-ST and quotation of the Notes on the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Guarantors, their respective subsidiaries, their associated companies or the Notes. The Notes will be traded on the SGX-ST in a minimum board lot size of not less than S$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require.

The Notes are rated "Ba2" by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") and "BB" by Fitch Ratings Ltd. ("**Fitch**"). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction, or withdrawal at any time by the assigning rating agency.

Where interest, discount income, early redemption fee or redemption premium is derived from any Notes by any person who is not resident in Singapore and who carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the Income Tax Act 1947 of Singapore, as amended or modified from time to time (the "**ITA"**) shall not apply if such person acquires such Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose interest, discount income, early redemption fee or redemption premium derived from the Notes is not exempt from tax (including for the reasons described above) shall include such income in a return of income made under the ITA.

The Notes will be ready for delivery in book-entry form only through the Depository Trust Company for the account of its participants (persons that have accounts with DTC, "**participants**") including Euroclear Bank SA/NV, and Clearstream Banking S.A., on or about July 16, 2026.

Sole Global Coordinator and Joint Bookrunner

DEUTSCHE BANK

Joint Bookrunner

BNP PARIBAS

Domestic Lead Managers
(in alphabetical order)

BDO Capital & Investment Corporation	**China Bank Capital Corporation**	**PNB Capital and Investment Corporation**

The date of this Offering Memorandum is July 7, 2026.

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IMPORTANT NOTICE

This Offering Memorandum is confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the issue and offering of the Notes described herein. Each of us and Deutsche Bank AG, Singapore Branch and BNP PARIBAS (the "**Initial Purchasers**"), as joint bookrunners of the issue and offering of the Notes, reserves the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire the Notes. Any disclosure of any of the contents of this Offering Memorandum, without our prior written consent, is prohibited. Each prospective purchaser, by accepting delivery of the Offering Memorandum, agrees to the foregoing and to make no photocopies of this Offering Memorandum or any documents attached hereto.

The distribution of this Offering Memorandum and the offering or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Memorandum comes are required by the Issuer, the Guarantors and the Initial Purchasers to inform themselves about and to observe any restrictions. No action is being taken to permit a public offering of the Notes or the distribution of this Offering Memorandum in any jurisdiction where action would be required for such purposes.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Memorandum in connection with the issue or sale of the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Guarantors or the Initial Purchasers. Neither the delivery of this Offering Memorandum nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the Issuer's or the Guarantors' affairs since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that there has been no adverse change in the Issuer's or the Guarantors' financial position since the date hereof or the date upon which this Offering Memorandum has been most recently amended or supplemented or that any other information supplied in connection with the Notes is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The Initial Purchasers, the Trustee, the Registrar, the Principal Paying Agent and the Transfer Agent (each as defined herein) do not make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this Offering Memorandum. None of the Initial Purchasers, the Trustee, the Registrar, the Principal Paying Agent or the Transfer Agent has independently verified any of such information and assumes no responsibility for its accuracy or completeness. Each person receiving this Offering Memorandum acknowledges that such person has not relied on the Initial Purchasers, the Trustee, the Registrar, the Principal Paying Agent, the Transfer Agent or any person affiliated with any of them in connection with its investigation of the accuracy of such information or its investment decision.

Each person contemplating making an investment in the Notes must make their own investigation and analysis of our creditworthiness and its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Each person should not construe the contents of this Offering Memorandum as legal, business or tax advice and should be aware that it may be required to bear the financial risks of any investment in the Notes for an indefinite period of time. Each person should consult their own counsel, accountant and other advisors as to legal, tax, business, financial and related aspects of a purchase of the Notes.

This Offering Memorandum does not constitute an offer of, or an invitation to subscribe for or purchase, any of the Notes by or on behalf of the Issuer, the Guarantors, the Initial Purchasers or any affiliate or representative of any of them in any jurisdiction or in any circumstances in which such offer, invitation or solicitation is not authorized or to any person to whom it is unlawful to make such offer, invitation or solicitation.

None of the Issuer, the Guarantors, the Initial Purchasers nor any affiliate or representative of any of them is making any representation to any investor regarding the legality of an investment by such investor under applicable laws.

None of the Issuer, the Guarantors, the Initial Purchasers nor any affiliate or representative of any of them is responsible for any third party social, environmental and sustainability assessment of the Notes. The Notes may not satisfy an investor's requirements or any future legal or industry standards for investment in assets with sustainability characteristics. Investors should conduct their own assessment of the Notes from a sustainability perspective.

The Notes and the Guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold only (1) to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and (2) outside the United States in offshore transactions in accordance with Regulation S under the Securities Act ("**Regulation S**"). For a description of certain restrictions on transfer of the Notes, see "*Plan of Distribution*" and "*Transfer Restrictions*."

This Offering Memorandum is highly confidential and has been prepared by the Issuer and the Guarantors solely for use in connection with the proposed offering of the Notes described herein, and solely for use in connection with the offer of the Notes outside the United States under Regulation S and to persons reasonably believed to be QIBs within the United States under Rule 144A. Its use for any other purpose in the United States is not authorized. It may not be copied or reproduced in whole or in part, nor may it be distributed or any of its contents disclosed to anyone other than the prospective investors to whom it has been delivered by the Initial Purchasers or any of their respective affiliates.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS – The Notes are not intended to be offered, sold, distributed or otherwise made available to and should not be offered, sold, distributed or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"). Consequently no disclosure document required by the FCA Product Disclosure Sourcebook ("**DISC**") for offering, selling or distributing the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering, selling or distributing the Notes or otherwise making them available to any retail investor in the UK may be unlawful under DISC and the Consumer Composite Investments (Designated Activities) Regulations 2024.

EU MIFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of the manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in EU MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer's target market assessment; however, a distributor subject to EU MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer's target market assessment) and determining appropriate distribution channels.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Notes, including certain Initial Purchasers, are "capital market intermediaries" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which requires the attention and cooperation of prospective investors.

Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantors, the CMI or the relevant group company. Prospective investors associated with the

Issuer, the Guarantors or any CMI (including its group companies) should specifically disclose this when placing an order for the Notes and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Initial Purchasers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantors, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

Each purchaser of the Notes must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells such Notes or possesses or distributes this Offering Memorandum and must obtain any consent, approval or permission required by it for the purchase, offer or sale by it of such Notes under the laws and regulations in force in any jurisdictions to which it is subject or in which it makes such purchases, offers or sales and none of the Issuer, the Guarantors or the Initial Purchasers shall have any responsibility therefor.

IN CONNECTION WITH THIS OFFERING, DEUTSCHE BANK AG, SINGAPORE BRANCH AS THE STABILIZING MANAGER (OR PERSONS ACTING ON ITS BEHALF) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILIZATION MANAGER IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

THE NOTES AND THE GUARANTEES ARE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE SECURITIES ACT AND APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. SEE "TRANSFER RESTRICTIONS" AND "PLAN OF DISTRIBUTION" HEREIN. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

CONVENTIONS WHICH APPLY TO THIS OFFERING MEMORANDUM

We have prepared this Offering Memorandum using a number of conventions, which you should consider when reading information contained herein.

In this Offering Memorandum, unless otherwise specified or the context otherwise requires, the following key terms have the following meanings:

- all references to the "**Company**" and the "**Issuer**" refers to Primero Agila Limited;
- all references to "**we**", "**us**", "**our**", and "**PAL Group**" refer to PAL and its consolidated subsidiaries, including the Issuer, and APC and its consolidated subsidiaries, taken as a whole;
- all references to "**Singapore**" are references to the Republic of Singapore;
- all references to "**United States**" or "**U.S.**" herein are to the United States of America;
- all references to "**the Philippines**" are references to the Republic of the Philippines;
- "**APC**" refers to Air Philippines Corporation;
- "**PHI**" refers to PAL Holdings, Inc.;
- "**PAL**" refers to Philippine Airlines, Inc.;
- "**U.S. dollars**" or "**U.S.$**" refers to United States dollars, the lawful currency of the United States; and
- "**Philippine Pesos"** or "**₱**" refer to Philippine pesos, the legal currency of the Philippines.

Rounding adjustments have been made in calculating some of the financial information included in this Offering Memorandum. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

PRESENTATION OF FINANCIAL INFORMATION

This Offering Memorandum contains the audited consolidated financial statements of PAL and audited financial statements of APC, as of and for the years ended December 31, 2023, 2024 and 2025, which were prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**") issued by the Financial and Sustainability Reporting Standards Council of the Philippines ("**FSRSC**"). PFRS Accounting Standards include statements named PFRS and Philippine Accounting Standards ("**PAS**"), and Philippine Interpretations from International Financial Reporting Interpretations Committee, (collectively, the "**Audited Financial Statements**"). The unaudited reviewed interim condensed consolidated financial statements as of March 31, 2026 and for the three months ended March 31, 2025 and 2026 of PAL and the unaudited interim condensed financial statements of APC have been prepared in accordance with Philippine Accounting Standards 34, *Interim Financial Reporting* ("**PAS 34**") (collectively, the "**Unaudited Interim Financial Statements**" and, together with the Audited Financial Statements, the "**Financial Statements**"). The Audited Financial Statements have been audited by SyCip, Gorres, Velayo & Company, independent auditors ("**SGV & Co.**"), a member firm of Ernst & Young Global Limited, in accordance with Philippine Standards on Auditing and has reviewed the Unaudited Interim Financial Statements in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. Please refer to the financial statements and notes thereto included elsewhere in this Offering Memorandum.

The Financial Statements of PAL have been prepared in accordance with PFRS and are not intended to present our consolidated financial position, financial performance or cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than those in the Philippines. The financial statements of APC have been prepared in accordance with PFRS but are presented on a standalone (non-consolidated) basis as APC elected not to prepare consolidated financial statements under the exception provided by PFRS 10. PFRS differs in certain significant respects from International Financial Reporting Standards as issued by the International Accounting Standards Board ("**IFRS**") or accounting principles generally accepted in other countries which might be material to the financial information herein. In making an investment decision, you should rely upon your own examination of the terms of this offering of the Notes and the financial information contained in this Offering Memorandum. Potential investors should consult their own professional advisers for an understanding of the differences between PFRS and IFRS, and how those differences could affect the financial information contained in this Offering Memorandum.

Unless otherwise stated or the context otherwise requires, all financial information regarding PAL and APC as of and for the years ended December 31, 2023, 2024 and 2025 and as of March 31, 2026 and for the three months ended March 31, 2025 and 2026 have been extracted from the Financial Statements.

Unless otherwise indicated, all amounts in relation to PAL presented and discussed in this Offering Memorandum are presented in U.S. dollars based on PAL's Financial Statements. All amounts in relation to APC presented and discussed in this Offering Memorandum are presented in Philippine Pesos based on APC's Financial Statements.

This Offering Memorandum contains translations of certain Philippine Peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. These translations should not be construed as representations that the Philippine Peso amounts represent such U.S. dollar amounts or could be, or could have been, converted into U.S. dollars at the rates indicated or at all. Unless otherwise indicated, all translations from Philippine Pesos to U.S. dollars have been made at a rate of ₱60.74 = U.S.$1.00, the BSP Reference Rate quoted in the BSP's Reference Exchange Rate Bulletin on March 31, 2026.

NON-PFRS ACOUNTING STANDARDS FINANCIAL MEASURES

PAL EBITDA, APC Adjusted EBITDA, Combined EBITDA, PAL EBITDAR, APC Adjusted EBITDAR, Combined EBITDAR, Combined EBITDAR Margin, PAL Adjusted Debt, APC Adjusted Debt, Combined Total Debt, PAL Net Debt, APC Adjusted Net Debt, Combined Net Debt, Combined Total Debt-to-Combined EBITDA Ratio, Combined Net Debt-to-Combined EBITDAR Ratio, and Combined EBITDAR Interest Cover and the ratios derived from them are supplemental measures of our performance that are not required by, or presented in accordance with, PFRS , IFRS, U.S. GAAP or any other generally accepted accounting principles and should not be considered as an alternative to any measure of our performance or liquidity derived in accordance with PFRS. See "*Summary of Financial Information and Operating Data*" and "*Selected Financial Information and Operating Data*" for a description of certain non-PFRS financial measures used in this Offering Memorandum.

PAL and APC believe that these non-PFRS financial measures are useful supplements to the financial data presented under PFRS to facilitate operating performance comparisons from period to period by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact of changes in effective tax rates) and the age and book depreciation of tangible and intangible assets (affecting relative depreciation and amortization expenses). PAL and APC present these non-PFRS financial measures because they believe that these measures are frequently used by securities analysts, investors and other interested parties in evaluating similar issuers. PAL and APC also present these non-PFRS financial measures as indicators of our ability to service our debt. Nevertheless, non-PFRS financial measures have limitations as analytical tools, and investors should not consider them in isolation from, or as a substitute for, your own analysis of our results of operations or financial condition, as reported under PFRS or IFRS. Other companies may calculate these non-PFRS financial measures differently, hence a direct comparison between companies using such terms may not be possible. The term "Combined EBITDAR", as used in the section titled "*Description of the Notes*" summarizing certain provisions on the Indenture, the Notes and the Guarantees, is calculated differently from Combined EBITDAR and is not a measurement of financial performance or liquidity under Non-PFRS accounting standards or U.S. GAAP.

INDUSTRY AND MARKET DATA

Market data and certain industry forecasts used throughout this Offering Memorandum were obtained from internal surveys, market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy and completeness of that information are not guaranteed. Similarly, internal surveys, industry forecasts and market research, while believed to be reliable, have not been independently verified, and none of the Issuer, the Guarantors, the Initial Purchasers, the Trustee nor the Agents makes any representation as to the accuracy or completeness of that information.

Information relating to or obtained from, among others, the Civil Aeronautics Board ("**CAB**"), Civil Aviation Authority of the Philippines ("**CAAP**"), the Manila International Airport Authority ("**MIAA**"), the Philippine Statistics Authority ("**PSA**"), Bangko Sentral ng Pilipinas ("**BSP**"), set forth in this Offering Memorandum was obtained from publicly available sources that are believed to be reliable, but such information has not been independently verified. Neither the Issuer, the Guarantors nor the Initial Purchasers makes any representation as to the accuracy of such information.

ENFORCEABILITY OF CIVIL LIABILITIES

The Notes and the Indenture are governed by the laws of the State of New York.

Each of PAL and APC is organized under the laws of the Republic of the Philippines, and a substantial portion of their respective assets are located in the Philippines. It may be difficult for investors to effect service of process from outside the Philippines upon the Topco Guarantors, with respect to claims pertaining to the offering or the Notes. Nonetheless, investors from State Parties to the Hague Service Convention may course the service of judicial and extrajudicial documents through the Philippine Office of the Court Administrator. Moreover, it may be difficult for investors to enforce in the Philippines judgments against the Topco Guarantors obtained outside the Philippines, in any action pertaining to the Notes, particularly with respect to actions for claims to which such Topco Guarantors has not consented to service of process outside the Philippines. In addition, most of the directors and officers of each Topco Guarantors are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons in an action outside the Philippines or enforce against such persons judgments obtained in courts or arbitral tribunals outside the Philippines. The Philippines is party to the Convention on Recognition and Enforcement of Foreign Arbitral Awards, but it is not party to any international treaty relating to the recognition or enforcement of foreign judgments. Nevertheless, a final and conclusive judgment of a foreign court is enforceable in the Philippines through an independent action filed to seek recognition and enforcement of such judgment, and without re-trial or re-examination of the issues, only if (i) the court rendering such judgment had jurisdiction in accordance with its jurisdictional rules, (ii) the other party had notice of the proceedings, (iii) such judgment was not obtained by collusion or fraud or based on a clear mistake of fact or law, and (iv) such judgment was not contrary to public policy, public order, good morals or good customs in the Philippines. The Philippine Rules of Civil Procedure provide that a judgment or final order of a foreign court has the following effects: (i) in case of a judgment or final order upon a specific thing, the judgment or final order is conclusive upon the title to the thing; and (ii) in case of a judgment or final order against a person, the judgment or final order is presumptive evidence of a right as between the parties and their successors in interest by a subsequent title. Under the Philippine Rules on Evidence, a foreign judgment must be proven as a fact and shall be evidenced by (i) an official publication thereof or a copy attested by the officer having legal custody of the record or by his deputy; and (ii) accompanied by a certificate that such officer has the custody. Furthermore, the Philippine Supreme Court has held that a foreign judgment is presumed to be valid and binding in the country from which it issues, until the contrary is shown, and the party contesting the foreign judgment has the burden of overcoming the presumption of its validity. The Philippines enacted Republic Act No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, to facilitate the enforcement of foreign arbitral awards in the Philippines.

The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands with limited liability. The Issuer has consented to service of process in the State of New York. It may be difficult for investors to effect service of process outside of the Cayman Islands upon the Issuer. Moreover, it may be difficult for investors to enforce judgments against the Issuer outside the Cayman Islands in any actions pertaining to the Notes. In addition, the directors and substantially all of the officers of the Issuer are residents of the Philippines, and all or a substantial portion of the assets of such persons are or may be located in the Philippines. As a result, it may be difficult for investors to effect service of process upon such persons, or to enforce against them judgments obtained in courts or arbitral tribunals outside the Cayman Islands predicated upon the laws of jurisdictions other than the Cayman Islands.

The Issuer has been advised by its Cayman Islands legal counsel, Maples and Calder (Cayman) LLP that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against the Issuer judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against the Issuer predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands will recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty, inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and or be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple

damages may well be held to be contrary to public policy). A Cayman Islands Court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

Although there is no statutory enforcement in the Cayman Islands of judgments obtained in the State of New York or the Philippines, a judgment obtained in either jurisdiction will be recognised and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

(a) is given by a foreign court of competent jurisdiction;

(b) imposes on the judgment debtor a liability to pay a liquidated sum for which the judgment has been given;

(c) is final;

(d) is not in respect of taxes, a fine or a penalty; and

(e) was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

This Offering Memorandum contains words such as "believe", "plan", "expect", "intend", "estimate", "predict", "project" and "anticipate" and similar expressions that constitute "forward-looking statements". Specifically, statements under the captions "*Summary – Overview*", "*Risk Factors*", and "*Business*" relating to the following matters may include forward-looking statements:

- the anticipated demand for our services and our ability to respond to changes in market conditions;
- our ability to successfully execute our business strategy and achieve our growth objectives;
- our financial condition, results of operations, cash flows and liquidity;
- our ability to manage costs, including fuel costs and other operating expenses;
- the competitive environment in which we operate;
- our ability to obtain and maintain necessary regulatory approvals, licenses and permits;
- our capital expenditure requirements and our ability to obtain financing on favorable terms;
- the impact of economic, political, regulatory and other factors beyond our control; and

Such statements are subject to certain risks and uncertainties including:

- economic, social and political conditions globally and in the Philippines;
- increases in regulatory burdens in the Philippines and other countries where we have operations, including environmental regulations and compliance costs; and
- fluctuations in foreign currency exchange rates.

Should one or more of these uncertainties or risks, among others, materialize, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed and anticipated improvements in production, capacity or performance might not be fully realized. Although we believe that the expectations of our management as reflected by such forward-looking statements are reasonable based on information currently available to us, no assurances can be given that such expectations will prove to have been correct. Accordingly, prospective purchasers are cautioned not to place undue reliance on forward-looking statements. In any event, these statements speak only as at their dates, and we undertake no obligation to update or revise any of them, whether as a result of new information, future events or otherwise.

SUMMARY

This summary highlights information contained elsewhere in this Offering Memorandum. This summary is qualified by, and must be read in conjunction with, the more detailed information and financial statements appearing elsewhere in this Offering Memorandum. We urge you to read this entire Offering Memorandum carefully, including the Financial Statements and related notes and the section titled "Risk Factors".

OVERVIEW

We are the national flag carrier of the Philippines and Asia's oldest commercial airline, providing passenger air travel, cargo and loyalty services across domestic and international markets. Philippine Airlines, Inc. ("**PAL**") has been in operation for over 85 years. With Air Philippines Corporation ("**APC**", operating as "**PAL Express**", and together with PAL, the "**PAL Group**"), we serve both full-service and value-oriented market segments. As of May 31, 2026, the PAL Group operated a combined fleet of 84 aircraft, serving 70 destinations across 88 routes. Our domestic network serves 30 cities and towns throughout the Philippine archipelago, and we have an international network that spanned 40 destinations in 16 countries across North America, the Middle East, Asia and Oceania.

We operate from our principal hub at Ninoy Aquino International Airport ("**NAIA**") in Manila, with a secondary hub at Mactan-Cebu International Airport. We also operate domestic leisure routes from Clark International Airport in Pampanga, which provides an alternative gateway for passengers from the northern Luzon region. In North America and Micronesia, we operate non-stop flights between Manila and 10 destinations: Los Angeles, San Francisco, Seattle (launched October 2024), New York, Honolulu, Guam, Saipan, Palau, Vancouver and Toronto. We plan to commence service to Chicago in November 2026. We maintain strong flight frequencies to key Asian markets, including Japan (Tokyo-Narita, Tokyo-Haneda, Osaka, Nagoya, Fukuoka, Sapporo), Southeast Asia (Singapore, Bangkok, Kuala Lumpur, Ho Chi Minh City, Hanoi, Da Nang, Jakarta, Bali, and Phnom Penh), Greater China (Hong Kong, Shanghai, Taipei, Xiamen, Jinjiang, and Beijing), Korea (Seoul-Incheon and Busan), Middle East (Riyadh, Doha, and Dubai) and Australasia (Sydney, Melbourne, Brisbane, Perth, and Port Moresby). In 2023, 2024 and 2025, we transported approximately 14.7 million, 15.6 million and 16.3 million passengers, respectively. In the first quarter of 2026, we transported approximately 4.3 million passengers. We maintain codeshare arrangements with leading global carriers, including ANA (which holds a 4.1% equity stake in PAL Holdings, Inc.), American Airlines, Cathay Pacific, and Singapore Airlines, enhancing network connectivity for our passengers. See "*Business—Strategic Partnerships*."

We provide multiple classes of service, including Business Class, Premium Economy, Comfort Class and Economy Class. Our brand promise, "*Care That Comes from the Heart*," reflects our commitment to delivering service excellence with Filipino hospitality. See "*Business—Our Vision and Mission*."

We also operate complementary businesses which we believe provide further scale and enhance our overall value proposition. Our Mabuhay Miles frequent flyer program had 6.9 million members as of May 31, 2026. The program has commercial partnerships with leading financial institutions, including the Philippine National Bank through co-branded Mabuhay Miles credit card portfolio. See "*Business—Our Services—Mabuhay Miles Frequent Flyer Program*." We believe that our cargo operation is among the largest in the Philippines, and maintains a leading market position at our Manila hub. Cargo is transported through the belly space of our passenger aircraft, maximizing network efficiency with minimal incremental capital requirements.

Following the impact of the COVID-19 pandemic on airline travel, PAL successfully emerged from Chapter 11 restructuring within approximately four months of its filing in September 2021 with strong support from our controlling shareholder, reducing its debt and lease obligations. Since emerging from restructuring, PAL has remained profitable, reflecting the benefits of our transformed business model with a right-sized fleet, streamlined cost structure and a focus on profitable routes.

For the years ended December 31, 2023, 2024 and 2025, PAL had consolidated revenue of U.S.$3,250.3 million, U.S.$3,134.1 million and U.S.$3,225.2 million, respectively, and net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million, respectively. For the three months ended March 31, 2025 and 2026, PAL had consolidated revenue of U.S.$816.7 million and U.S.$895.7 million, respectively, and net income of U.S.$76.5 million and U.S.$78.5 million, respectively. As of December 31, 2025 and March 31, 2026, PAL had total assets of U.S.$3,884.1 million and U.S.$4,263.3 million, respectively.

For the years ended December 31, 2023, 2024 and 2025, APC had total revenues of ₱7,965.6 million, ₱9,827.0 million and ₱11,752.0 million (U.S.$193.5 million), respectively, and net income (loss) of ₱(36.7) million,

₱(304.2) million and ₱719.6 million (U.S.$11.8 million), respectively. For the three months ended March 31, 2025 and 2026, APC had total revenues of ₱2,620.5 million and ₱3,102.8 million (U.S.$51.1 million), respectively, and net income (loss) of ₱254.0 million and ₱(42.8) million (U.S.$(0.7) million), respectively. As of December 31, 2025 and March 31, 2026, APC had total assets of ₱11,585.7 million and ₱13,449.1 million (U.S.$221.4 million), respectively.

COMPETITIVE STRENGTHS

Our home base, the Philippines, represents a large and attractive aviation duopoly market with significant growth potential.

The Philippines is a large aviation market supported by its archipelagic geography that relies heavily on air transportation to connect major population centers and economic regions. This market is further supported by the Philippines' macroeconomic fundamentals, including an estimated 2026 population of over 115.3 million and a nominal GDP of approximately $512.2 billion according to the International Monetary Fund ("**IMF**"). IMF projects the GDP per capita of the Philippines from 2026 to 2031 to grow at an average of 7.6% per annum, underscoring the country's position as one of the fastest-growing economies in the region. Air travel plays an important role in facilitating domestic connectivity across the country, as well as international travel between the Philippines and key overseas markets. See "*Business—Our Route Network*."

Demand for air travel is supported by a number of factors, including inbound and outbound tourism, OFW travel, visiting friends and relatives ("**VFR**") travel and business activity. The Philippines also benefits from a large overseas Filipino diaspora, with substantial number living in the North America, which represents an important long-haul and higher-yield market for the PAL Group In 2023, 2024 and 2025, the PAL Group transported approximately 14.7 million, 15.6 million and 16.3 million passengers. For the three months ended March 31, 2026, the PAL Group transported approximately 4.3 million passengers, representing a 6.1% increase from approximately 4.1 million passengers in the corresponding period of 2025. See *"Business—Our Passengers*."

The Philippine aviation industry is characterized by a relatively concentrated market structure. According to the CAB, PAL, the Cebu Pacific Group and Philippines AirAsia accounted for the substantial majority of domestic passenger traffic in the Philippines during the period from January to December 2025. PAL has maintained a consistent domestic market share at around 30% over the last decade, with 29% market share in 2015 and 30% market share in 2025 as reported by the CAB. In the international market, PAL held a market share of approximately 22% for the year ended December 31, 2025 and approximately 23% for the three months ended March 31, 2026 as reported by the CAB. See *"Business—Competition*."

In addition, capacity constraints at NAIA, the principal gateway for international air travel to and from the Philippines, limit the ability of competitors to rapidly add capacity and create barriers to entry for new market participants. In September 2024, NAIA was privatized and operations were transferred to NNIC, which is expected to continue investing in airport infrastructure and capacity enhancements. We believe these developments may support future growth in domestic and international air travel in the Philippines.

We are the Philippines' national flag carrier and only full-service airline. We benefit from strong brand value, customer loyalty and operational reliability.

PAL is the national flag carrier of the Philippines and Asia's first and oldest airline, with over 85 years of operating history. As the Philippines' only full-service carrier, we offer a differentiated product compared with low-cost carriers, with premium cabins including Business Class with lie-flat seats, Premium Economy and Comfort Class, supported by Mabuhay Lounges at key airports. Our brand promise, "*Care That Comes from the Heart*," reflects our commitment to delivering service excellence with Filipino hospitality. See "*Business—Our Services*" and *"Business—Our Vision and Mission*." As recognized by Brand Finance, the brand value of PAL was U.S$275 million, U.S$287 million and U.S$442 million for 2023, 2024 and 2025, respectively. In 2026, Brand Finance recognized PAL's brand value at U.S$501 million.

Our operational performance has improved in recent years. In 2025, PAL was recognized by Cirium as Asia Pacific's Most Punctual Airline with its on-time performance improving from 77.5% in 2023 to 83.1% in 2025. In addition, our Net Promoter Score improved from +35 in 2023 to +48 in 2025, which we believe reflects the improvements on our operational reliability and customer experience. See "*—Marketing and Customer Experience*."

We distribute our products through direct channels, including our website, mobile app, 24/7 call centers and ticket offices, as well as indirect channels, including travel agencies, corporate travel agents and online travel agencies. Distribution to indirect channels is facilitated through GDS, including both traditional EDIFACT and NDC. We also maintain codeshare agreements with leading global carriers, including ANA, American Airlines, WestJet, Malaysia Airlines, Alaska Airlines, Cathay Pacific and Qatar Airways, extending our network reach and providing passengers with seamless connectivity. See "*Business—Sales and Distribution*" and "*Business—Strategic Partnerships*."

Our Mabuhay Miles loyalty program supports customer retention and generates ancillary revenue. As of May 31, 2026, Mabuhay Miles had approximately 6.9 million members, with active members growing at a compound annual growth rate ("**CAGR**") of 22% from 2023 to 2025. Active members fly approximately three times more frequently than non-members and accounted for 29.2% of passenger revenues in 2025, representing U.S.$713.0 million of member flown revenue. In the three months ended March 31, 2026, Mabuhay Miles members contributed U.S.$185.0 million of member flown revenue. The program generated U.S.$72.2 million of revenue in 2025 primarily through the sale of miles to banking and commercial partners, flight redemptions and breakage. See "*Business—Mabuhay Miles Frequent Flyer Program*."

We are the Philippines' leading international airline, with an unrivaled non-stop North America franchise.

PAL operates the most extensive international network of any Philippine carrier, serving 40 destinations in 16 countries across North America, Micronesia, the Middle East, Asia and Oceania. For the year ended December 31, 2025 and the three months ended March 31, 2026, PAL held approximately 22% and 23%, respectively, of international passenger traffic in the Philippines as reported by the CAB. See "*Business—Our Route Network*."

Our international franchise extends beyond North America, with strong flight frequencies to key markets across Asia, including four cities in Japan, multiple destinations in Southeast Asia, six cities in Greater China and two cities in Korea, as well as service to the Middle East (Riyadh, Doha and Dubai) and Australasia. Across this network, PAL's route system includes access to 28 Level 3 airports, which are airports where capacity providers have not developed sufficient infrastructure, or where governments have imposed conditions, that make it difficult to meet demand. These include key airports in major international markets such as Suvarnabhumi Airport in Thailand; Soekarno-Hatta International Airport and Ngurah Rai International Airport in Indonesia; Indira Gandhi International Airport in India; Dubai International Airport and Riyadh International Airport in the Middle East; Noi Bai International Airport and Tan Son Nhat International Airport in Vietnam; Narita Airport, Haneda Airport, Kansai International Airport, Chubu Centrair International Airport and Fukuoka Airport in Japan; Incheon Airport and Gimhae International Airport in South Korea; John F. Kennedy International Airport in the United States; Kuala Lumpur International Airport in Malaysia; Melbourne Airport, Perth Airport, Sydney Airport and Brisbane Airport in Australia; Beijing Capital International Airport, Shanghai Pudong International Airport, Xiamen Gaoqi International Airport, Hong Kong International Airport and Taiwan Taoyuan International Airport in Greater China; Singapore Changi Airport in Singapore; and Vancouver International Airport and Goose Bay Airport in Canada.

We believe access to these capacity-constrained airports enhances the strategic value of our network and supports our ability to serve high-demand international routes including our long-haul international routes, particularly to North America, which represent our highest-yield markets. See "*Business—Our Route Network*" and *"Business—Competition*."

We have a structurally lower cost base relative to global long-haul competitors.

Following our restructuring in 2021, PAL has maintained a disciplined approach to cost management while continuing to invest in its network, fleet and customer offering. Since emerging from restructuring, PAL has reported consecutive years of net profitability, with net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million for the years ended December 31, 2023, 2024 and 2025, respectively.

For the year ended December 31, 2025, our cost per available seat kilometer ("**CASK**") was 6.48 U.S. cents and our CASK excluding fuel was 4.48 U.S. cents, while our revenue per available seat kilometer ("**RASK**") was 6.98 U.S. cents, resulting in a positive RASK-CASK spread of 0.49 U.S. cents. For the three months ended March 31, 2026, our RASK was 7.51 U.S. cents and our CASK was 6.66 U.S. cents, resulting in a RASK-CASK spread of 0.85 U.S. cents. Our Combined EBITDAR Margin was 22% for the year ended December 31, 2025 and 26% for the three months ended March 31, 2026. See "*Selected Financial Information and Operating Data—Other Financial Data*."

Our cost structure compares favorably with our principal competitors. For the year ended December 31, 2025, our CASK excluding fuel was broadly in line with other Southeast Asian full-service carriers and materially below the comparable unit costs of the North American carriers with which we compete on our core trans-Pacific routes. We believe this cost advantage underpins our pricing flexibility and supports our ability to protect market share and profitability on our long-haul routes.

We believe our focus on cost discipline, fleet utilization and capacity deployment supports sustainable profitability and cash generation. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Our international network has also helped us compete with domestic carriers by allowing us to tap into connecting traffic flows via Manila. In particular, we are able to capture inbound and outbound traffic between Southeast Asia and North America, leveraging our long-haul network to feed regional and domestic segments. This has enabled greater pricing and capacity flexibility for us relative to low-cost carrier competitors who do not yet have a similar presence on these routes.

We have established an extensive network of strategic partnerships to better serve key domestic and international destinations.

PAL maintains a broad network of airline partnerships that extend our network reach and provide passengers with access to destinations beyond our operated route network. Through codeshare agreements and other commercial arrangements, we are able to offer additional travel options and connectivity across key international markets without directly operating service on every route. See "*Business—Strategic Partnerships*."

As of May 31, 2026, we maintained codeshare agreements with Alaska Airlines, ANA, American Airlines, WestJet, Cathay Pacific and Malaysia Airlines. These partnerships provide connectivity across North America, Japan, Greater China and Southeast Asia and enable passengers to travel on connecting itineraries under a single ticket. Our partnerships with American Airlines, Alaska Airlines and WestJet are particularly important in extending our reach throughout the United States and Canada.

We continue to expand our partnership network. Effective June 1, 2026, PAL expanded its codeshare partnership with Qatar Airways, providing additional connectivity through Doha and reciprocal earning and redemption opportunities between Mabuhay Miles and Qatar Airways' Privilege Club loyalty program. In May 2026, PAL also expanded its frequent flyer partnerships to include a reciprocal arrangement with Qantas Airways, allowing members of Mabuhay Miles to earn and redeem points across both airline networks. See "*Business—Mabuhay Miles Frequent Flyer Program*."

In June 2026, PAL was invited to join the OneWorld alliance. We are expected to achieve full integration as the 16th member no later than December 31, 2027, subject to completion of applicable requirements and integration processes, a milestone that ends decades of alliance independence and represents a significant development to the PAL Group's long-term corporate strategy. Joining oneworld is expected to expand our global footprint without the level of investment typically associated with organic route expansion. By integrating into a unified ecosystem alongside partners like American Airlines, Cathay Pacific, Qatar Airways, and Qantas, we expect to connect our passengers to nearly 1,000 destinations across over 170 territories. PAL's network is also expected to enhance the alliance's connectivity in the Philippines through access to 31 destinations served by PAL, including domestic destinations across the Philippines.

We have a right-sized, diversified fleet and orderbook to support disciplined growth and product enhancement. Further, our structure of leases and ownership give us flexibility to adjust our capacity.

As of March 31, 2026, the PAL Group operated a combined fleet of 83 aircraft, with an average age of approximately 11.4 years. PAL's fleet of 51 aircraft includes 25 widebody aircraft (Boeing 777-300ER, Airbus A350-900, Airbus A350-1000 and Airbus A330-300) for long-haul and medium-haul international routes and 26 narrowbody aircraft (Airbus A321NEO, A321CEO and A320-200) for regional routes. PAL Express operates 33 aircraft, including 22 narrowbody aircraft and 11 turboprop aircraft for domestic operations. See *"—Our Fleet*."

Our widebody fleet supports long-haul operations to North America, the Middle East, Australasia and key Asian destinations, while our narrowbody and turboprop aircraft provide connectivity across regional and domestic markets. This fleet mix enables us to match aircraft size and operating economics to the requirements of different

routes and customer segments, optimizing fleet utilization and operating efficiency. Following our restructuring, we have maintained a disciplined approach to fleet planning and capacity deployment, focusing on aligning fleet composition with network requirements and growth opportunities.

As of May 31, 2026, we had a orderbook comprising 13 Airbus A321NEO aircraft (deliveries 2026-2029) and seven Airbus A350-1000 aircraft (deliveries 2026-2028). The A350-1000 and A321NEO are expected to enhance fuel efficiency, operating economics and passenger amenities. We believe this orderbook supports fleet renewal, enhances operating efficiency and provides capacity to support disciplined growth across our network.

We have adopted a measured approach to fleet growth that is intended to support anticipated long-term demand while maintaining financial and operational flexibility. Our committed aircraft orderbook is phased over several years, allowing us to align fleet expansion with market conditions and our disciplined growth strategy.

In addition, a number of our widebody aircraft, including certain Boeing 777-300ER and Airbus A330-300 aircraft, are subject to operating leases that are scheduled to mature over the next several years. Depending on market conditions, demand and other operational considerations, we have the flexibility to extend these leases, replace such aircraft with new deliveries or allow the leased aircraft to be returned upon lease expiry. Together with our mix of owned, finance leased and operating leased aircraft, this provides us with flexibility to manage fleet capacity, capital commitments and financing requirements in response to changing market conditions.

We have demonstrated financial resilience, liquidity discipline and shareholder support through industry cycles and have transformed our cost structure to support sustainable future profitability.

PAL has successfully navigated periods of significant industry disruption, including the COVID-19 pandemic and subsequent restructuring of its balance sheet. In 2021, PAL completed a Chapter 11 restructuring that eliminated over U.S.$2.1 billion in aircraft-related obligations and enhanced financial flexibility. PAL benefits from a financial and strategic support of its ultimate parent and majority shareholder, the Lucio Tan Family. This support has provided PAL with a stable equity base and access to additional sources of liquidity during periods of industry disruption and economic uncertainty. During PAL's Chapter 11 restructuring process in 2021, its shareholder provided U.S.$255 million in equity contributions and a U.S.$250 million debtor-in-possession financing facility.

Following the restructuring, PAL has reported consecutive years of operating and net profitability, with net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million for the years ended December 31, 2023, 2024 and 2025, respectively. For the three months ended March 31, 2026, revenues increased 9.7% to U.S.$895.7 million from U.S.$816.7 million in the corresponding period of 2025, while net income increased to U.S.$78.5 million from U.S.$76.5 million. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations*."

We maintain a disciplined approach to liquidity management and access a range of financing sources. PAL's primary sources of funding are cash from operating activities, bank loans, asset-backed securities, aircraft sale and leaseback transactions, and equity capital infusion. As of March 31, 2026, PAL's total long-term obligations amounted to U.S.$1.8 billion, comprising U.S.$0.3 billion of long-term debt and U.S.$1.5 billion of lease liabilities. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*."

PAL benefits from established, long-standing relationships with aircraft lessors and financing providers, which have been key to managing the long-term partnership over aircraft lease terms and deliveries, and which support fleet renewal and future growth initiatives. PAL has access to other financing alternatives, including bank loans secured by real estate properties. Our shareholders have demonstrated support through industry cycles, including through equity contributions in connection with the 2021 restructuring.

We seek to mitigate the impact of fuel price volatility through a combination of CAB-approved fuel surcharges (covering approximately 40% of fuel costs, as may be adjusted), pricing adjustments and operational fuel-efficiency initiatives. Our relatively short booking curve, approximately 30 days for domestic flights and 60 days for international flights, provides flexibility to adjust pricing in response to changing market conditions and fuel costs. During periods of disruption, we have demonstrated the ability to optimize routes and prioritize long-haul services to protect profitability.

We have an experienced management team composed of global aviation veterans and seasoned executives with proven track record in executing growth and turnaround initiatives

PAL is led by an experienced executive management team comprising aviation professionals and executives with backgrounds in change management and operational improvement. Our President, Richard T. Nuttall, brings several years of international airline experience, including roles senior commercial positions at various airline companies. Members of the management team played key roles in the execution of PAL's 2021 restructuring and subsequent financial recovery efforts.

We believe the management team's experience and industry knowledge support the PAL Group's ability to execute its long-term strategic priorities, including disciplined growth, operational efficiency initiatives and continued enhancement of the customer experience. A majority of PAL's Board of Directors are independent directors, reflecting PAL's commitment to strong corporate governance practices.

BUSINESS STRATEGIES

Capitalize on the structurally attractive Philippine aviation market

We intend to continue growing our passenger traffic and revenues by leveraging our position as the national flag carrier of the Philippines, our domestic and international route network and our full-service offering. We seek to capture growing demand for air travel across both domestic and international markets through disciplined capacity deployment, network optimization and the selective expansion of services in markets where we identify attractive demand and profitability characteristics.

We intend to continue strengthening connectivity across our network by leveraging our principal hub at NAIA, together with our operations at Mactan-Cebu International Airport. We believe our network footprint and hub structure position us to capture passenger traffic growth across key domestic markets, as well as international travel demand to and from the Philippines. Our strategy is to maintain leading market share of approximately 30% in the domestic market and be at least 50% of the market share of our major competitor.

We also intend to benefit from planned investments in airport infrastructure and capacity enhancements at NAIA following its privatization in September 2024 and transfer of operations to NNIC. We believe these developments may support future growth in passenger traffic and provide opportunities to further develop our domestic and international route network.

In pursuing growth opportunities, we intend to maintain a disciplined approach to capacity additions and route deployment, focusing on markets that we believe offer attractive demand, competitive dynamics and profitability.

Maintain leadership in international markets, with a focus on North America

We intend to maintain and strengthen our position in international markets, with a particular focus on protecting and expanding our non-stop North America network. For the year ended December 31, 2025 and the three months ended March 31, 2026, PAL held approximately 23% and 23%, respectively, of international passenger traffic in the Philippines as reported by the CAB. We believe that we hold leading market shares of between 30% to 60% of traffic between the Philippines and major destinations within the U.S. and Canada; a market share which we believe is even more significant when calculated exclusively for direct flights. Our trans-pacific flights from Manila to North America contributed approximately 35% of our revenue in 2025. Our international network strategy focuses on markets where we believe PAL can leverage its non-stop connectivity, brand recognition and full-service offering to serve both business and leisure travelers.

Our North America network remains a key strategic priority. We intend to continue strengthening our presence in North America through disciplined route development, capacity deployment and network optimization. We plan to commence service to Chicago in November 2026, further expanding our North America network. We believe our non-stop services differentiate our offering from carriers that primarily serve these markets through intermediate hubs.

Beyond North America, we intend to pursue disciplined expansion across Asia, Australasia, Micronesia and the Middle East. We will continue to evaluate opportunities to expand our international network in markets where we identify attractive demand characteristics, competitive dynamics and profitability. We intend to pursue this growth while maintaining a disciplined approach to capacity deployment and route development.

Pursue disciplined capacity growth focused on profitable routes

We intend to continue growing our network through a disciplined approach to capacity deployment, focusing on routes and markets that we believe offer attractive demand characteristics, yield performance and profitability. Since emerging from Chapter 11 in December 2021, we have expanded ASKs from 43,734 million in 2023 to 44,737 million in 2024 and 46,234 million in 2025, while maintaining a focus on profitability and capital discipline.

We intend to continue optimizing our domestic and international route network through selective frequency increases, capacity optimization and targeted route expansion. As of May 31, 2026, our domestic network served 30 cities and towns across the Philippines, while our international network spans North America, Asia, the Middle East and Oceania. We seek to align capacity additions with demonstrated demand and operating performance while maintaining flexibility to respond to changing market conditions.

We will continue to prioritize capacity additions on routes demonstrating strong yield and load factor performance, while selectively expanding into new markets where we identify favorable demand and competitive dynamics. Our launch of Seattle service in October 2024 and planned commencement of Chicago service in November 2026 reflect this approach, focusing on markets where we believe we can leverage our network, brand and existing commercial relationships to support sustainable growth.

Modernize and simplify the fleet to improve operational efficiency and customer experience

We are executing a multi-year fleet modernization strategy designed to improve fuel efficiency, simplify fleet operations, enhance customer experience and support profitable growth. Our aircraft deliveries between 2026 and 2029 will support fleet renewal and capacity growth, while we continue to evaluate longer-term fleet replacement options, including the replacement of our wide-body fleet beginning in 2031.

The Airbus A321NEO and Airbus A350-1000 represent the next generation of aircraft within our fleet and provide improved fuel efficiency, operating economics and passenger amenities compared to older aircraft types. As these aircraft are introduced into service, we intend to continue renewing our fleet, progressively increase the proportion of newer-generation aircraft operating across our network, and evaluate options for the next phase of wide-body fleet renewal.

We also expect fleet renewal to contribute to a more streamlined fleet structure over time, supporting operating efficiency, maintenance planning and aircraft utilization. We believe our fleet modernization program will enhance our ability to compete in both domestic and international markets while supporting long-term profitability and customer experience initiatives.

Enhance premium offering and optimize fleet configuration to support profitable growth

We intend to continue enhancing our premium passenger offering through investments in cabin products and customer experience initiatives. As a full-service carrier, we offer differentiated products across our premium cabins and seek to attract both business and leisure travelers on domestic and international routes. Our fleet modernization program includes cabin enhancements, such as the relaunching of our Premium Economy product on the Airbus A350-1000 and the retrofit of certain aircraft to improve passenger amenities and consistency across the fleet. We are also enhancing our Mabuhay Lounge facilities to provide an improved premium experience for eligible passengers.

We also continue to evaluate opportunities to optimize aircraft configurations across our fleet, including adjustments to seating layouts and greater harmonization of cabin configurations. We believe these initiatives may increase capacity on selected routes, improve fleet utilization and support operating efficiency while maintaining our customer service standards.

Deepen customer loyalty and diversify revenue streams

We are focused on deepening customer engagement through our Mabuhay Miles loyalty program and expanding ancillary and non-ticket revenue streams to enhance earnings diversification and strengthen customer retention. Mabuhay Miles had approximately 6.9 million members as of May 31, 2026, with total membership growing at a compound annual growth rate of 8.4% from 2023 to 2025 and active members growing at a CAGR of 22% over the same period. Active members fly approximately three times more frequently than non-members and accounted for 29.2% of passenger revenues in 2025, demonstrating the importance of the program in driving repeat travel

and revenue generation from our most engaged customers. See "*Business—Mabuhay Miles Frequent Flyer Program*."

The Mabuhay Miles program generated U.S.$72.2 million of revenue in 2025 and U.S.$12.7 million of revenue in the three months ended March 31, 2026. We believe the Mabuhay Miles program has significant embedded value, driven by its growing membership base, strong member engagement and favorable working capital dynamics, as the program receives cash inflows from the sale of miles to partner banks and commercial partners in advance of the cash outflows corresponding to redemption. We continue to expand the program's partnership ecosystem, including our principal banking relationship with Philippine National Bank through the PNB Mabuhay Miles Cobrand credit card portfolio, as well as partnerships with retail, hospitality, transportation and other commercial partners in the Philippines and overseas. In May 2026, we expanded our frequent flyer partnerships to include reciprocal arrangements with Qatar Airways and Qantas Airways , enabling reciprocal earning and redemption opportunities and broadening the program's relevance for international travelers. In 2025, 66% of earned miles were redeemed by members, representing a 23% increase year-on-year, reflecting strong member engagement and utilization. See "*Business—Strategic Partnerships*."

As part of PAL's invitation to become a future member of the oneworld Alliance, we expect to further integrate the Mabuhay Miles program with the broader oneworld network. Passengers are expected to benefit from reciprocal earning and redemption opportunities across oneworld member airlines. In addition, eligible elite-status members and premium-cabin passengers are expected to receive alliance benefits, including priority check-in, baggage handling services and access to airport lounges across the oneworld network, enhancing PAL's customer offering and loyalty proposition.

We also intend to continue expanding our ancillary revenue platform. Ancillary revenue totaled U.S.$301.2 million in 2025, representing a 24.9% increase from U.S.$241.2 million in 2024 and 9.3% of total operating revenue. Our ancillary product offering includes seat selection, class upgrades, excess and prepaid baggage, travel insurance and other passenger services. We continue to identify opportunities to increase ancillary revenue per passenger through enhanced digital merchandising, dynamic pricing, expanded product availability and the introduction of new products and services, including our *FurPAL* in-cabin pet travel service launched in 2026. See "*Business—Passenger Operations*."

Maintain financial discipline and balance sheet resilience

We intend to maintain a disciplined financial framework that supports profitability, liquidity and long-term financial flexibility. Following our Chapter 11 restructuring in 2021, we have focused on maintaining a sustainable capital structure, disciplined capacity growth and prudent capital allocation.

A key component of our financial strategy is to maintain healthy capital ratios and strong liquidity. In line with this objective, the PAL Group is targeting to keep its Debt to EBITDA ratio to not more than 3.5:1 as well as a liquidity target of a minimum cash balance equal to 15% of revenues, providing flexibility to manage industry cyclicality and unexpected disruptions. As of March 31, 2026, APC and PAL's Combined Net Debt-to-EBITDAR was 1.5x and PAL had cash and cash equivalents of U.S.$614.8 million. We also maintain access to multiple financing channels, including aircraft financing, asset-backed securities, bank facilities and leasing markets. As of May 31, 2026, our cash and cash equivalents, together with available committed facilities, represented approximately 20% of revenues, in excess of our internal minimum liquidity target of 15% of revenues.

We intend to continue prioritizing reinvestment of operating cash flows into fleet renewal, network development and customer experience initiatives while maintaining a disciplined approach to capital allocation. Our aircraft orderbook provides visibility into future capital requirements, while our mix of owned and leased aircraft provides flexibility in financing and capital deployment. We believe these investments will enhance operating efficiency, strengthen our competitive position and support long-term growth. Our current business plan does not anticipate any mergers or acquisitions. No dividends have been paid out historically, as our primary objective is to reinvest excess cash flow in the business and de-lever, while maintaining sufficient liquidity.

RECENT DEVELOPMENTS

Impact of the Middle East Conflict

Beginning February 28, 2026, the conflict in the Middle East resulted in widespread airspace closures across multiple countries in the region, causing significant disruptions to global aviation. PAL suspended all scheduled

commercial flights to its three Middle East destinations (Dubai, Doha, and Riyadh) effective on the same date. Flights to these destinations accounted for approximately 8% of PAL's revenue and 11% of PAL's total capacity for the year ended December 31, 2025. During the suspension, PAL conducted government-sponsored repatriation flights for OFWs stranded in the region. PAL resumed commercial flights to Riyadh on April 10, 2026, while operations to Dubai and Doha remain under review.

The conflict has introduced significant volatility into global energy markets and contributed to increases in jet fuel prices. As fuel is one of PAL's largest operating expenses, these price fluctuations may impact PAL's margins. In addition, the conflict may also result in shortage of jet fuel supply, alter travel demand, drive inflation and cause other disruptions. See "*Risk Factors—Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition*."

In order to mitigate the impact of the conflict to PAL's operations and financial results, PAL has implemented the following:

- We have diversified fuel sourcing and have been able to secure fuel supply based on our regular monthly fuel procurement cycle for our domestic and international operations through August 2026.

- We have implemented structural fare increases of about 20% to 25% and fuel surcharges to partially cover fuel cost surge. While the fare increases were immediately implemented in March, the actual impact on overall average fare increase was lower at 10% due to the significant forward bookings especially on our regional and long haul routes. During the period March to May 2026, our revenues increased by 9% over the same period in 2025. In response to the current conflict, the CAB adopted a 15-day monitoring and implementation cycle for fuel surcharges, replacing the previous one-month cycle, to allow faster response to market changes which took effect on April 1, 2026.

- We have implemented capacity reductions to align with the demand environment. From March 2026 to the end of May 2026, we have reduced our capacity by approximately 9% from our published schedules principally arising from suspensions in our Middle East flights, reduced flights to and from Australia and suspension and/or reduction of various domestic routes outside Manila, including consolidation of flights with multiple daily frequencies. Our North American capacity has largely been unchanged.

	March-to-May 2026 vs Schedule			
	Flight Count	% Var	ASK (m)	% Var
North America	0	0%	16	0.3%
North Asia	(66)	(1.6%)	91	4.8%
ASEAN+Micronesia	(76)	(2.5%)	75	5.2%
Australasia	(39)	(5.9%)	(51)	(5.7%)
Middle East	(458)	(84.8%)	(1,187)	(83.7%)
Domestic	(1,170)	(5.3%)	(87)	(4.3%)
Total	**(1.809)**	**(5.7%)**	**(1.143)**	**(9.3%)**

- We have also put in place various cost control measures across the organization while continuing to uphold safety and operational reliability. Over the period of March to June 2026, we are expecting to deliver operating cost savings of approximately U.S.$57 million from reduced fuel consumption and other direct variable costs, reduced general and administrative expenses and manpower cost savings driven by the implementation of hiring freeze and deferral of promotions and salary adjustments as well as non-essential training.

- We have deferred capital expenditures of about U.S.$89 million in 2026 from reduced fleet maintenance capex aligned with the lower flying activities and a de-prioritization of non-critical projects, IT investments and facility improvements.

- We have secured an incremental U.S.$200 million top up on our existing U.S. dollar asset-backed securities facility from a counterparty bank. This facility will be secured by current and future collections from passenger sales made in the United States through designated credit card companies As of May 31, 2026, we have not drawn on this facility and it will be available for us to augment our liquidity. In addition, we have undrawn committed PDP facilities amounting to U.S.$81 million and an unsecured U.S.$35 million working capital facility as of May 31, 2026.

Lease with New NAIA Infra Corp.

On April 1, 2026, PAL entered into a long-term lease with NNIC, a consortium led by San Miguel Corporation, for property located within the MacroAsia Special Economic Zone in Villamor Airbase, Pasay City. The property, which comprises approximately 99,362 square meters, will primarily be used for APC's line maintenance activities. The long-term ground property lease agreement with related right-of-use assets and lease liabilities amounting to U.S.$138.2 million will be reflected in PAL's balance sheet beginning April 1, 2026. See "*Risk Factors—We are highly dependent on our hub at NAIA in Manila, and we confront particular structural challenges at NAIA due to infrastructure limitations and ongoing privatization*."

Inaugural Credit Ratings

In March and May 2026 Moody's and Fitch assigned first-time credit ratings of Ba2 and BB, respectively, to PAL, both with a "Stable" outlook. Key factors cited by the rating agencies in support of the ratings included PAL's position as the Philippines' national flag carrier with steady domestic and international market share, PAL's stable competitive position in a largely duopolistic Philippine aviation market, favorable demand fundamentals for air transport in the Philippines, sustained improvement in cost and capital structure following PAL's 2021 restructuring, prudent approach towards fleet expansion by an experienced management team, and the support of PAL's shareholder.

Invitation to Join oneworld Alliance

In June 2026, PAL received an invitation to join oneworld, a global airline alliance comprising leading international carriers. PAL is expected to become the alliance's 16th member, subject to the completion of applicable membership requirements and integration processes no later than December 31, 2027.

Upon completion of the integration process, PAL's customers are expected to benefit from reciprocal loyalty program arrangements, access to alliance-wide customer benefits and enhanced connectivity through the networks of oneworld member airlines. In addition, oneworld status holders and business class passengers of other oneworld airlines are expected to have access to PAL lounges. The invitation to join oneworld is also expected to expand PAL's participation in alliance-based commercial and customer initiatives with existing and future alliance partners.

PAL has commenced preparations for integration into the alliance and expects to continue working with oneworld and its member airlines in connection with the membership process.

Independent Appraisal of Route System

mba Aviation, an independent aviation appraisal and consulting firm, completed an appraisal of PAL's route system, concluding a value of approximately U.S.$3.73 billion as of June 24, 2026 and delivered a report summarizing their appraisal dated June 29, 2026. The report summarizing the appraisal is annexed to this Offering Memorandum as Appendix I and is subject to the statement of assumptions and limiting conditions set out therein. The appraisal was prepared on an "Owner's Value" standard of value and a "Going Concern" premise, using a discounted cash flow analysis under the income approach. The appraisal reflects the operational route authorities, including the takeoff and landing slots and other licenses owned by us that are required to operate those route authorities. The route system does not form part of the Collateral securing the Notes and any proceeds, if any, will, upon liquidation or other disposition, not be available exclusively to Holders of the Notes.

The appraisal is only an estimate of value and is not a guarantee of present or future value; it does not necessarily indicate the price at which the appraised assets could be purchased or sold in the market if at all. The transfer or other disposition of any or all routes may be subject to approval of governmental and/or airport authorities, and it may not be possible to transfer or otherwise dispose of any or all of the route system. As such, the appraisal may not be meaningful in a realization scenario. In addition, one appraiser may reach a conclusion materially different from that of another appraiser with respect to the same assets. The valuation was prepared on a going concern

basis and is highly dependent on numerous assumptions, including as to macroeconomic, regulatory, political, competitive and industry conditions, fuel prices, and projected passenger traffic and yields, as well as on historical and forecast financial and operating data provided by us, which mba Aviation accepted without independent verification and in respect of which it expressed no assurance. The valuation was developed assuming that key factors affecting the route system, such as the economic, regulatory, competitive and political environments, and general airline industry conditions, including demand and capacity for international air travel, the impact of open skies agreements and similar bilateral agreements, airport and terminal expansions and other governmental actions, do not materially change. If any of these assumptions proves inaccurate, or if any such key factors change, the value of the route system could differ materially from the appraised value. As a result of the foregoing, you should give due consideration to risks described herein in evaluating, and should not unduly rely upon, the valuation ascribed by the appraisal to the route system in determining whether to invest in the Notes. For more information, see the report summarizing the appraisal annexed to this Offering Memorandum as Appendix I.

Issuer's Information

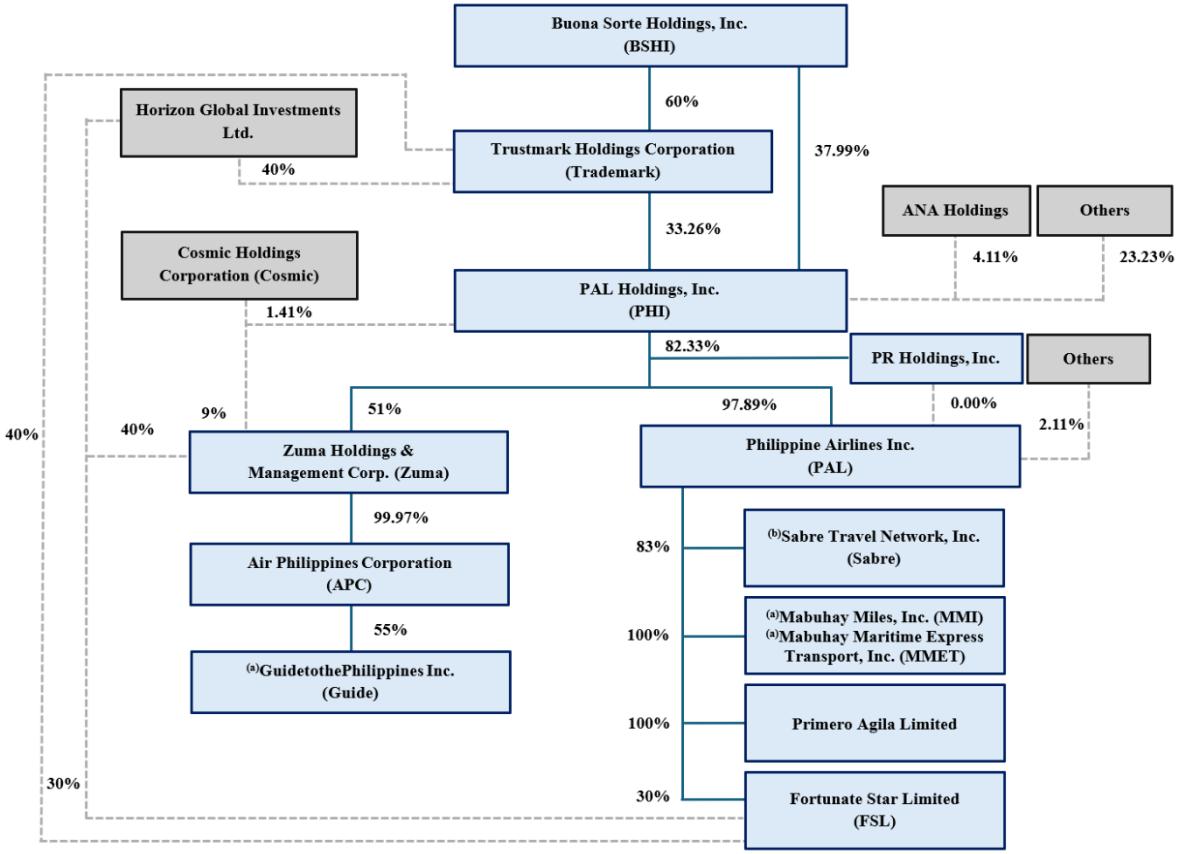
The Issuer is an exempted company incorporated with limited liability under the laws of the Cayman Islands. The Issuer's registered office is located at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands, and its telephone number at that address is +1 345 949 8066.

Guarantors' Information

PAL and APC are Philippine corporations with their registered offices located at Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Ave., Pasay City, Metro Manila, Philippines and R-1 Hangar, APC Gate 1, Andrews Avenue, Nichols, Pasay City, Philippines, respectively. PAL's and APC's corporate website is https://www.philippineairlines.com/. The information on the website is not incorporated by reference into this Offering Memorandum.

Our Corporate Structure

The diagram below sets forth the material operating companies in our corporate structure as of the date of this Offering Memorandum.



Notes:
(a) GuidetothePhilippines, Inc., MMI, and MMET are non-operational companies as of the date of this Offering Memorandum.
(b) For the year ended December 31, 2025, Sabre's revenues of U.S.$1.7 million and net income of U.S.$0.7 million accounted for 0.1% and 0.4% of PAL's revenues and net income, respectively. As of December 31, 2025, Sabre's total assets of U.S.$4.5 million represented 0.12% of PAL's total assets. Amounts presented are based on the financial statements of Sabre which are in Philippine Peso, and converted to U.S. dollars using the BSP Rate on March 31, 2026 of U.S.$1.00 to ₱60.74.

SUMMARY OF THE OFFERING

The following is a general summary of the terms of the Notes. This summary is derived from and should be read in conjunction with the full text of the section "Description of the Notes" and the Indenture relating to the Notes. The section "Description of the Notes" and the Indenture prevail to the extent of any inconsistency with the terms set out in this section. Capitalized terms used but not defined in this section have the meanings ascribed to them in the section "Description of the Notes."

Issuer	Primero Agila Limited (Legal Entity Identifier: 254900WJBIMD6A73JF42)
Topco Guarantors	PAL and APC
Subsidiary Guarantors	Future material subsidiaries of PAL and future material subsidiaries of APC. On the Original Issue Date, there will be no Subsidiary Guarantors.
Notes Offered	U.S.$300,000,000 of 7.75% Senior Notes due 2031.
Issue Price	98.986%
Maturity Date	July 16, 2031.
Interest	7.75% per annum, payable semi-annually in arrears on each January 16 and July 16, commencing on January 16, 2027.
Ranking of the Notes	The Notes will: • be general obligations of the Issuer; • be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes; • rank at least *pari passu* in right of payment with all unsecured and unsubordinated obligations of the Issuer (subject to any priority rights of such unsecured unsubordinated obligations pursuant to applicable law); • be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described below under the caption "*Description of the Notes — The Guarantees*" and in "*Risk Factors — Risk Factors – Risks Relating to the Notes, the Guarantees and this Offering* "; • be effectively subordinated to any secured obligations of the Issuer to the extent of the value of the assets serving as security therefor (other than the Collateral); • be effectively subordinated to all existing and future obligations of any other Subsidiaries of the Topco Guarantors that are not Subsidiary Guarantors as to the assets of such other Subsidiaries; and • be secured by the Collateral (subject to Permitted Liens) as described below under "*Description of the Notes — Security*."
Ranking of the Topco Guarantee	The Topco Guarantee of each Topco Guarantor will: • be a general obligation of such Topco Guarantor; • be effectively subordinated to secured obligations of such Topco Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);

	• be senior in right of payment to all future obligations of such Topco Guarantor expressly subordinated in right of payment to such Topco Guarantee; • rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Topco Guarantor (subject to any priority rights of such unsubordinated obligations pursuant to applicable law); • be effectively subordinated to all existing and future obligations of any Subsidiaries of such Topco Guarantor that are not Subsidiary Guarantors; and • be secured by the Collateral (subject to Permitted Liens) as described below under "*Description of the Notes — Security*."
Ranking of the Subsidiary Guarantees	The Subsidiary Guarantee of each Subsidiary Guarantor will: • be a general obligation of such Subsidiary Guarantor; • be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral); • be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee; • rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and • be secured by the Collateral as described below under "*Description of the Notes — Security*."
Collateral	The obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture will be secured on a first priority basis (subject to Permitted Liens) by a security interest granted by the Issuer over all of its rights in the Interest Reserve Account. See ''*Description of the Notes – Interest Reserve Account*."
Use of Proceeds	The Issuer will use the net proceeds from the sale of the Notes in the manner specified under "*Use of Proceeds.*"
Additional Amounts	All payments of principal of and premium (if any) and interest on the Notes and all payments under the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any Relevant Jurisdiction (as defined under "*Description of the Notes — Additional Amounts*"), unless such withholding or deduction is required by law, by regulation or governmental policy having the force of law or by the interpretation or administration thereof. In the event that any such withholding or deduction is so required, the Issuer, a Surviving Person or the applicable Guarantor, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts as will result in receipt by the Holder of each Note of such amounts payable under the Notes or the Guarantees as would have been received by such Holder had no such

withholding or deduction been required. See "*Description of the Notes—Additional Amounts.*"

Redemption for Taxation Reasons

The Issuer, any Topco Guarantor or a Surviving Person may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount of the Notes outstanding plus accrued and unpaid interest, if any, to the redemption date, upon the occurrence of certain changes in applicable tax law. See "*Description of the Notes—Redemption for Changes in Taxes.*"

Optional Redemption

At any time on or after July 16, 2028, the Issuer may redeem the Notes, in whole or in part, at the redemption prices equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the 12-month period commencing on July 16 of any year set forth below:

Period	Price
2028	103.875%
2029	101.938%
2030	100%

At any time prior to July 16, 2028, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock (or options, warrants or rights relating to Common Stock) of PAL in an Equity Offering at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding Notes held by PAL and its Affiliates) remains outstanding after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

At any time prior to July 16, 2028, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible or liable for calculating or verifying the Applicable Premium.

Repurchase of Notes upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event, the Issuer or a Topco Guarantor will make an Offer to Purchase all outstanding Notes at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date. See "*Description of the Notes — Repurchase of Notes upon a Change of Control Triggering Event*."

Certain Covenants

The Indenture will limit the ability of the Issuer, the Topco Guarantors and the restricted subsidiaries to, among other things:

- incur additional Indebtedness and issue preferred stock;
- make investments or other specified restricted payments;
- enter into agreements that restrict the restricted subsidiaries' ability to pay dividends and transfer assets or make intercompany loans;
- issue or sell capital stock of restricted subsidiaries;

	• issue guarantees by restricted subsidiaries; • enter into transactions with equity holders or affiliates; • create any lien; • enter into sale and leaseback transactions; • sell assets; • engage in different business activities; and • effect a consolidation or merger. These covenants will be subject to important exceptions and qualifications. For a detailed description of the Notes, see "*Description of Notes*." See also "*Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering*."
Transfer Restrictions	We have not registered the Notes under the Securities Act or any state or other securities laws. The Notes are subject to restrictions on transfer and may only be offered or sold in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions.*"
Form, Denomination and Registration	The Notes will be issued only in fully registered form, without coupons, in minimum denominations of U.S.$200,000 of principal amount and integral multiples of U.S.$1,000 in excess thereof and will be initially represented by one or more global notes registered in the name of a nominee of The Depository Trust Company ("**DTC**").
Book-Entry Only	The Notes will be issued in book-entry form only through DTC for the accounts of its participants (persons that have accounts with DTC, "**participants**") including Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). For a description of certain factors relating to clearance and settlement, see "*Description of the Notes – Book-Entry; Delivery and Form*".
Delivery of the Notes	The Issuer expects to make delivery of the Notes, against payment in same-day funds, on or about July 16, 2026, which the Company expects will be the seventh business day following the date of this Offering Memorandum. Such settlement timing is referred to as "T+7." You should note that initial trading of the Notes may be affected by the T+7 settlement. See "*Plan of Distribution.*"
Trustee	The Bank of New York Mellon
Collateral Agent	The Bank of New York Mellon
Principal Paying Agent and Transfer Agent	The Bank of New York Mellon
Registrar	The Bank of New York Mellon
Listing	Approval in-principle has been obtained from the SGX-ST for the listing of and quotation for the Notes on the Official List of the SGX-ST. The Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) for so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, in the event that a Global Note is exchanged for definitive Notes. In addition, in the event that a Global Note is exchanged for definitive Notes, an

	announcement of such exchange will be made by the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.
Governing Law	The Notes and the Indenture will be governed by and construed in accordance with the laws of the State of New York. For governing laws of the Collateral, please see "*Description of the Notes.*"
Risk Factors	You should carefully consider the information under the caption "*Risk Factors*" and the other information included in this Offering Memorandum before deciding whether to invest in the Notes.
Ratings	The Notes are rated "Ba2" by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") and "BB" by Fitch Ratings Ltd. ("**Fitch**"). The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. See "*Risk Factors – Risks Relating to the Notes, the Guarantees and this Offering - The ratings assigned to the Notes may be lowered or withdrawn entirely in the future*.
Security Codes	**Rule 144A:** CUSIP Number: 74168A AA8 ISIN: US74168AAA88 Common code: 343076827 **Regulation S:** CUSIP Number: G7261A AA7 ISIN: USG7261AAA72 Common code: 343076746

SUMMARY OF FINANCIAL INFORMATION AND OPERATING DATA

Unless otherwise stated or the context requires otherwise, the financial information as of and for the years ended December 31, 2023, 2024 and 2025 appearing in this Offering Memorandum is derived from the financial information appearing in the Audited Financial Statements, and the financial information as of March 31, 2026 and for the three months ended March 31, 2025 and 2026 appearing in this Offering Memorandum is derived from the financial information appearing in the Unaudited Interim Financial Statements. The Audited Financial Statements have been prepared in accordance with PFRS, and the Unaudited Interim Financial Statements have been reviewed by SGV & Co. in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." The selected financial information presented below should be read in conjunction with the Financial Statements and the notes related thereto included elsewhere in this Offering Memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The financial statements of PAL have been prepared and presented on a consolidated basis in accordance with PFRS, and the financial statements of APC have been prepared and presented on a standalone basis in accordance with PFRS. PFRS differs in certain material respects from IFRS. Potential investors should consult their own professional advisers for an understanding of the differences between PFRS and IFRS, and how those differences could affect the financial information contained in this Offering Memorandum. The information below should not be taken as an indication of future results of operations or financial condition. Interim financial information should not be taken as an indication of the expected financial condition or results of operations for the relevant full financial year.

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on March 31, 2026 of U.S.$1.00 to ₱60.74.

PAL

Consolidated Statements of Comprehensive Income

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
	U.S.$	U.S.$	*(in million)* U.S.$	U.S.$	U.S.$
REVENUE					
Passenger	2,870.3	2,702.7	2,728.1	698.6	759.6
Cargo	142.7	159.7	165.0	35.3	43.2
Ancillary	207.6	241.2	301.2	75.1	83.6
Others	29.7	30.5	30.9	7.7	9.3
Total Revenue	**3,250.3**	**3,134.1**	**3,225.2**	**816.7**	**895.7**
EXPENSES					
Flying operations	1,544.9	1,624.5	1,655.0	409.6	447.1
Maintenance	379.9	365.3	398.1	95.5	111.5
Aircraft and traffic servicing	280.0	313.3	367.6	88.2	90.8
Passenger service	211.8	223.4	234.5	59.1	60.2
Reservation and sales	196.6	238.8	250.6	65.2	61.4
General and administrative	136.1	54.5	91.4	23.7	22.8
Total Expenses	**2,749.2**	**2,819.8**	**2,997.2**	**741.3**	**793.8**
OTHER INCOME (CHARGES) - Net					
Financing charges	(153.8)	(123.0)	(106.5)	(25.7)	(30.9)
Share in net income of an associate					0.4
Other income (charges) - net	44.7	(23.8)	58.9	36.9	6.6
Total Other Income (Charges)	**(109.1)**	**(146.8)**	**(47.6)**	**11.2**	**(23.9)**
INCOME BEFORE INCOME TAX	**392.0**	**167.5**	**180.3**	**86.7**	**78.0**
INCOME TAX BENEFIT	**(5.5)**	**(20.1)**	**(17.3)**	**(10.2)**	**0.5**

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
(EXPENSE)					
NET INCOME	**386.5**	**147.4**	**163.1**	**76.5**	**78.5**
OTHER COMPREHENSIVE INCOME (LOSS)					
Other comprehensive income (loss), net of deferred income tax effect	(7.5)	3.7	(2.7)	0.2	0.0
TOTAL COMPREHENSIVE INCOME	**379.0**	**151.1**	**160.4**	**76.7**	**78.6**
Net income attributable to:					
Equity holders of the Parent Company	383.7	142.9	160.3	73.7	78.5
Non-controlling interests	2.8	4.5	2.8	2.8	-
Total comprehensive income attributable to:					
Equity holders of the Parent Company	376.2	146.6	157.6	74.0	78.6
Non-controlling interests	2.8	4.5	2.8	2.8	-

Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)
		(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$
ASSETS				
Current Assets				
Cash and cash equivalents	423.9	387.0	431.4	614.8
Short-term investments	309.4			
Receivables	544.2	424.4	157.7	207.3
Expendable parts, fuel, materials and supplies	75.5	83.1	89.2	93.3
Other current assets	153.7	176.5	149.1	140.3
Total Current Assets	**1,506.7**	**1,071.0**	**827.4**	**1,055.7**
Noncurrent Assets				
Property and equipment				
At cost	2,144.2	2,265.8	2,616.7	2,744.7
At appraised values	18.8	18.0	15.1	14.3
Investment in an associate	–	–	54.1	54.6
Deferred income tax assets	95.8	81.2	72.3	75.3
Other noncurrent assets	244.1	265.3	298.5	318.7
Total Noncurrent Assets	**2,502.9**	**2,630.3**	**3,056.7**	**3,207.6**
TOTAL ASSETS	**4,009.6**	**3,701.3**	**3,884.1**	**4,263.3**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	722.7	579.6	528.9	619.0
Unearned transportation revenue	497.0	485.0	425.4	499.2
Current portion of long-term obligations	467.7	406.4	443.3	452.5
Total Current Liabilities	**1,687.4**	**1,470.9**	**1,397.7**	**1,570.6**
Noncurrent Liabilities				
Long-term obligations - net of current portion	1,273.1	980.5	1,242.7	1,367.9
Accrued employee benefits	261.2	262.3	273.1	270.7

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)
		(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$
Reserves and other noncurrent liabilities	146.9	202.1	185.5	190.5
Total Noncurrent Liabilities	**1,681.1**	**1,444.9**	**1,701.3**	1,829.1
Total Liabilities	**3,368.5**	**2,915.8**	**3,099.0**	3,399.7
Equity				
Capital stock	34.9	34.9	34.9	34.9
Capital in excess of par	529.5	529.5	529.5	529.5
Other equity reserves	27.0	27.0	26.3	26.3
Other comprehensive loss	(13.8)	(12.8)	(17.7)	(17.7)
Retained earnings (deficit)	(116.4)	29.2	211.4	289.9
Equity Attributable to Equity Holders of Parent	461.3	607.9	784.4	863.0
Non-controlling interests	179.9	177.6	0.7	0.7
Total Equity	**641.1**	**785.5**	**785.1**	**863.6**
TOTAL LIABILITIES AND EQUITY	**4,009.6**	**3,701.3**	**3,884.1**	**4,263.3**

Consolidated Statements of Cash Flows

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(*in million*)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Net cash from (used in) operating activities	883.4	493.0	573.7	169.1	277.0
Net cash from (used in) investing activities	(279.6)	(75.2)	(447.5)	(118.2)	(40.0)
Net cash from (used in) financing activities	(501.0)	(448.1)	(83.8)	(26.2)	(49.2)
Net increase (decrease) in cash and cash equivalents	100.6	(36.8)	44.4	26.8	183.3
Cash and cash equivalents at the beginning of year/period	323.3	423.9	387.0	387.0	431.4
Cash and cash equivalents at the end of year/period	423.9	387.0	431.4	413.8	614.8

APC

Statement of Comprehensive Income

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
REVENUE							
Transportation revenue	7,960.2	9,817.4	11,738.8	193.3	2,618.6	3,099.9	51.0
Others	5.5	9.7	13.2	0.2	2.0	2.9	0.05
Total Revenue	**7,965.6**	**9,827.0**	**11,752.0**	**193.5**	**2,620.5**	**3,102.8**	**51.1**
EXPENSES							
Flying operations	3,788.8	4,459.4	4,338.7	71.4	1,030.1	1,244.4	20.5
Maintenance	1,098.5	1,677.4	2,342.9	38.6	504.9	516.8	8.5
Aircraft and traffic servicing	1,049.7	1,642.6	1,699.3	28.0	303.3	487.9	8.0
Passenger service	584.2	808.6	794.1	13.1	184.2	174.2	2.9
General and administrative	455.7	634.1	964.1	15.9	191.3	187.7	3.1

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Total Expenses	**6,976.9**	**9,222.2**	**10,139.2**	**166.9**	**2,213.9**	**2,611.0**	**43.0**
OTHER INCOME (CHARGES) - Net							
Financing income	13.7	24.5	19.8	0.3	5.6	0.5	0.01
Financing charges	(608.8)	(658.8)	(535.2)	(8.8)	(142.7)	(150.1)	(2.5)
Equity in net losses of a subsidiary	(10.3)	(3.5)	(0.2)	(0.003)	0.9	-	-
Others income (charges) – net	(241.3)	(100.6)	(133.4)	(2.2)	39.4	(301.3)	(5.0)
	(846.8)	**(738.4)**	**(648.9)**	**(10.7)**	**(96.9)**	**(450.9)**	**(7.4)**
INCOME (LOSS) BEFORE INCOME TAX	**141.9**	**(133.5)**	**963.8**	**15.9**	**309.7**	**40.8**	**0.7**
INCOME TAX EXPENSE	**(178.6)**	**(170.7)**	**(244.2)**	**(4.0)**	**55.7**	**83.6**	**1.4**
NET INCOME (LOSS)	**(36.7)**	**(304.2)**	**719.6**	**11.8**	**254.0**	**(42.8)**	**(0.7)**
OTHER COMPREHENSIVE INCOME (LOSS)							
Remeasurement gain (loss) on defined benefit obligation	(175.2)	(31.6)	416.7	6.9	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(211.9)**	**(335.8)**	**1,136.3**	**18.7**	**254.0**	**(42.8)**	**(0.7)**

Statements of Financial Position

	As of December 31,				As of March 31,	
	2023	2024	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	
				(in million)		
	₱	₱	₱	U.S.$	₱	U.S.$
ASSETS						
Current Assets						
Cash and cash equivalents	704.4	822.6	561.2	9.2	462.5	7.6
Short-term investments	-	23.1	64.7	1.1	123.0	2.0
Receivables	1,259.2	871.0	975.0	16.1	1,368.2	22.5
Expendable parts, materials and supplies	787.1	1,144.0	1,406.6	23.2	1,639.7	27.0
Other current assets	510.4	773.1	778.6	12.8	835.0	13.7
Total Current Assets	**3,261.1**	**3,633.8**	**3,786.1**	**62.3**	4,428.4	72.9
Noncurrent Assets						
Property and equipment	5,503.4	5,638.9	6,717.7	110.6	7,949.1	130.9
Investment in a subsidiary	3.7	0.2	–	–	–	–
Other noncurrent assets	1,098.1	1,134.4	1,081.9	17.8	1,071.6	17.6
Total Noncurrent Assets	**6,605.2**	**6,773.4**	**7,799.6**	**128.4**	9,020.7	148.5
TOTAL ASSETS	**9,866.3**	**10,407.2**	**11,585.7**	**190.7**	13,449.1	221.4
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	1,794.7	1,537.7	1,628.8	26.8	2,002.2	33.0
Current portion of lease liabilities	1,708.1	1,657.5	1,888.8	31.1	2,050.5	33.8
Total Current Liabilities	**3,502.8**	**3,195.1**	**3,517.6**	**57.9**	4,052.7	66.7
Noncurrent Liabilities						
Lease liabilities - net of current portion	4,525.9	4,669.5	4,642.4	76.4	5,965.2	98.2
Asset restoration obligation	13.2	13.2	–	–	–	–

	As of December 31,				As of March 31,	
	2023	2024	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	
			(in million)			
	₱	₱	₱	U.S.$	₱	U.S.$
Accrued employee benefits	590.7	1,631.4	1,391.4	22.9	1,439.7	23.7
Total Noncurrent Liabilities	**5,129.8**	**6,314.1**	**6,033.8**	**99.3**	7,404.9	121.9
Total Liabilities	**8,632.5**	**9,509.2**	**9,551.5**	**157.3**	11,457.6	188.6
Equity						
Capital stock	71.8	71.8	71.8	1.2	71.8	1.2
Additional paid-in capital	1,121.7	1,121.7	1,121.7	18.5	1,121.7	18.5
Accumulated remeasurements on defined benefit obligation	(80.1)	(111.7)	305.0	5.0	305.0	5.0
Retained earnings (deficit)	120.4	(183.8)	535.8	8.8	493.0	8.1
Total Equity	**1,233.8**	**898.0**	**2,034.3**	**33.5**	1,991.5	32.8
TOTAL LIABILITIES AND EQUITY	**9,866.3**	**10,407.2**	**11,585.7**	**190.7**	13,449.1	221.4

Statements of Cash Flows

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net cash from (used in) operating activities	2,735.8	2,855.4	3,163.9	52.1	729.8	753.0	12.4
Net cash from (used in) investing activities	(11.7)	(317.2)	(1,052.8)	(17.3)	(108.8)	(146.0)	(2.4)
Net cash from (used in) financing activities	(2,247.2)	(2,431.0)	(2,377.3)	(39.1)	(594.9)	(695.2)	(11.4)
Net increase (decrease) in cash and cash equivalents	460.9	118.2	(261.4)	(4.3)	23.9	(98.7)	(1.6)
Cash and cash equivalents at the beginning of year/period	243.5	704.4	822.6	13.5	822.6	561.2	9.2
Cash and cash equivalents at the end of year/period	704.4	822.6	561.2	9.2	846.5	462.5	7.6

OTHER FINANCIAL DATA

Set out below are certain performance indicators that PAL and APC utilize in period-to-period analysis and comparison of financial data.

	As of and for the years ended December 31,			For the three months ended March 31,		As of and for the twleve months ended March 31,
	2023	2024	2025	2025	2026	2026
PAL EBITDA[2] (U.S.$ millions	798.7	644.6	650.0	204.0	218.6	664.6[1]
APC Adjusted EBITDA[3] (U.S.$ millions)	35.6	27.2	44.6	10.8	15.1	48.9[1]
Combined EBITDA[4] (U.S. $ millions)	834.3	671.8	694.6	214.8	233.7	713.5[1]
PAL EBITDAR[5] (U.S.$ millions)	833.8	728.4	708.5	219.1	226.9	716.3[1]
APC Adjusted EBITDAR[6] (U.S.$ millions)	35.6	27.2	44.6	10.8	15.1	48.9[1]
Combined EBITDAR[7] (U.S. $ millions)	869.4	755.6	753.1	229.9	242.0	765.2[1]
Combined EBITDAR Margin[8]	26%	23%	22%	27%	26%	26%
PAL Adjusted Debt[9]	1,710.4	1,372.8	1,615.4	-	-	1,749.3
APC Adjusted Debt[10]	-	-	-	-	-	-
Combined Total Debt[11]	1,710.4	1,372.8	1,615.4	-	-	1,749.3

	As of and for the years ended December 31,			For the three months ended March 31,		As of and for the twleve months ended March 31,
	2023	2024	2025	2025	2026	2026
PAL Net Debt[12]	1,286.5	985.8	1,184.0	-	-	1,134.5
APC Adjusted Net Debt[13]	(11.6)	(13.5)	(9.2)	-	-	(7.6)
Combined Net Debt[14]	1,274.9	972.3	1,174.8	-	-	1,126.9
Combined Total Debt-to-Combined EBITDAR Ratio[15]	2.0	1.8	2.1	-	-	2.3
Combined Net Debt-to-Combined EBITDAR Ratio[16]	1.5	1.3	1.6	-	-	1.5
Combined EBITDAR Interest Cover[17]	8.4	8.0	8.6	-	-	8.1
PAL Net Income (U.S.$ millions)	386.5	147.4	163.1	76.5	78.5	165.1[1]
PAL Total Revenue ((U.S.$ millions)	3,250.3	3,134.1	3,225.2	816.7	895.7	3,304.2[1]
PAL Net Income Margin[18]	11.9%	4.7%	5.1%	9.4%	8.8%	5.0%
APC Net Income (₱ millions)	(36.7)	(304.2)	719.6	254.0	(42.8)	422.8[1]
APC Total Revenue (₱ millions)	7,965.6	9,827.0	11,752.0	2,621.0	3,102.8	12,234.2[1]
APC Net Income Margin[18]	(0.5%)	(3.1%)	6.1%	9.7%	(1.4%)	3.5%

***Notes**:*
(1) The last twelve months covering the period April 1, 2025 to March 31, 2026, computed based on the year ended December 31, 2025 less the three months ended March 31, 2025 plus the three months ended March 31, 2026.
(2) PAL Adjusted EBITDA is calculated as income before income tax plus depreciation and amortization expense and financing charges and adjusted for the effect of foreign exchange gains and losses.
(3) APC Adjusted EBITDA is calculated as income before tax plus depreciation and amortization expense and financing charges (net of financing income) and adjusted for the effect of foreign exchange gains and losses; less depreciation arising from operating leases with PAL.
(4) Combined EBITDA is calculated as the sum of PAL EBITDA and APC Adjusted EBITDA.
(5) PAL Adjusted EBITDAR is calculated as income before income tax plus depreciation and amortization expense and financing charges, and lease charges, and adjusted for the effect of foreign exchange gains and losses.
(6) APC Adjusted EBITDAR is calculated as income before tax plus depreciation and amortization expense and financing charges, and adjusted lease charges, and adjusted for the effect of foreign exchange gains and losses; less depreciation arising from operating leases with PAL.
(7) Combined EBITDAR is calculated as the sum of PAL Adjusted EBITDAR and APC Adjusted EBITDAR.
(8) Combined EBITDAR Margin is calculated as EBITDAR divided by the sum of total revenues of PAL and total revenues of APC.
(9) PAL Adjusted Debt is calculated as the sum of long-term debt (including current portion) and aircraft lease liabilities (current and non-current) of PAL less lease liabilities – ground property.
(10) APC Adjusted Debt is calculated as the sum of long-term debt (including current portion) and aircraft lease liabilities (current and non-current) of APC less lease liabilities owed to PAL.
(11) Combined Total Debt is calculated as the sum of PAL Adjusted Debt and APC Adjusted Debt.
(12) PAL Net Debt is calculated as PAL Adjusted Debt less cash and cash equivalents of PAL.
(13) APC Adjusted Net Debt is calculated as APC Adjusted Debt less cash and cash equivalents of APC.
(14) Combined Net Debt is calculated as the sum of PAL Net Debt and APC Net Debt.
(15) Combined Total Debt-to-Combined EBITDAR Ratio is calculated as Combined Total Debt as of the end of the relevant period divided by Combined EBITDAR for the relevant period.
(16) Combined Net Debt-to-Combined EBITDAR is calculated as Combined Net Debt as of the end of the relevant period divided by Combined EBITDAR for the relevant period.
(17) Combined EBITDAR Interest Cover is calculated as Combined EBITDAR for the relevant period divided by the sum of the financing charges (net of interest income) for the same period for each of PAL and APC.
(18) PAL Net Income Margin and APC Net Income Margin is computed as Net Income divided by Total Revenue.

Calculation of PAL Adjusted EBITDA, PAL Adjusted EBITDAR , APC Adjusted EBITDA and APC Adjusted EBITDAR

The following tables present reconciliations of PAL Adjusted EBITDA, PAL Adjusted EBITDAR, APC Adjusted EBITDA, and APC Adjusted EBITDAR from income before income tax and income/(loss) before income tax, respectively, for each of the periods indicated.

PAL Adjusted EBITDA and PAL Adjusted EBITDAR:

	As of and for the years ended December 31,			As of and for the three months ended March 31,		For the twelve months ended March 31,
	2023 (Audited)	**2024 (Audited)**	**2025 (Audited)**	**2025 (Unaudited)**	**2026 (Unaudited)**	**2026 (Unaudited)**
			(in millions)			
Income before income tax	392.0	167.5	180.3	86.7	78.0	171.6
Add/(Deduct)						
Financing Charges.....	153.8	123.0	106.6	25.7	30.9	111.8
Depreciation and Amortization.....	257.5	323.4	374.3	97.0	111.1	388.4
Foreign exchange translation (gain)/loss	(4.5)	30.7	(11.2)	(5.4)	(1.4)	(7.2)
Other non-recurring loss (income)	0.0	0.0	0.0	0.0	0.0	0.0
PAL EBITDA	798.7	644.6	650.0	204.0	218.6	664.6
Add: Aircraft Lease Charges..	35.1	83.8	58.5	15.1	8.3	51.7
PAL EBITDAR.....	833.8	728.4	708.5	219.1	226.9	716.3

APC Adjusted EBITDA and EBITDAR:

	For the years ended December 31,				For the three months ended March 31,			For the twelve months ended March 31,	
	2023 (Audited)	**2024 (Audited)**	**2025 (Audited)**	**2025**	**2025 (Unaudited)**	**2026 (Unaudited)**	**2026**	**2026 (Unaudited)**	**2026**
					(in million)				
	₱	**₱**	**₱**	**U.S.$**	**₱**	**₱**	**U.S.$**	**₱**	**U.S.$**
Income/ (Loss) before income tax	141.9	(133.5)	963.8	15.9	309.7	40.8	0.7	694.9	11.4
Add/ (Deduct) .....:									
Financing charges	608.8	658.8	535.2	8.8	142.7	150.1	2.5	542.6	8.9
Depreciation and amortization ..	1,807.2	1,725.9	1,760.4	29.0	408.7	593.3	9.8	1,945.0	32.0
Foreign exchange loss/(gain)	282.9	81.1	127.5	2.1	(39.7)	296.2	4.9	463.3	7.6
APC EBITDA	**2,840.8**	**2,332.3**	**3,386.9**	**55.8**	**821.4**	**1,080.4**	**17.8**	**3,645.8**	**60.0**
Less: Operating lease with PAL.....	676.6	678.4	676.6	11.1	166.8	163.0	2.7	672.8	11.1
APC Adjusted EBITDA	**2,164.2**	**1,653.9**	**2,710.3**	**44.6**	**654.6**	**917.4**	**15.1**	**2,973.1**	**48.9**
Add: Aircraft Lease Charges[(1)].....	601.7	679.1	978.8	16.1	172.3	190.7	3.1	997.2	16.4
Less: Lease Charges due to PAL[(1)].....	(601.7)	(679.1)	(978.8)	(16.1)	(172.3)	(190.7)	(3.1)	(997.2)	(16.4)
APC Adjusted EBITDAR....	**2,164.2**	**1,653.9**	**2,710.3**	**44.6**	**654.6**	**917.4**	**15.1**	**2,973.1**	**48.9**
**APC Adjusted EBITDAR ($)..... **	**35.6**	**27.2**	**44.6**	**-**	**10.8**	**15.1**	**-**	**48.9**	**-**

Note:

(1)Represents APC's short term lease obligations to PAL under intercompany aircraft lease arrangements computed based on a power-by-the-hour (PBH) rate or a fixed monthly amount, whichever is lower. Please refer to Note 20 to the audited financial statements of APC, and Note 14 to the unaudited interim financial statements of APC.

Calculation of PAL Adjusted Debt

	As of December 31,		As of March 31,		
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(*in million*)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Current portion of long-term obligation	467.7	406.4	443.3	402.6	452.5
Long-term obligations - net of current portion	1,273.1	980.5	1,242.7	966.8	1,367.9
Total Debt	1,740.8	1,386.9	1,686.0	1,369.4	1,820.4
Less: Lease Liabilities-Ground Property	30.4	14.1	70.6	13.5	71.1
PAL Adjusted Debt	**1,710.4**	**1,372.8**	**1,615.4**	**1,355.9**	**1,749.3**
Cash	423.9	387.0	431.4	413.8	614.8
PAL Net Debt	**1,286.5**	**985.8**	**1,184.0**	**942.1**	**1,134.5**

Calculation of APC Adjusted Debt

	As of December 31,				As of March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Current portion of lease liabilities	1,708.1	1,657.5	1,888.8	31.1	1,661.7	2,050.5	33.8
Lease liabilities – net of current portion	4,525.9	4,669.5	4,642.4	76.4	4,166.1	5,965.2	98.2
Total Lease Liabilities	**6,234.0**	**6,327.0**	**6,531.2**	**107.5**	**5,827.7**	**8,015.7**	**132.0**
Less: Lease liabilities owed to PAL[(1)]	6,234.0	6,327.0	6,531.2	107.5	5,827.7	8,015.7	132.0
APC Adjusted Debt	-	-	-	-	-	-	-
Less: Cash	704.4	822.6	561.2	**9.2**	846.5	462.5	7.6
APC Net Debt	**(704.4)**	**(822.6)**	**(561.2)**	**(9.2)**	**(846.5)**	**(462.5)**	**(7.6)**
APC Net Debt ($)	**(11.6)**	**(13.5)**	-	-	**(13.9)**	-	-

Note:

(1)Represents APC's short term lease obligations to PAL under intercompany aircraft lease arrangements computed based on a power-by-the-hour (PBH) rate or a fixed.

RISK FACTORS

An investment in the Notes involves a number of risks. You should carefully consider all of the information contained in this Offering Memorandum including the risks described below before deciding to invest in the Notes. The following describes some of the significant risks that could affect our business, financial condition, results of operations and prospects and the value of the Notes as well as our ability to pay interest on, and repay the principal of, the Notes. Additionally, some risks may currently be unknown to us and other risks, currently believed to be immaterial, could turn out to be material. The market price of the Notes could decline due to any of these risks and you may lose all or part of your investment. The risks described below are not the only ones that may affect us or the Notes. This section also contains forward-looking statements that involve risks and uncertainties including those described under "Forward-Looking Statements and Associated Risks" elsewhere in this Offering Memorandum. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks Related to Our Business and Industry

We may not be successful in executing our strategy, which may have a material adverse effect on our business, results of operations and financial condition.

Our strategy is built on revenue growth, cost efficiency, network optimization, fleet modernization, premiumization and fleet or capacity expansion from new aircraft. Our strategic initiatives include strengthening our presence at our principal hub at Ninoy Aquino International Airport ("**NAIA**") and key secondary hub at Mactan-Cebu International Airport, capturing and retaining passengers across our domestic and international routes, expanding our network with a particular focus on North America, continuing to grow Mabuhay Miles, integrating into the oneworld alliance, and executing strategic partnerships and codeshare arrangements. Our strategy also relies on the continued successful operation of PAL Express. For further details, see "*Business—Business Strategies*."

In developing our strategy, we have made assumptions with respect to customer demand, fuel costs, aircraft deliveries, labor market conditions, foreign exchange fluctuations, competition, bilateral air service agreements, and other macroeconomic and geopolitical factors. Actual conditions may differ from our assumptions, potentially significantly, and could cause us to change our strategy.

We face numerous challenges in implementing our strategy, including our ability to:

- sustain our cost-efficient operating model;
- continue to realize attractive revenue performance;
- maintain high levels of aircraft utilization and on-time performance;
- access airports and secure slots in our target markets, including managing the ongoing privatization and infrastructure improvements at NAIA;
- maintain and increase profitability; and
- maintain satisfactory arrangements with our employee unions.

Our growth is also dependent upon our ability to maintain safe and secure operations and comply with the requirements of the Civil Aeronautics Board of the Philippines ("**CAB**"), the Civil Aviation Authority of the Philippines ("**CAAP**"), and applicable foreign civil aviation authorities. Both PAL and APC operate under franchises granted by the Philippine Government, which are subject to renewal and compliance with applicable regulatory requirements. See "*—Both PAL and APC operate under franchises granted by the Philippine Government. Legislative or political actions, or their failure to maintain or renew these franchises, could result in the suspension or revocation of PAL's and APC's authority to operate, as well as the revocation of PAL's and APC's tax privileges*."

In addition, expansion into new markets and maintaining our competitive position in existing markets, including the North America-Philippines market may have risks due to factors specific to those markets. Our competitors may reduce their fares or offer special promotions following our entry into a new market, and we may be unable

to foresee all of the risks associated with entering new markets or respond adequately to these risks. We cannot assure you that we will be able to profitably expand our existing markets or establish new markets, that we will successfully execute our strategy, that our strategy will not result in unanticipated costs, or that our strategy will result in improvements in future financial performance. If we do not successfully execute our strategy, or if actual results vary significantly from our expectations, our business, results of operations and financial condition could be materially and adversely affected.

Our fleet renewal and expansion plans depend on the timely delivery and successful introduction of new aircraft. Delays in aircraft deliveries, difficulties in obtaining replacement aircraft or the failure of new aircraft to perform as expected could adversely affect our business, results of operations and financial condition.

Our fleet consists of a mix of narrow-body aircraft, which we use primarily for domestic and short-haul regional routes, and wide-body aircraft, which we deploy on medium- and long-haul international routes, including transpacific flights to North America. APC operates narrow-body and turboprop aircraft under lease arrangements with PAL, primarily for domestic routes. We have firm orders for new narrow-body aircraft to support our domestic and regional expansion, as well as new wide-body aircraft to modernize our long-haul fleet and improve fuel efficiency. As of May 31, 2026, our operating fleet consisted of 84 aircraft, of which 38 were owned (including aircraft under finance leases) and 46 were under operating lease. For further details, see "*Business—Our Fleet*."

We have entered into aircraft purchase agreements for the acquisition of new narrow-body and wide-body aircraft, and our fleet strategy depends on the timely delivery of these aircraft. As of May 31, 2026, we had orders for 20 aircraft, including 13 Airbus A321NEO aircraft (deliveries 2026-2029) and seven Airbus A350-1000 aircraft (deliveries 2026-2028). The timely delivery of these aircraft is subject to several uncertainties, including the production constraints of our suppliers, unexpected safety or other operational problems that could cause aircraft to be grounded, as has occurred in the airline industry in the past, global security and other conditions (such as pandemics) and our ability to obtain necessary aircraft financing.

The commercial aviation manufacturing industry has experienced supply chain disruptions, production constraints and certification delays in recent years, resulting in extended lead times for new aircraft deliveries. According to the International Air Transport Association ("**IATA**"), aircraft availability remains a significant constraint on industry growth, and the industry continues to face substantial order backlogs. As a result, delays in the delivery of our ordered aircraft, or our inability to obtain replacement aircraft on commercially acceptable terms, could adversely affect our fleet renewal and expansion plans. These risks are common to the commercial aviation industry and are not unique to us. To the extent such delays and supply chain constraints affect multiple airlines, industry-wide capacity constraints may arise, which could support passenger demand and yields; however, there can be no assurance that such market conditions would fully offset the adverse impact of delayed aircraft deliveries on our operations, growth plans, or financial performance. Any failure to replace aircraft on schedule may require us to continue operating existing aircraft for longer periods than anticipated, which could increase maintenance requirements, reduce operational flexibility and adversely affect operating efficiency.

Under our aircraft leases, we are required to return leased aircraft as scheduled in accordance with agreed-upon return conditions. We bear the restoration cost to meet the return conditions at the end of the lease term. For certain lease agreements, we contribute to a maintenance reserve fund based on aircraft hours flown and engine cycles until the next scheduled checks. However, we may be unable to quickly purchase new aircraft or obtain new aircraft leases at favorable terms, which may cause us to breach the timing requirements of our existing aircraft leases. In addition, we are evaluating options for the replacement of our wide-body aircraft fleet for delivery beginning in 2031, but given the long lead times for aircraft orders, there can be no assurance that we will be able to secure replacement aircraft on favorable terms or at all. These delays may lead to substantial additional costs. We may also be unable to return leased aircraft and engines on reasonable terms due to the rigorous pre-return inspections, which can lead to lengthy and costly negotiations. In such event, we may be required to continue making lease payments for equipment that is not being used. In certain circumstances, we may fail to return aircraft on time or fulfill the conditions of our aircraft leases and face contractual sanctions or forced extension of existing leases. APC's fleet is primarily leased from PAL, and any disruption in PAL's ability to provide aircraft to APC could adversely affect APC's operations and, consequently, our consolidated results.

Even if our new aircraft are delivered on time, any difficulties or delays in the delivery, installation, or certification of parts and other buyer-furnished equipment (such as in-flight entertainment systems), the registration of aircraft components, or any non-compliance of the new aircraft and their components with agreed specifications and performance standards, may adversely affect our business, results of operations and financial condition.

Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition.

Aircraft fuel costs constitute a significant portion of our total operating expenses. PAL's fuel costs represented 37.2%, 34.3% and 30.9% of its operating expenses in the years ended December 31, 2023, 2024 and 2025, respectively. In the three months ended March 31, 2025 and 2026, fuel costs represented 31.1% and 31.7% of its operating expenses, respectively. APC does not directly incur fuel costs as it operates under the Codeshare Agreement with PAL, under which PAL is responsible for fuel procurement for APC-operated flights. Historically, international and local fuel prices have been subject to wide price fluctuations and, in some cases, sudden disruptions, based on geopolitical developments and supply and demand as well as market speculation. Fuel prices are based on the Mean of Platts Singapore ("**MOPS**") benchmark and comprise both variable and fixed components. Fuel prices continue to be highly volatile, and we cannot predict the future price or availability of fuel with any degree of certainty.

Fuel availability is also subject to periods of market surplus and shortage and is affected by global demand dynamics. Events resulting from geopolitical conflicts, including the Russia-Ukraine conflict, war or tensions in the Middle East, or disruptions in other oil-producing regions, or the suspension of production by any significant producer, may result in substantial price increases and/or make it difficult to obtain adequate supplies, which would adversely affect our business, results of operations and financial condition. For example, beginning February 28, 2026, the conflict in the Middle East introduced significant volatility into global energy markets and contributed to increases in jet fuel prices. In addition, significant disruptions to commercial shipping through the Strait of Hormuz, a critical maritime chokepoint for global energy supplies, have further constrained global fuel supplies and contributed to heightened price volatility and uncertainty in international energy markets. Prior to the onset of the Middle East conflict, PAL's average fuel cost was approximately U.S.$102.0 per barrel, and increased sharply to an average of U.S.$210.0 per barrel in May 2026. We have experienced, and may continue to experience, increased fuel costs as a result of the ongoing conflict and related market disruptions. Natural disasters, including typhoons and earthquakes that are common in the Philippines and Asia Pacific region, or other large, unexpected disrupting events in regions that normally consume significant amounts of other energy sources, or in regions with significant refining capacity, could have a similar effect. We cannot predict the price and future availability of fuel with any degree of certainty and significant increases in fuel prices may add significant pressure on our margins and otherwise harm our business, results of operations and financial condition. Over the past several years, the price of aircraft fuel and crude oil have fluctuated substantially, and prices continue to be highly volatile and could increase significantly at any time. In addition to directly impacting our operating costs, fuel price volatility may also make it more difficult to forecast our business.

In addition to geopolitical factors affecting fuel supply and availability, our ability to manage fuel cost volatility is constrained by our pricing and commercial practices. We sell a significant number of tickets to passengers in advance of travel and, as a result, fares sold for future travel may not reflect increased fuel costs. In addition, our ability to increase ticket prices to offset an increase in fuel costs is limited by the competitive nature of the airline industry and the price sensitivity associated with air travel, particularly leisure travel, and any increases in fares may reduce the general demand for air travel. Before the current Middle East conflict, we were permitted to impose passenger fuel surcharges in accordance with regulations issued by CAB on a monthly basis, which covered approximately 40% of our fuel costs. As a result of the crisis, CAB has adopted a 15-day monitoring and implementation cycle for fuel surcharges to allow faster response to market changes. The shorter cycle will remain in place until the current situation stabilizes. However, there can be no assurance that such surcharges will fully offset increases in fuel costs or that the imposition of such surcharges will not adversely affect passenger demand. On the other hand, prolonged low fuel prices could limit our ability to differentiate our product from competitive fares from those of other airlines, by enabling such carriers to, among other things, substantially decrease their costs, fly longer stages or utilize older aircraft more efficiently.

We source our aircraft fuel from multiple suppliers to diversify our supply sources Our aircraft fuel purchase agreements do not protect us against price increases or guarantee the availability of fuel, and termination of our fuel purchase agreements would require us to renegotiate our fuel supply, which could result in higher costs for our operations. If we were unable to obtain fuel on similar terms from alternative suppliers, this could have an adverse effect on our business, results of operations and financial condition. Any disruption in the fuel supply chain in the Philippines or in the foreign jurisdictions where we operate, whether due to refinery issues, transportation constraints, natural disasters, or other factors, could require us to pay significantly higher prices and/or suspend sales and/or change our flight schedules or patterns, thereby adversely impacting our profitability.

PAL did not have any outstanding fuel hedging derivatives as of May 31, 2026 and, as a result, may be more susceptible to fluctuations in fuel price. We cannot assure you that fuel costs will not increase significantly, that we will be able to pass through any such increases to ticket prices through fuel surcharges or fare increases, or that any future fuel hedging program, if implemented, will be effective. Even if we are able to hedge portions of our future fuel requirements, we cannot assure you that our hedge contracts will provide an adequate level of protection against increased fuel costs or that the counterparties to our hedge contracts will be able to perform. Our fuel hedge contracts may contain margin funding requirements that could require us to post collateral to counterparties in the event of a significant drop in fuel prices in the future. In addition, our ability to realize the benefits from any period of declining fuel prices may be delayed by the impact of any fuel hedges in place, and we may record significant losses on fuel hedges during periods of declining prices. Any failure of our fuel hedging strategy, significant margin funding requirements or overpaying for fuel through the use of hedging arrangements, or if we are unable to pass through fuel costs to customers, could prevent us from adequately mitigating the risk of fuel price increases and could have a material adverse effect on our business, results of operations and financial condition.

We and the airline industry face risks as a result of ongoing geopolitical conflicts.

Global geopolitical conflicts, including the ongoing conflict in the Middle East, could lead to significant economic downturns and market and other disruptions, including, but not limited to, airspace closures, travel restrictions, volatility in the capital markets, economic instability, increases in inflation, higher costs associated with increased security measures, increased fuel prices, increased insurance costs, shipping channel constraints and disruptions, political and social instability, the imposition of, or changes in, economic sanctions and export controls and changes in consumer preferences, all of which may adversely affect us and the airline industry as a whole.

In particular, the ongoing conflict in the Middle East and related military actions have caused significant uncertainty, including airspace closures, flight cancellations, increased fuel prices and shipping disruptions, particularly in the Strait of Hormuz. PAL operates services to destinations in the Middle East, including Riyadh, Doha and Dubai, and any continuation or escalation of hostilities could adversely affect demand for air travel, increase operating costs, disrupt flight operations and require adjustments to our route network. Continued hostilities or an escalation of hostilities may adversely affect us and the airline industry as a whole.

We cannot predict the ultimate economic impact of current geopolitical conflicts, any escalation of existing conflicts or the emergence of new armed hostilities on the global economy or the airline industry. As a result, our operating conditions and financial results in 2026 may differ materially from those experienced in prior periods due to increased fuel costs, changes in travel demand and disruptions to flight operations. Historical results may therefore not be indicative of future performance. For additional information, see "*—Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition*" and "*—Terrorist attacks or armed conflicts could adversely affect the airline industry and us by decreasing demand and increasing costs*."

We operate in a highly competitive industry and actions by our competitors could adversely affect us.

We face intense competition on domestic and international routes from competing airlines and charter airlines in our markets, and our loyalty program, Mabuhay Miles, also faces competition. Airlines compete mainly in the areas of routes, pricing, scheduling (frequency and flight times), on-time performance, customer experience, loyalty programs and other services.

Each year, we may face increased competition from existing and new participants in the markets in which we operate. The air transportation sector is highly sensitive to price discounting and the use of aggressive pricing policies because, once a flight is scheduled, airlines incur only nominal additional costs to provide services to passengers occupying otherwise unsold seats. Increased price competition could adversely affect our business, results of operations and financial condition. Airlines typically use discount fares and other promotions to stimulate traffic during normally slower travel periods to generate cash flow and to increase revenue per available seat mile. Other factors, such as flight frequency, schedule availability, brand recognition and quality of offered services (such as loyalty programs, VIP airport lounges, in-flight entertainment, on-board service and other amenities) also have a significant impact on market competitiveness. We cannot assure you that existing or new competitors in our markets will not offer lower prices, offer more attractive services or increase their route capacity in an effort to obtain greater market share.

Some of our competitors have larger customer bases, as well as greater brand recognition, financial and marketing resources in the markets we serve outside of the Philippines. In addition, some of our competitors may receive support from external sources, such as their national governments, which may be unavailable to us. Support may include, among others, subsidies, regulatory facilities, financial support or tax waivers. This support could place us at a competitive disadvantage and adversely affect us.

We compete with legacy network carriers and low-cost carriers ("**LCCs**") in the Asia Pacific region. LCC business models have gained momentum in the Asia Pacific aviation market, particularly as challenging macroeconomic conditions affect consumer purchasing power. Lower costs allow LCCs to offer inexpensive fares which, in turn, allow price sensitive customers to fly or to shift from full-service to lower cost carriers. LCCs' operations are typically characterized by point-to-point route networks focused on the highest-demand city pairs, high aircraft utilization, single-class service and fewer in-flight amenities. Our principal competitors on domestic routes include Cebu Pacific and AirAsia Philippines. On international routes, we compete with a range of carriers including Alaska Airlines, All Nippon Airways ("**ANA**"), American Airlines, WestJet, Cathay Pacific, and Malaysia Airlines, among others. In 2025, PAL and APC combined held approximately 23% of the international market share, and 29% of the domestic market share, according to the CAB. For the period between January to March 2026, PAL and APC combined held approximately 23% international market share, and 28% domestic market share as reported by the CAB. Some of these airlines are members of global airline alliances, which may provide them with competitive advantages in terms of network connectivity and customer reach.

There has been significant consolidation in the global airline industry, including by means of joint business agreements between airlines and acquisitions, which may allow our competitors to increase their scale, diversity and financial strength. Consolidations in the airline industry and changes in international alliances are likely to affect the competitive landscape in the industry and may result in new airlines and alliances with increased financial resources, more extensive global networks and lower cost structures than us, which could materially and adversely affect our business, results of operations and financial condition.

We face competition in our cargo business from dedicated cargo carriers and the belly cargo operations of other passenger airlines operating in the Asia Pacific region and on our transpacific routes. Our cargo revenue is subject to fluctuations based on global trade volumes, economic conditions, and competitive pressures. In our passenger business, we target both business and leisure demand, including the significant Overseas Filipino Worker ("**OFW**") market. However, we face competition for all of these customer segments, and our competitors may offer lower fares, more convenient schedules, or more attractive loyalty programs that could cause customers to shift to other carriers.

If we are unable to adjust rapidly to the changing nature of competition in our markets, our business, results of operations and financial condition could be adversely affected.

In addition, the construction of the new Bulacan Airport may increase potential competition in our markets. Once operational, the Bulacan Airport could provide additional airport capacity in the greater Manila area, which may reduce the current infrastructure constraints that have limited the entry of new competitors. The availability of additional slots and facilities could enable existing competitors to expand their operations or new entrants to establish a presence in our key markets, which could adversely affect our competitive position, market share and results of operations.

We are highly dependent on our hub at NAIA in Manila, and we confront particular structural challenges at NAIA due to infrastructure limitations and ongoing privatization.

We are highly dependent on our operations at NAIA, which serves as our principal hub for both domestic and international flights. NAIA accounted for a substantial majority of our daily arrivals and departures in 2025. Both PAL and APC operate out of Terminals 1 and 2 at NAIA, and PAL has a long-term land lease agreement for 8.1 hectares of aircraft parking facilities, effective until 2038. In June 2025, PAL entered into an additional long-term lease agreement with the Manila International Airport Authority ("**MIAA**") for administrative and training facilities. In April 2026, PAL entered into a long-term lease with NNIC for property within the MacroAsia Special Economic Zone, comprising approximately 99,362 square meters, which will primarily be used for APC's line maintenance activities. See "*Our Business—Recent Developments—Lease with New NAIA Infra Corp.*" We also operate international and domestic flights to and from Mactan-Cebu International Airport and Clark International Airport, which serve as secondary hubs. While we are expanding our point-to-point offerings as part of our strategy, many of our operations still rely on a hub-and-spoke structure, which is particularly dependent on the on-time arrival of tightly coordinated groupings of flights to ensure that passengers can make timely connections.

Our operations at NAIA are subject to delays and disruptions caused by factors beyond our control, including air traffic congestion, limited aircraft parking positions, infrastructure constraints, adverse weather conditions (including typhoons), and increased security measures. These factors affect airport capacity and, consequently, our operations. In 2025, certain domestic routes from Manila were discontinued as a result of the mandate of the Manila Slot Committee, the body responsible for the allocation and management of take-off and landing slots at NAIA, to reduce turboprop operations at NAIA. The Manila Slot Committee may from time to time impose operational restrictions or reallocate slots to optimize airport capacity and manage air traffic congestion. Airport-related challenges inconvenience passengers, reduce aircraft utilization rates, and increase costs, all of which may adversely affect our business, results of operations and financial condition.

NAIA was privatized in 2024, with the lease agreement assigned by the MIAA to New NAIA Infra Corp. ("**NNIC**"), effective September 14, 2024. While the privatization is expected to result in the modernization of the airport and expansion of its capacity, the anticipated infrastructure works may result in near-term operational disruptions, including potential terminal reassignments affecting PAL and APC. In addition, airport charges have increased significantly following privatization, including landing fees, take-off fees, parking fees, and lease fees. Any significant increase in airport charges could increase our operating costs, and we may not be able to pass these costs on to passengers due to competitive pressures and relevant regulations. See "*—Our cost-efficient business model is one of our primary competitive advantages, but many factors could affect our ability to control our costs*."

Our ability to lease airport facilities on reasonable terms to support our current operations or address growth in demand can significantly affect our business, prospects, financial condition, and results of operations.

We rely on third parties to provide us with parts and services.

We depend upon a number of third-party suppliers and contractors for parts and services. Aircraft maintenance is subcontracted to approved maintenance organizations, including Lufthansa Technik Philippines ("**LTP**") as our primary provider for line and base maintenance in Manila, as well as other approved maintenance organizations in Xiamen, Guangzhou, Clark, Batam, Kuala Lumpur and Amman for various heavy maintenance services. Effective August 1, 2026, line maintenance activities supporting PAL are expected to transition from LTP to an expanded in-house line maintenance function operated by APC as part of PAL Group operational integration initiatives. See "*—The transition of PAL's line maintenance requirements from Lufthansa Technik Philippines to APC may result in operational disruptions or increased costs."* We have also entered into engine support agreements with certain engine manufacturers. Any failure by these maintenance providers or engine manufacturers to perform their obligations, or any disruption in their ability to service our aircraft and engines, could adversely affect our operations and increase our maintenance costs. See "*—Our maintenance costs fluctuate over time, and we may be adversely affected by unplanned stoppages related to maintenance.*"

We have entered into agreements with third-party contractors to provide various services, including call center services, catering, ground handling, baggage handling, and other aircraft support services. We also rely on third-party providers for fuel supply and information technology systems. Certain of these services are provided by related parties, including MacroAsia Corporation and its subsidiaries. See "*—We engage in transactions with related parties, which may create conflicts of interest"* and *"Related Party Transactions."*

Our agreements with suppliers and third-party contractors may be subject to termination by either party, and in some cases, we may be required to pay penalties for early termination. If any of our key suppliers or contractors were to terminate their agreements with us, our operations could be disrupted if we are unable to find replacement providers on a timely basis or on acceptable terms. In addition, our reliance on third parties limits our control over the costs, efficiency, timeliness, and quality of the supplies and services we receive.

Global supply chain disruptions, including shortages of aircraft parts and components, could adversely affect our operations. The airline industry has experienced supply chain constraints in recent years, including delays in the delivery of spare parts and components from manufacturers and suppliers. Any prolonged supply chain disruption could result in aircraft being grounded for extended periods, increased maintenance costs, and operational disruptions.

We expect to remain dependent on suppliers and third-party contractors for the foreseeable future. Inability by suppliers and third-party contractors to provide adequate service or meet their contractual obligations, termination of these agreements, or our inability to renew these agreements or to negotiate new agreements with other suppliers and third-party contractors at comparable rates, could adversely affect our business, results of operations and financial condition.

Our controlling shareholder has significant influence over our business and may have interests that conflict with yours.

The Lucio C. Tan family, through Buona Sorte Holdings, Inc., beneficially owns a significant portion of our outstanding shares and has the ability to exercise significant influence over matters requiring shareholder approval, including the election of directors, amendments to our articles of incorporation and by-laws, and approval of significant corporate transactions. This concentration of ownership may delay, deter, or prevent a change of control of our company and may make some transactions more difficult or impossible without the support of our controlling shareholder, even if such transactions would be beneficial to holders of the Notes.

Our controlling shareholder may have interests that differ from, or conflict with, the interests of holders of the Notes. For example, our controlling shareholder may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in their judgment, could enhance their equity investment, even though such transactions might involve risks to holders of the Notes.

We depend on a limited number of suppliers for our aircraft and engines, and design defects or mechanical problems with any of the types of aircraft or engines that we operate could adversely affect our business, results of operations and financial condition.

We depend on a limited number of suppliers for our aircraft and engines, and design defects or mechanical problems with any of the types of aircraft or engines that we operate could adversely affect our business, results of operations and financial condition.

Our fleet consists of narrow-body aircraft, which we use primarily for domestic and short-haul regional routes, and wide-body aircraft, which we deploy on medium- and long-haul international routes. Our narrow-body fleet is manufactured by Airbus, while our wide-body fleet includes aircraft manufactured by both Airbus and Boeing. As a result of this concentration, we are reliant on a small group of suppliers and may be vulnerable to problems associated with these suppliers, including, among others, in relation to design defects, mechanical problems, labor disruptions, contractual performance, adverse public perceptions and regulatory actions. Our supplier concentration risks also extend to the original equipment manufacturers and maintenance providers responsible for supporting the engines powering our aircraft. We have entered into engine support agreements with certain engine manufacturers, and any failure by these manufacturers to perform their obligations under such agreements could adversely affect our ability to maintain our fleet and could result in increased maintenance costs or operational disruptions.

If any of our aircraft or engine manufacturers were unable to perform their contractual obligations, or if we are unable to acquire or lease new aircraft or engines from our aircraft or engine manufacturers or lessors on acceptable terms, we would need to find alternative suppliers. We cannot assure you that any replacement aircraft would have the same operating advantages as the aircraft that we currently operate or that we could lease or purchase engines that would be as reliable and efficient as the engines that currently power them. We may also incur substantial transition costs, including costs associated with acquiring spare parts for different aircraft models, retraining our employees, replacing our manuals and adapting our facilities. Additionally, we may be adversely affected by the failure or inability of our aircraft or engine manufacturers to provide sufficient spare parts or related support services on a timely basis.

We would be materially and adversely affected if a design defect or mechanical problem with any of the types of aircraft that we operate were discovered that would ground any of our aircraft while the defect or problem was corrected, assuming it could be corrected at all. Operation of our aircraft could be suspended or restricted by regulatory authorities in the event of any actual or perceived mechanical or design problems. Our business would also be negatively impacted if the public began to avoid flying with us due to an adverse perception of the types of aircraft that we operate stemming from safety concerns or other problems, or in the event of an accident involving those types of aircraft or components. Hidden system failures in aircraft could result in accidents leading to the loss of life of passengers and third parties and damage to third-party property.

The airline industry has experienced significant aircraft and engine-related groundings and disruptions in recent years. Regulatory authorities have issued airworthiness directives temporarily suspending service of certain aircraft types or requiring mandatory inspections, resulting in the grounding of portions of airline fleets and negatively impacting affected carriers' financial performance. In addition, labor disputes at aircraft manufacturers have resulted in production delays, which have led to delays in the delivery of new aircraft to airlines. We operate aircraft manufactured by both Airbus and Boeing in our fleet, and any future production delays, design defects, labor disruptions, or airworthiness directives affecting our aircraft types could adversely impact our operations.

Similarly, certain engine manufacturers have experienced problems with their engines, resulting in airlines grounding affected aircraft and disassembling engines for inspection and possible maintenance. Aircraft manufacturers have also issued software updates requiring operational adjustments by airlines. Our fleet includes aircraft powered by engines from a limited number of manufacturers. We could be adversely affected by any future issues with our aircraft types or engines, including mandatory inspections, software updates, groundings, or accelerated maintenance requirements. We cannot assure you that similar issues involving our aircraft or engines or the software on which they run will not occur in the future.

Our maintenance costs fluctuate over time, and maintenance-related disruptions or aircraft groundings could adversely affect our operations.

Our maintenance expenses have fluctuated significantly in recent years, primarily due to changes in aircraft utilization, flight activity, inflation and contractual price adjustments. For example, PAL's maintenance expenses increased by 9.0% in 2025 compared to 2024, following a 3.8% decrease in 2024 compared to 2023. In the three months ended March 31, 2026, PAL's maintenance expenses increased by 16.8% compared to the same period in 2025. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*." Maintenance costs are also affected by the timing and scope of scheduled maintenance, the availability of parts and third-party maintenance services, and unplanned maintenance requirements, which can result in aircraft groundings.

We have substantial maintenance expense obligations, including with respect to certain of our aircraft leases. For certain lease agreements, we contribute to a maintenance reserve fund based on aircraft hours flown and engine cycles until the next scheduled checks. Prior to an aircraft being returned in connection with an aircraft lease, we incur costs to restore the aircraft to the condition required by the terms of the underlying aircraft leases. We are contractually committed to restore leased aircraft to their original condition and bear the cost of dismantling and restoration at the end of the lease term. The amount and timing of these so-called "return conditions" costs can prove unpredictable due to uncertainty regarding the maintenance status of each particular aircraft at the time it is to be returned, and it is not unusual for disagreements to ensue between the airline and the leasing company as to the required redelivery conditions on a given aircraft or engine.

We rely on third parties for our maintenance requirements. A significant portion of our maintenance is performed under long-term agreements, while certain maintenance services, parts and repair capacity are procured on a spot basis. The availability of maintenance services, parts and repair capacity may be limited, particularly during periods of industry-wide supply chain disruption or increased demand. Any delay in obtaining required maintenance services, parts or repair capacity could result in aircraft remaining grounded for longer than anticipated, including prolonged unplanned groundings, which could disrupt our operations and adversely affect our business, results of operations and financial condition. In addition, maintenance services provided under long-term agreements may be subject to inflation-related price adjustments.

Outside of scheduled maintenance, we may encounter unscheduled maintenance requirements that are not reflected in our operating plan or financial forecasts, which can impose material unplanned costs and result in the loss of flight equipment from revenue service for a significant period of time. Unplanned stoppages or suspensions of operations associated with maintenance due to mechanical issues, including, for example, any design defect or mechanical problem that would cause our aircraft to be grounded during repair, would adversely affect our operations. We cannot assure you that we would succeed in obtaining all aircraft and parts to solve any defect or mechanical problem, or that we would do so in a timely manner, or that we would otherwise succeed in resolving any defect or mechanical problem, which could result in a suspension of the operations of certain of our aircraft, potentially for a prolonged period of time, and could adversely affect our business, results of operations and financial condition.

In addition to scheduled and unscheduled maintenance, we may undertake cabin refurbishment or retrofitting programs to upgrade our fleet. These programs require aircraft to be taken out of service for extended periods, which reduces our available capacity and may result in significant capital expenditure. Any delays or cost overruns in retrofitting programs could adversely affect our business, results of operations and financial condition.

The transition of PAL's line maintenance requirements from Lufthansa Technik Philippines to APC may result in operational disruptions or increased costs.

Effective August 1, 2026, line maintenance activities supporting PAL are expected to transition from LTP, PAL's long-standing third-party maintenance provider, to an expanded in-house line maintenance function operated by APC. The transition covers PAL's Airbus A321 narrowbody fleet as well as its widebody fleet, which includes

the Boeing 777, Airbus A350, and Airbus A330. While APC has existing maintenance capability in the Airbus A320/A321 family, the widebody fleet represents a significant incremental capability build given the additional aircraft types and technical requirements involved.

Line maintenance is critical to ensuring the daily airworthiness, schedule integrity, and rapid turnaround of PAL's fleet. Any delay or gap in transition readiness could affect aircraft availability, maintenance turnaround times, on-time performance, or PAL's ability to recover from technical disruptions during the cutover and stabilization period. If APC is unable to perform line maintenance activities to the standards required by PAL or applicable regulatory authorities, PAL may experience operational disruptions, flight delays or cancellations, increased maintenance costs, or reputational harm.

The transition requires approval from the CAAP of APC's expanded maintenance capability, including applicable inspections, document submissions, and capability reviews. Any delay in obtaining final regulatory approval could defer full cutover, require adjustments to the implementation plan, or affect the timing of APC's assumption of the relevant line maintenance activities. If APC fails to obtain or maintain the required regulatory approvals, certifications, or licenses, PAL may be required to seek alternative maintenance arrangements, potentially at higher cost or on less favorable terms.

APC will need to expand its workforce to support PAL's narrowbody and widebody line maintenance requirements. This will require incremental mechanics, support staff, supervisory capacity, and management oversight. APC may face challenges in the timely hiring, onboarding, licensing, retention, and deployment of sufficient qualified personnel to support the transition and achieve full operational stabilization. The airline industry has from time to time experienced shortages of qualified maintenance personnel, and APC may face competition for skilled technicians from other airlines and maintenance providers. If APC is unable to recruit and retain qualified maintenance personnel, the transition could be delayed or APC may be unable to perform line maintenance activities to the required standards, which could adversely affect PAL's operations, increase costs, and harm our business, results of operations and financial condition.

We rely on automated systems to operate our business, and any failure of these systems could adversely affect our business, results of operations and financial condition.

We rely on automated systems and technology to operate our business, enhance customer service and reduce operating expenses. The performance and reliability of our automated systems and data center infrastructure is critical to our ability to operate our business and compete effectively in the market. These systems, many of which are provided by third-party providers, include our computerized airline reservation and ticketing system, flight operations system, telecommunications systems, website and mobile app, engineering and maintenance systems, check-in kiosks, in-flight entertainment systems, enterprise resource planning system and our primary and secondary data centers. Our computerized airline reservation and ticketing system and website must be able to accommodate a high volume of traffic and deliver important flight information. These systems require upgrades or replacement periodically, which involve implementation and other operational risks. We may be adversely affected if we fail to operate, replace or upgrade our automated systems or data center infrastructure. There have been instances in the past where applications and technology infrastructures have had failures, whether due to the fault of the system provider or the airline, with a significant adverse effect on the airline's operations, and such a malfunction has in the past and could in the future occur on our system, or in connection with any system upgrade or migration in the future.

We rely on third-party providers of automated systems, cloud computing and data center infrastructure, including for technical support. We implement security standards and maintain strict service level agreements with our providers. However, if these providers were to fail to adequately provide technical support for any one of our automated systems or if new or updated components were not integrated smoothly, we could experience service disruptions, which could result in the loss of important data.

Any failure of the technologies and systems we use could materially adversely affect our business, results of operations and financial condition. In particular, if our reservation system fails or experiences interruptions, and we are unable to book seats for a period of time, we could lose a significant amount of revenue as customers book seats on other airlines, and our reputation could be harmed. In addition, replacement technologies and systems for any service we currently utilize that experiences failures or interruptions may not be readily available on a timely basis, at competitive rates or at all. Furthermore, our current technologies and systems are heavily integrated with our day-to-day operations and any transition to a new technology or system could be complex and time-consuming. In the event that one or more of our primary technology or systems vendors fails to perform, and a

replacement system is not available or if we fail to implement a replacement system in a timely and efficient manner, our business, results of operations and financial condition could be materially adversely affected.

Furthermore, our automated systems cannot be completely protected against events that are beyond our control, including natural disasters, computer viruses, other security breaches or telecommunications failures. Substantial or sustained failures in our automated systems could impact customer service and ticket sales. We cannot assure you that the security and disaster recovery measures and change control procedures we have implemented are adequate to prevent failures that could materially and adversely affect our business, results of operations or financial condition.

Any interruption, destruction, leakage or loss of data in our information technology systems or those of our suppliers, providers or business partners could materially and adversely affect our reputation, business, results of operations and financial condition.

Since we are highly dependent on information technology, our operations, including our business partners, suppliers and service providers, may be vulnerable to potential threats, such as computer viruses or malware, cyber-fraud, data breaches and destruction or interruption of our critical systems which may be caused by third parties or our own personnel. These may cause interruptions, delays, loss of critical or sensitive data, misappropriation of or unauthorized access to personal or sensitive data or failure to comply with regulatory or contractual obligations with respect to such information. As a result, legal claims or proceedings may arise, as well as liability or regulatory penalties under data protection laws and other applicable regulations, any of which may adversely affect us, our business, reputation, results of operations and financial condition.

We must manage increasing legislative, regulatory and consumer focus on privacy, data security and cybersecurity risk management in various jurisdictions across the globe. In the Philippines, we are subject to the Data Privacy Act of 2012 as well as regulations and issuances of the National Privacy Commission ("**NPC**"), which impose significant privacy and data security requirements. Depending on the regulatory interpretation and enforcement of emerging data protection regulations and industry standards, our business operations could be impacted, up to and including being unable to operate, within certain jurisdictions. In addition, some of our commercial partners, such as banks and credit card brands, have imposed data security standards that are essential we meet and for which we must obtain certification. We will continue our efforts to comply with our privacy, data security and cybersecurity risk management obligations; however, it is possible that certain new requirements or customer expectations may be difficult to meet and could require changes in our operating processes and increase our costs.

Additionally, we must manage the increasing threat of continually evolving cybersecurity risks. Our network, systems and storage applications, and those systems and applications maintained by our third-party commercial partners (such as cloud computing companies, credit card companies, and international airline partners) may be subject to attempts to gain unauthorized access, breach, malfeasance or other system disruptions, including those involving criminal hackers, denial of service attacks, hacktivists, state-sponsored actors, corporate espionage, employee malfeasance and human or technological error. In some cases, it is difficult to anticipate or to detect immediately such incidents and the damage caused thereby. In addition, as attacks by cybercriminals become more sophisticated, frequent and intense, the costs of proactive defense measures have increased and may continue to increase. Several large organizations in recent years have been affected by "ransomware" attacks, and these highly publicized events may embolden individuals or groups to target our systems or third-party systems on which we rely. Furthermore, remote work arrangements may make us more vulnerable to targeted activity from cybercriminals and significantly increase the risk of cyberattacks or other security breaches. Our IT team monitors potential threats and we implement security standards and strict service level agreements with our providers. We cannot assure you that such actions will be sufficient to prevent cybersecurity incidents or data breaches or the damages that result therefrom. These cyber threats are constantly evolving and becoming more sophisticated and therefore such efforts may not be successful, and we may not be able to prevent the materialization of all risks of data breaches, incidents or cyber-attacks.

Any cybersecurity incident or data breach could result in significant costs, operational disruptions, and reputational harm, any of which could materially and adversely affect our business, results of operations and financial condition.

We have incurred significant losses from operations in the past, and completed a Chapter 11 bankruptcy reorganization in 2021, and we may not be able to maintain or increase our profitability.

PAL incurred significant net losses in the past, and emerged from a Chapter 11 bankruptcy proceeding on December 1, 2021 pursuant to PAL's court-approved restructuring plan. As part of the restructuring, PAL entered

into debtor-in-possession financing facilities, restructured our aircraft lease obligations and issued shares to supporting creditors to settle general unsecured claims. PAL's prior bankruptcy filing, notwithstanding its successful emergence, could adversely affect the perception of PAL's business and relationships with customers, employees, contractors and suppliers.

PAL had consolidated net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million during the years ended December 31, 2023, 2024 and 2025, respectively, and U.S.$76.5 million and U.S.$78.5 million during the three months ended March 31, 2025 and 2026, respectively. APC had net income (loss) of ₱(36.7) million, ₱(304.2) million and ₱719.6 million (U.S.$11.8 million) during the years ended December 31, 2023, 2024 and 2025, respectively, and ₱254.0 million and ₱(42.8) million (U.S.$(0.7) million) during the three months ended March 31, 2025 and 2026, respectively. For further details, see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations*."

We expect to continue to incur significant expenses as we seek to grow our business, including by expanding our domestic and international operations. A meaningful portion of our expenses are fixed, including wages and salaries of crew and other personnel, aircraft lease payments and other financing costs related to aircraft equipment, headquarters facility expenses and information technology system license costs. For example, when we commence a new route, our load factors tend to be lower than those in our established routes, and our advertising and other promotional costs tend to be higher, which may result in initial losses that would have a negative impact on our business, results of operations and financial condition as well as require a substantial amount of cash to fund. We also periodically offer special promotional fares, particularly in connection with the opening of new routes. Promotional fares may have the effect of increasing load factors while reducing our yield on such routes during the period that they are in effect. As a result, we may incur net losses in the future.

We cannot assure you that we will maintain profitability and, even if we do maintain profitability, we may not be able to increase profitability. If we are unable to increase or even maintain profitability, the future trading price of the Notes offered hereby may be adversely affected.

We rely on external financing to fund our operations and capital expenditures, and we may not be able to obtain financing on favorable terms or at all, or to service our indebtedness, which could adversely affect our business, results of operations and financial condition.

We rely on external financing to fund our aircraft purchases, maintenance, and other capital expenditure requirements. See "*Description of Material Indebtedness*" for further details. The availability and cost of such financing depend on various factors, including the overall condition of the financial markets, our creditworthiness, and the willingness of financial institutions to lend to the airline industry. Adverse changes in these factors could limit our ability to obtain necessary financing on favorable terms or at all.

The airline industry is capital intensive, and we require significant amounts of capital to fund the acquisition of new aircraft, maintain and upgrade our existing fleet, and invest in our operations and infrastructure. As of May 31, 2026, we had firm orders for 20 aircraft, including 13 Airbus A321NEO aircraft (deliveries 2026-2029) and seven Airbus A350-1000 aircraft (deliveries 2026-2028). Our ability to take delivery of these aircraft and execute our fleet strategy depends on our ability to obtain financing on acceptable terms.

Our ability to obtain financing may be adversely affected by a number of factors, including:

- adverse conditions in the global financial markets or credit markets;
- a deterioration in our financial condition or results of operations;
- reduced appetite among lenders and lessors to provide financing to the airline industry;
- a downgrade in our credit ratings or the credit ratings of the Philippines;
- increased competition for available financing from other airlines or borrowers;
- geopolitical events, economic uncertainty, or other macroeconomic factors;
- changes in laws or regulations affecting the availability of financing; and
- Availability of unencumbered assets.

In addition, as part of the restructuring following PAL's Chapter 11 bankruptcy proceedings in 2021, PAL entered into debtor-in-possession financing facilities, restructured its aircraft lease obligations, and issued shares to its supporting creditors to settle general unsecured claims. Although we successfully restructured our obligations and emerged from bankruptcy, our Chapter 11 experience could adversely affect our ability to obtain financing on favorable terms and could cause lenders, lessors, and other counterparties to impose more restrictive terms or require additional collateral or guarantees. For further details, see *"— We have incurred significant losses from operations in the past, and completed a Chapter 11 bankruptcy reorganization in 2021, and we may not be able to maintain or increase our profitability*."

Increased borrowing costs or an inability to secure funding could result in the deferral or cancellation of planned capital expenditures, negatively impacting our operational efficiency, growth prospects, and competitive position. Additionally, PAL is exposed to cash flow interest rate risk arising from the regular repricing of its floating-rate debt instruments. As of March 31, 2025 and 2026, floating-rate long-term loans to total borrowings was 0.87:1 and 0.83:1, respectively. Any significant increase in interest rates could result in higher debt service obligations and compress net margins, adversely affecting our financial condition and results of operations.

Our foreign exchange risk exposure is driven by the volume of sales generated in U.S. Dollars and other foreign currencies. For the year ended December 31, 2025, 36% and 31% of our revenue was generated in U.S. Dollars and Philippine Peso, respectively, and we typically convert the excess Philippine Peso into U.S. Dollars as we consider appropriate and necessary. A significant portion of our operating costs, including aircraft lease payments, maintenance expenses, and fuel costs, are denominated in or linked to foreign currencies, particularly the U.S. Dollar. Fluctuations in foreign exchange rates could increase the Philippine Peso equivalent of our foreign currency-denominated obligations and adversely affect our ability to service our indebtedness.

We also have retirement benefit obligations to our employees. We are required to progressively fund the normal cost obligation of our retirement fund through internally-generated cash. These funding requirements reduce our available cash for other purposes, including capital expenditures, debt service, and operations. If our cash flow from operations is insufficient to meet our retirement fund obligations, we may need to obtain additional financing or reduce other expenditures. In addition, changes in actuarial assumptions, investment returns on plan assets, or applicable laws and regulations could increase our retirement fund obligations and funding requirements.

If we are unable to obtain financing when needed, or if we are only able to obtain financing on unfavorable terms, or if we are unable to service our indebtedness, we may be required to reduce or delay capital expenditures, dispose of assets, or take other actions that could adversely affect our business, results of operations and financial condition.

Because the airline industry's financial performance is characterized by low profit margins, high fixed costs and relatively elastic revenue, we may be unable to adjust our fixed costs in response to a shortfall in expected revenue or to compete effectively with airlines with greater financial resources or lower operating costs.

The airline industry is generally characterized by low profit margins and high fixed costs, primarily comprising wages and salaries of crew and other personnel, aircraft lease payments and other financing costs related to aircraft equipment, headquarters facility and information technology system licensing. PAL's net income margin was 11.9%, 4.7%, and 5.1% in the years ended December 31, 2023, 2024 and 2025, respectively, and 9.4% and 8.8% in the three months ended March 31, 2025 and 2026, respectively. APC's net income margin was (0.5)%, (3.1)%, and 6.1% in the years ended December 31, 2023, 2024 and 2025, respectively, and 9.7% and (1.4)% in the three months ended March 31, 2025 and 2026, respectively, reflecting the volatility inherent in our industry.

While we have sought to increase the resiliency of our business model by focusing on optimizing costs and reducing our dependence on yield pressure, revenues per flight are primarily driven by the number of passengers transported and fares, which may vary significantly depending on several factors which are generally outside of our control, including general economic conditions, weather-related factors, geopolitical events, and our competitors' pricing strategies. For example, beginning February 28, 2026, the conflict involving the United States, Israel and Iran resulted in widespread airspace closures across the Middle East, causing PAL to suspend commercial flights to Dubai, Doha and Riyadh, accounting for 8% of PAL's total revenue and 11% of PAL's capacity in the year ended December 31, 2025. For further details, see "*—Volatility in our fuel costs or disruptions in our fuel supply could adversely affect our business, results of operations and financial condition*." However, the operating costs of each flight do not vary significantly and, therefore, a relatively small change in the number of passengers, fare pricing or traffic mix could have a significant effect on our business, results of operations and financial condition.

As a function of our fixed costs, we may (i) have limited ability to obtain additional financing, (ii) be required to dedicate a significant part of our cash flow to fixed costs resulting from aircraft lease and other financing payments and (iii) have a limited ability to plan for, or react to, changes in our business, the industry generally and overall macroeconomic conditions. In addition, volatility in global financial markets may make it difficult for us to obtain financing to manage our fixed costs on favorable terms or at all. Our aircraft leases are long term, limiting our ability to return aircraft quickly if demand falls.

As a result of the foregoing, we may be unable to quickly adjust our fixed costs in response to changes in our revenue. A shortfall from expected revenue levels could have a material adverse effect on our business, results of operations and financial condition.

Our cost-efficient business model is one of our primary competitive advantages, but many factors could affect our ability to control our costs.

Our cost-efficient business model is one of our primary competitive advantages. However, we have limited control over some of our costs, including aircraft fuel, aviation insurance, aircraft acquisition costs, airport and related infrastructure costs, including fees and charges at NAIA, taxes, the cost of meeting changing regulatory requirements imposed by the CAB, the CAAP, and applicable foreign civil aviation authorities, and our cost to access capital or financing. A significant portion of our operating costs, including aircraft lease payments, maintenance expenses, and fuel costs, are denominated in or linked to foreign currencies, particularly the U.S. dollar and fluctuations in foreign exchange rates could materially increase our costs. We also face cost pressures from inflation, increases in the Philippine wages, and a competitive labor market for skilled personnel, including pilots and aircraft maintenance technicians. We cannot assure you that we will be able to maintain our cost-efficient business model. If our costs increase and we are no longer able to maintain a cost-efficient business model, it could have a material adverse effect on our business, results of operations and financial condition.

We have a significant amount of indebtedness, including aircraft-related obligations that could impair our liquidity and thereby harm our business, results of operations and financial conditions.

As of March 31, 2026, we had long-term obligations amounting to U.S.$1,820.4 million, including aircraft and engines financed under long-term lease obligations recognized as a lease liability on our statement of financial position in accordance with PFRS 16. In addition, we have significant obligations for aircrafts that we have ordered for delivery over the next several years. Our ability to pay the principal and interest requirements under our loans and fixed fees associated with these contractual obligations will depend on our operating performance, cash flow and our ability to secure adequate financing, which will in turn depend on, among other things, the success of our current business strategy, fuel price volatility, availability and cost of financing, as well as general economic and political conditions and other factors that are, to some extent, beyond our control. The amount of fixed obligations could have a material adverse effect on our business, results of operations and financial condition and could:

- require a substantial portion of cash flow from operations be used for aircraft lease, principal amortization and interest expense, thereby reducing the availability of our cash flow to fund working capital, capital expenditures and other general corporate purposes;

- limit our ability to make required pre-delivery payments ("**PDPs**"), including those payable to our aircraft and engine manufacturers for our aircraft and spare engines on order;

- limit our ability to obtain additional financing to support our expansion plans and for working capital and other purposes on acceptable terms or at all;

- make it more difficult for us to pay our other obligations as they become due during adverse general economic and market industry conditions because any related decrease in revenues could cause us to not have sufficient cash flows from operations to make our scheduled payments;

- reduce our flexibility in planning for, or reacting to, changes in our business and the airline industry and, consequently, place us at a competitive disadvantage to our competitors with lower fixed payment obligations; and

cause us to lose access to one or more aircraft and forfeit our security deposits if we are unable to make our required aircraft lease rental payments and our lessors exercise their remedies under the aircraft lease, including repossession of the aircraft and cross-default provisions in certain of our aircraft leases.

Increases in labor costs, union disputes, employee strikes and other labor-related disruption may adversely affect our business, results of operations and financial condition.

We operate in a labor-intensive industry that is subject to the effects of conditions in the labor market, including strikes, work stoppages, protests, lawsuits and changes in employment regulations, increases in wages, controversies regarding salary and labor allowances and the negotiation of collective bargaining agreements that, individually or in the aggregate, could adversely affect our business, results of operations and financial condition. We have been affected by these types of labor-related developments in the past and we cannot assure you that these will not occur again.

In addition, the compensation and benefit costs applicable to a significant portion of our employees are established by the terms of collective bargaining agreements with our unions, including the Philippine Airlines Employees Association ("**PALEA**") and the Flight Attendants and Stewards Association of the Philippines ("**FASAP**"). As of March 31, 2026, PAL had 5,420 employees and APC had 1,468 employees, including pilots, cabin crew, and ground personnel. As of March 31, 2026, PAL had 2,813 union members, representing approximately 51.9% of the PAL workforce covered by collective bargaining agreements. Many of our employees are members of labor unions, and we may be adversely affected if we fail to maintain harmonious relationships with these labor unions, which could lead to strikes, work stoppages or other labor disruptions by employees. Given that a significant portion of our operations are in the Philippines, we are highly and particularly sensitive to labor disruptions affecting our operations.

Our labor costs may increase significantly as a result of our renegotiation of collective bargaining agreements. We also face cost pressures from inflation, increases in the Philippine minimum wage, and a competitive labor market for skilled personnel, including pilots and aircraft maintenance technicians. If we are not able to pass these increased costs onto our customers through fare increases, or if we breach any of the collective bargaining agreements we are party to, our business, results of operations and financial condition may be materially and adversely affected.

We rely on our strategic alliances and our commercial partnerships, including our codeshare agreements, both in countries where we operate and where we do not, in order to carry out our strategy.

We are a party to codeshare and other partnership agreements with various international air carriers, which provide that certain flight segments operated by us are held out as our codeshare partners' flights and that certain of our codeshare partners' flights are held out for sale as PAL flights. As of May 31, 2026, our codeshare partners include Alaska Airlines, ANA, American Airlines, WestJet, Cathay Pacific, and Malaysia Airlines. We continue to expand our codeshare and partnership agreements and recently signed agreements with Qatar Airways and Qantas Airways. We receive revenue from flights sold under these codeshare agreements. More broadly, in many of the jurisdictions where we operate, we have found it beneficial to maintain a number of alliances and other commercial partnerships. We rely on these alliances and commercial partnerships to enhance our network and, in some cases, to offer our customers alternative services that we could not otherwise offer.

Many of our codeshare agreements provide that our Mabuhay Miles members can earn miles on or redeem miles for travel on our partners' flights, and vice versa. We believe that these arrangements are an important part of our Mabuhay Miles program and enhance the value proposition for our loyalty program members. If any of our codeshare agreements, strategic alliances, or commercial partnerships deteriorates or is terminated, our business, results of operations and financial condition may be adversely affected.

In June 2026, PAL was invited to join oneworld, a global airline alliance comprising a number of international carriers. PAL's participation in oneworld will be subject to the completion of applicable requirements and integration processes. While membership in a global airline alliance is expected to provide us with enhanced network connectivity, marketing reach, and operational synergies, we will need to implement various alliance requirements and standards within specified timeframes. If we are unable to meet alliance membership requirements or implement them in a timely manner, we may face delays in achieving full membership benefits or, in certain circumstances, could jeopardize our membership status, which could place us at a competitive disadvantage in attracting and retaining passengers, particularly business travelers who value seamless global connectivity.

Moreover, the loss of a significant partner through bankruptcy, consolidation or otherwise could adversely affect our business, results of operations and financial condition. Our business, results of operations and financial condition could also be adversely affected by the actions of our codeshare or interline partners, for example, in the event of non-performance of material obligations or misconduct, which could potentially result in us incurring

liabilities, or poor delivery of services by our codeshare partners, which could adversely affect our brand and customer perceptions and thereby adversely affect our business, results of operations and financial condition.

We are dependent on our codeshare arrangement with APC for domestic and regional network coverage.

PAL and APC are parties to a codeshare agreement (the "**Codeshare Agreement**"), under which PAL markets the codeshare flights, including those operated by APC under the PAL Express brand, while APC operates the flights. Under this arrangement, PAL markets the flights and APC operates certain domestic and regional routes. In 2025, APC operated 36,167.5 domestic and 189.5 international roundtrip flights under the Codeshare Agreement. Any disruption to this codeshare arrangement with APC could adversely affect our domestic and regional network coverage and our ability to offer seamless travel options to our customers, which could materially and adversely affect our business, results of operations and financial condition.

Any development that would prevent or delay our access to airports or routes that are significant to our strategy, or our inability to maintain our existing landing rights and slots at reasonable costs, could materially and adversely affect our business, results of operations and financial condition.

Our operations are concentrated at NAIA in Manila, which serves as our principal hub. NAIA is a capacity-constrained airport, and the availability of landing slots and airport facilities is critical to our business strategy and growth plans. In 2024, NAIA was privatized and is now operated by NNIC, a consortium led by San Miguel Corporation. Any inability to maintain or expand our landing slots at NAIA, or disruptions due to airspace congestion, adverse weather conditions, or infrastructure constraints, could reduce our aircraft utilization and materially and adversely affect our business, results of operations and financial condition. For further details, see "*—We are highly dependent on our hub at NAIA in Manila, and we confront particular structural challenges at NAIA due to infrastructure limitations and ongoing privatization.*"

We must pay fees to airport operators for the use of their facilities. Passenger taxes and airport charges have increased in recent years and continue to increase, in some cases in a substantial manner. In particular, the privatization of NAIA has resulted in substantially increased airport charges, including landing, take-off, parking, and lease fees . We may be unable to fully pass these increased costs onto passengers through higher fares, which could compress our operating margins. Consistent with this trend, it is possible that the airports we rely on, including NAIA and our secondary hubs at Mactan-Cebu International Airport and Clark International Airport, will impose additional, or further increase, passenger taxes and airport charges. To the extent we are unable to pass these costs onto our customers in the form of increased fares, our business, results of operations and financial condition would be adversely affected. Even if we are able to pass these costs onto our customers in the form of increased fares, that could result in a reduction in demand, which in turn could adversely affect our revenues.

We operate numerous international routes subject to the terms of bilateral or multilateral air service agreements between and among various countries. PAL actively participates in air service agreement negotiations with governments, including Hong Kong, Korea, and the United States, to secure fair and equitable traffic rights. We also operate domestic routes within the Philippines that are subject to regulations imposed by the CAB and the CAAP. We cannot assure you that existing bilateral or multilateral agreements with the countries in which we operate, or permits from governments, will continue to be in effect. A modification or revocation of one or more bilateral or multilateral agreements could have a material adverse effect on our business, results of operations and financial condition. The suspension or revocation of our permits to operate at certain airports or destinations, the loss of our slots, or the imposition of other limitations on our operations could also have a material adverse effect on our business, results of operations and financial condition. A change in the administration or interpretation of current laws and regulations, or the adoption of new laws and regulations, in any of the countries in which we operate that restrict our routes, use of airports or other access may have a material adverse effect on our business, results of operations and financial condition. For instance, geopolitical tensions, military conflicts, or deteriorating security environments in certain regions could result in safety warnings or operational guidance alerts issued by aviation authorities, including the U.S. Federal Aviation Administration ("**FAA**"), CAAP, or other foreign civil aviation authorities, which could require us to suspend or reroute certain flights. Any such suspension or rerouting of flights could adversely affect our operations and results.

Certain airports that we serve are subject to capacity constraints and impose slot restrictions during certain periods of the day. We cannot assure you that we will be able to maintain current slots or obtain a sufficient number of new slots, gates and other facilities at airports to operate in a manner consistent with our business strategy. It is also possible that airports not currently subject to capacity constraints may become so. In addition, we must use our slots on a regular and timely basis and, in some cases, comply with certain usage or on-time performance requirements, or risk having those slots re-allocated to other airlines. Slot allocation and usage in the Philippines

and in foreign jurisdictions where we operate are subject to applicable regulations, and our rights to use slots may be suspended or revoked based on certain grounds, including failure to meet minimum usage thresholds or other regulatory requirements.

Where slots or other airport resources are not available or their availability is restricted in some fashion, we may have to adjust our schedules, change routes or reduce aircraft utilization. If we are unable to obtain or maintain favorable take-off and landing authorizations, slots, gates or other facilities at certain high-density airports, especially NAIA, our business, results of operations and financial condition would be materially and adversely affected.

Throughout the COVID-19 pandemic, several airports imposed slot restrictions and capacity limitations which limited our ability to operate at an optimal level. If new outbreaks of contagious diseases with epidemic or pandemic potential occur, the re-implementation of these types of measures by regulators in the Philippines or in other countries in which we operate would have a material adverse effect on our business.

Some of the airports to which we fly impose various other operational restrictions, including limits on aircraft noise levels, limits on the number of average daily departures and curfews on runway use, and other airports may adopt similar restrictions, which may adversely affect our business, results of operations and financial condition.

We rely on maintaining a high daily aircraft utilization rate, which makes us vulnerable to delays.

We seek to maintain a high daily aircraft utilization rate, which is defined as the number of hours we use our aircraft per day. High daily aircraft utilization allows us to generate more revenue from our aircraft and is achieved in part by reducing turnaround time at airports, so we can fly more hours on average in a day. However, aircraft utilization may be reduced by delays and cancellations arising from a number of different factors, many of which are beyond our control, including air traffic and airport congestion, adverse weather conditions, security requirements, government-imposed travel restrictions, unscheduled maintenance, reduced reliability of our aircraft or engines, operational inefficiencies in airports, infrastructure outages and delays by third-party service providers relating to matters such as fueling, line maintenance and ground handling. Adverse weather conditions, including typhoons, which are common in the Philippines, can significantly disrupt our operations and reduce aircraft utilization. On the other hand, high aircraft utilization increases the risk that, if an aircraft falls behind schedule during a given day, it could remain behind schedule for several additional days. Any such delays could disrupt our operating performance, leading to customer dissatisfaction due to delayed or cancelled flights and missed connections, which could in turn adversely affect our business, results of operations and financial condition.

Both PAL and APC operate under franchises granted by the Philippine Government. Legislative or political actions, or their failure to maintain or renew these franchises, could result in the suspension or revocation of PAL's or APC's authority to operate, as well as PAL's and APC's tax privileges.

Both PAL and APC operate under franchises granted by the Philippine Government. PAL's 50-year franchise was originally granted pursuant to Presidential Decree No. 1590. The renewal of PAL's franchise for another 50 years is currently ongoing. APC's franchise was renewed for 25 years under Republic Act No. 11682, effective April 11, 2022. These franchises are the legal authority for PAL and APC to operate as air carriers in the Philippines. While PAL and APC are separate legal entities, they operate under a single commercial brand and coordinated network and product strategy.

The Philippine Congress retains the power to amend, alter, or repeal our franchises when the common good, as defined under the Philippine Constitution, so requires. There is no assurance that the Philippine Congress will not repeal or amend our franchises prior to their expiration on terms that would be unfavorable to us, which could materially and adversely affect our business, results of operations, financial condition and prospects.

Our franchises are subject to compliance with the terms and conditions set forth therein, including compliance with applicable laws and regulations, maintenance of safety standards, and other requirements imposed by the Philippine Government. Our franchises are also subject to renewal upon expiration. We cannot assure you that we will be able to comply with all the terms and conditions of our franchises at all times, or that the Philippine Government will renew our franchises upon expiration on favorable terms or at all.

Our franchises may also be exposed to political and reputational risks, and we may be subject to government inquiries, congressional investigations, or similar actions from time to time. Changes in the political environment, including changes in the administration of the Philippine Government, shifts in policy priorities, or changes in the

composition of the Philippine Congress, could result in increased scrutiny of our operations, amendments to the terms of our franchises, or other actions that could adversely affect our business. We cannot predict the outcome of any such inquiries or investigations, or the potential impact of any resulting legislative or regulatory actions.

Any failure to comply with the terms and conditions of our franchises could result in administrative penalties, fines, or other sanctions, including the suspension or revocation of our franchises. The suspension or revocation of either PAL's or APC's franchise, or any failure to renew these franchises upon expiration, would result in the loss of our authority to operate as an air carrier in the Philippines, which would have a material adverse effect on our business, results of operations and financial condition.

In addition, the Philippine Government may amend the terms and conditions of our franchises, or impose new requirements or restrictions on our operations, which could increase our costs, limit our operational flexibility, or otherwise adversely affect our business.

Our business is highly regulated and changes in the regulatory environment, including relating to safety assessments by regulators, or any non-compliance on our part, may adversely affect our business, results of operations and financial condition.

Our business is highly regulated and substantially depends upon the regulatory environment in the countries in which we operate. Government regulation may limit the scope of our operations and may impose significant costs on us. We cannot predict or control any actions that governmental entities or the civil aviation authorities in the countries in which we operate may take.

We are required to obtain and maintain licenses, permits and other authorizations from several government agencies, including but not limited to the CAB, the CAAP, the Philippine Department of Environment and Natural Resources, the Philippine Environmental Management Bureau, the Philippine Department of Labor and Employment, the Philippine Bureau of Fire Protection, the Office for Transportation Security, the Manila International Airport Authority, the Bureau of Internal Revenue ("**BIR**") and various local government units. Our licenses, permits and other authorizations impose various requirements. Certain permits have pre-requisite requirements or third-party consents, and failure to obtain such could result in failure to secure necessary permits which may hinder our operations. We have incurred, and will continue to incur, expenditures to comply with these laws and regulations. There is no assurance that changes in the regulatory environment will not negatively impact our operations and financial performance. Further, if we are unable to retain, obtain or renew our permits and licenses or if we are only able to do so on unfavorable terms, we may lose our ability to operate, which could materially and adversely affect our business, financial condition and results of operations.

In the Philippines, the CAB regulates routes, tariffs, and passenger rights, while the CAAP regulates aircraft and operating standards. Both PAL and APC operate under franchises granted by the Philippine Government pursuant to Presidential Decree No. 1590 (in the case of PAL) and Republic Act No. 11682 (in the case of APC), which franchises are valid for 50 years and 25 years, respectively, and are subject to renewal. Any failure to comply with the terms and conditions of these franchises, or any failure to renew these franchises upon expiration, could result in the suspension or revocation of our authority to operate as an air carrier in the Philippines, which would have a material adverse effect on our business, results of operations and financial condition. See "*—Both PAL and APC operate under franchises granted by the Philippine Government. Legislative or political actions, or their failure to maintain or renew these franchises, could result in the suspension or revocation of PAL's or APC's authority to operate, as well as PAL's and APC's tax privileges.*"

In addition to our domestic regulatory requirements, we are subject to international aviation agreements. We operate international routes subject to the terms of bilateral or multilateral air service agreements between and among various countries. PAL actively participates in bilateral air service agreement negotiations with governments, including Hong Kong, Korea, and the United States, to secure fair and equitable traffic rights. We cannot assure you that existing bilateral or multilateral agreements with the countries in which we operate, or permits from governments, will continue to be in effect. A modification or revocation of one or more bilateral or multilateral agreements could have a material adverse effect on our business, results of operations and financial condition. The suspension or revocation of our permits to operate at certain airports or destinations, the loss of our slots, or the imposition of other limitations on our operations could also have a material adverse effect on our business, results of operations and financial condition.

Regulations such as slot controls can limit our ability to grow and expand our operations. NAIA, our principal hub, is subject to capacity constraints and slot restrictions. Any changes to slot control regulations or airport capacity limitations could affect our allocated slots and, consequently, our network operations.

Additionally, we may be affected by governmental safety assessments. The FAA periodically audits aviation regulatory authorities, and each country is given an International Aviation Safety Assessment ("**IASA**") rating. The Philippines currently holds a "Category 1" IASA rating, which allows us to operate flights to the United States and participate in codeshare arrangements with U.S. carriers. However, this rating may be downgraded for a variety of safety and other reasons and we have no control over compliance by the CAAP with international safety standards. In the case of a downgrade, we would not be able to increase our services to the United States or certify new aircraft for flights to the United States; in addition, our U.S. air carrier codeshare partners would be required to suspend placement of their codes on our flights. This could materially and adversely affect our service to the United States and, consequently, our business, results of operations and financial condition.

Exposure to changes in United States' economy and international trade policies, including tariffs, export controls and customs measures may have a negative effect on us.

Since the first quarter of 2025, the U.S. government has announced and implemented additional tariffs on a broad range of imports, from numerous countries, including the Philippines, and expanded the use of trade remedies and enhanced customs enforcement. Other jurisdictions have responded with reciprocal tariffs and trade restrictions, and additional measures may be imposed in the future. These developments and additional changes in U.S. or international trade policies, including evolving export controls, sanctions and other trade-related policies, along with continued uncertainty surrounding such policies, could lead to further weakened business conditions for the airline industry, which may adversely impact our operations through increased supply chain challenges, commodity price volatility and a decline in discretionary spending and consumer confidence, among others. Any of the foregoing could harm our business, results of operations and financial condition, and we cannot anticipate all of the ways in which such conditions could adversely affect our business, results of operations and financial condition.

The outbreak or the threat of an outbreak of a contagious disease has in the past and may in the future materially and adversely affect the airline industry.

Outbreaks of contagious diseases with epidemic or pandemic potential, such as the Ebola virus, the Middle East respiratory syndrome, Dengue fever, the bird flu virus, cholera, influenza and, most recently, COVID-19, or fear of such an event or other unknown future outbreaks or pandemics, could materially and adversely affect the airline industry and our business, results of operations and financial condition, including in the following respects:

- diseases may affect the health of our crew and operations personnel, impairing normal flight operations;
- aircraft use may be affected by passengers with contagious diseases or by government measures to avoid the spread of contagious diseases, and aircraft may be grounded until the health and safety of passengers and crew can be guaranteed;
- increased use of virtual meetings and other technology as a substitute for travel and in-person meetings could persist or increase, depressing business travel;
- widespread government-imposed travel restrictions outside of our control could result in severe limitations on our ability to fly and generate revenue and could result in additional requests for ticket refunds from customers due to changed or canceled flights; and
- materially and adversely affect global economic conditions, disrupt supply chains and otherwise negatively impact aircraft manufacturing operations.

Our business, results of operations and financial condition may be materially and adversely affected in the event of an accident or major incident involving our aircraft or aircraft of the types we operate.

An accident or major incident involving our aircraft could result in significant claims by injured passengers and/or relatives and others, as well as significant costs related to the repair or replacement of a damaged aircraft and its temporary or permanent removal from service.

We are required under our aircraft leases to insure our aircraft. Additionally, we are required under the laws of the Philippines and the other countries where we operate to have liability insurance in place. We believe the coverage and conditions set forth in our liability insurance policies are adequate and in accordance with the practice for international airlines and comply with the requirements of the CAAP and the aviation authorities in other countries where we operate. However, the liability insurance coverage we maintain may not be adequate, in

which case we may not be permitted to operate in certain countries or may be forced to bear substantial losses in the event of an accident or a major incident. Our insurance premiums may also increase significantly. Moreover, any accident or major incident involving our aircraft, even if fully insured, or the aircraft of any major airline, especially aircraft of the types we operate, could cause negative public perceptions about us, our aircraft or air transportation generally, due to safety concerns or other problems, whether real or perceived, which would adversely affect our business, results of operations and financial condition.

Further, certain business risks are either not insurable or, consistent with industry practice, are not insured against, including business interruption, loss of profits or revenue, consequential losses arising from property damage, losses resulting from mechanical breakdowns and losses arising from the failure of suppliers or repair facilities to perform their obligations. To the extent that the actual losses we incur arise from these uninsured risks, we may have to assume substantial losses, which may have a material adverse effect on our business, results of operations and financial condition.

Terrorist attacks or armed conflicts could adversely affect the airline industry and us by decreasing demand and increasing costs.

Any terrorist attack or threat of attack, whether or not involving commercial aircraft, any increase in hostilities relating to reprisals against terrorist organizations, including an escalation of military involvement in the Middle East, Russia or elsewhere, and any related economic impact could result in decreased passenger traffic and materially and adversely affect our business, results of operations and financial condition.

Terrorist attacks and armed conflicts, such as the terrorist attacks in the United States on September 11, 2001 and the Russia-Ukraine war in 2022, have adversely affected the airline industry, resulting in substantially increased security costs and insurance premiums borne by airlines and their passengers.

Premiums for war risk insurance and insurance against aircraft damage and liability to third parties could increase substantially, and insurers could reduce their coverage, in the event of new terrorist attacks, hijackings, airline crashes, armed conflicts or other events adversely affecting the airline industry. The cost of war risk insurance coverage, both for hull and liability, significantly increased after the Russia-Ukraine war erupted. Certain aviation insurance could become unaffordable, unavailable or available only with insufficient coverage. The Government of the Philippines has not indicated any intention to provide terrorism risk indemnification or low-cost insurance to us. Increases in the cost of insurance may result in higher ticket prices and decreased demand for air travel, which could materially and adversely affect our business, results of operations and financial condition.

We could also be impacted by the proliferation of armed conflicts that fall short of war. To the extent that such conflicts involve the deployment of drones or other projectiles, or the threat of the use of such weapons, the safety of commercial aviation areas in neighboring areas or superjacent airspace could be affected. We could be forced to adjust the routes along which we fly. Any adjustments resulting in increased flight times would increase our costs, which could have a material impact on our profitability.

We operate significant routes throughout Asia Pacific, including to Greater China (Hong Kong, Shanghai, Taipei, Xiamen, Jinjiang, and Beijing), and to the Middle East, serving OFWs and other passengers. Geopolitical tensions in these regions, including tensions between China and Taiwan and armed conflict in the Middle East involving Israel, Iran, Lebanon and other countries, could adversely affect passenger demand, require us to suspend or reroute flights, or increase our operating costs, including war risk insurance premiums. For instance, following the escalation of hostilities in the Middle East in late February 2026, we temporarily suspended certain flights to the region due to airspace closures and heightened safety risks. Any prolonged or further escalation of conflicts in Asia Pacific or the Middle East could require additional flight suspensions or route adjustments and materially and adversely affect our business, results of operations and financial condition.

The Middle East conflict has also resulted in airspace closures and operational disruptions across the region. PAL operates flights to Dubai, Doha and Riyadh and, in response to applicable airspace restrictions and security considerations, PAL suspended scheduled commercial flights to these destinations beginning February 28, 2026, although PAL continued to operate certain repatriation flights during this period. PAL has since resumed commercial flights to certain of these destinations and continues to monitor regional conditions to determine when it may be appropriate to resume or adjust operations to other affected destinations. For further details, see "*Our Business—Recent Developments—Impact of the Middle East Conflict.*" The conflict has also disrupted regional transit hubs and international flight operations, which may adversely affect passenger traffic, including passengers relying on Middle Eastern carriers for onward connections. Any prolonged continuation or escalation of the conflict, expansion of regional instability or additional airspace restrictions could result in further flight

suspensions, route adjustments, operational disruptions, increased fuel, security and insurance costs and reduced passenger demand, any of which could materially and adversely affect our business, financial condition and results of operations.

We rely on our own direct and indirect channels to distribute our airline tickets and if we are unable to attract customers to our direct channels, or effectively use indirect channels, our business, results of operations and financial condition would be adversely affected.

We distribute our airline tickets through multiple channels, including our own direct channels: website, mobile applications, corporate booking portal, our 24/7 call centers, city and airport ticket offices, and indirect channels: traditional travel agents, corporate travel agents and online travel agencies. Distribution to indirect channels is done through global distribution systems ("**GDS**") and includes both traditional Electronic Data Interchange for Administration, Commerce and Transport ("**EDIFACT**") and, more recently, New Distribution Capability ("**NDC**"). NDC allows us to modernize our distribution framework to deliver personalized offers and ancillary products at a lower cost.

Ticket sales through our direct channels represent our lowest cost of distribution. These direct channels also serve as platforms to offer ancillary products and services to increase our revenue from non-ticket sources. They also serve as the most efficient channels for post booking services. Accordingly, it is increasingly important that we are able to attract customers to our direct channels, particularly our website and our mobile apps and encourage them to purchase tickets online. Any inability to maintain and/or expand our direct sales through our website or our mobile apps could have an adverse effect on our business, operations and financial condition.

We also rely on indirect channels to sell a significant portion of our airline tickets and ancillary products. In the future we will continue to rely on these indirect channels, albeit at a slowly decreasing proportion, as more customers move to direct channels. These indirect channels are more expensive and at present have less functionality in respect of ancillary products than our direct channels. Certain of these indirect channels also effectively restrict the manner in which we distribute our products generally. However, they remain important, especially for certain customer segments such as corporates, sea crew and OFWs. To remain competitive, we will need to successfully manage our indirect distribution costs and improve the functionality of these channels. Negotiations with key GDSs and indirect channels are designed to manage our costs, increase our distribution flexibility, and improve functionality. These negotiations could be contentious, could result in diminished or less favorable distribution of our tickets, and may not provide the functionality we require to maximize ancillary revenues. We cannot assure you that our relationships with GDS providers and other distribution partners will continue and remain consistent over time.

We are exposed to credit risk in connection with our relationships with travel agents and cargo agents. We manage this risk through credit evaluation and require financial guarantees from our agents. However, the failure of any significant travel agent or cargo agent to meet its obligations to us could adversely affect our business, results of operations and financial condition.

In addition, in the last several years there has been significant market share shift among GDSs and consolidation of Online Travel Agents ("**OTAs**"). Further shifts and consolidation could affect our ability to manage our distribution costs due to a reduction in competition or other industry factors. Any inability to manage such costs and functionality at a competitive level, or any material diminishment in the distribution of our tickets, could have a material adverse effect on our competitive position, business, results of operations and financial condition. Moreover, our ability to compete in the markets we serve may be threatened by changes in technology or other factors that may make our existing website or mobile app or third-party sales channels impractical, uncompetitive or obsolete.

Further, lobbying, legislative action, and legal action by travel agents may affect our ability to execute on our commercial strategy. Legislative proposals in the Philippines or in other countries where we operate could modify the regulatory and administrative framework for airlines. Certain measures of this type could potentially affect our operational procedures, increase compliance and administrative costs, and affect our commercial relationships with distribution partners and our customers. Legal actions challenging direct sales practices or new distribution technologies could lead to restrictions on how airlines can promote and sell tickets directly to consumers, increased costs, reduced flexibility in our sales strategies and potentially lower revenues if we are unable to adapt quickly to new regulations or legal requirements.

We may not be able to maintain or grow our ancillary revenue.

We aim to continually grow our stream of passenger-related revenue from our portfolio of ancillary services, including excess baggage fees, seat upgrades, inflight sales, Mabuhay Miles redemptions, and other passenger services. Ancillary revenue is an increasingly important component of our total revenue, and our ability to maintain or grow this revenue stream depends on passenger willingness to pay for additional products and services, our ability to effectively market these offerings, and our capacity to develop new ancillary products that appeal to our customers.

We cannot assure you that passengers will pay for additional ancillary products and services or that passengers will continue to choose to pay for the ancillary products and services we currently offer. Consumer protection regulations in the Philippines or in other countries where we operate may also limit our ability to charge for certain ancillary services or require enhanced disclosure of ancillary fees, which could reduce demand for these services or increase our compliance costs. Any inability to maintain or grow our ancillary revenue would adversely affect our business, results of operations and financial condition.

We may be adversely affected by risks relating to our Mabuhay Miles loyalty program, including the loss of business partners or increased redemption costs.

We operate a loyalty program called Mabuhay Miles, which allows members to earn miles on PAL flights and redeem miles for travel on PAL and partner airlines. The Mabuhay Miles program is an important part of our customer retention and marketing strategy and is a growing source of other revenue and cash generation. Our participation in oneworld, a global airline alliance, is expected to expand the network of partner airlines on which Mabuhay Miles members can earn and redeem miles. For risks relating to our oneworld membership, see "*—We are a party to various codeshare, interline, and other partnership agreements, which may be terminated or not renewed on favorable terms*."

Mabuhay Miles relies on commercial partners, including banks and various retail and hospitality partners. Mabuhay Miles has an exclusive co-branded credit card with Philippine National Bank which accounts for a material portion of its revenue. A decrease in miles sold to one of Mabuhay Miles' commercial partners for any reason, including a temporary or permanent downturn in their business or financial condition, a decrease in their activity or their development of new loyalty strategies for their respective clients, could adversely affect Mabuhay Miles. In addition, a decision by one or more of these key partners to not participate in the Mabuhay Miles program could adversely affect our business, results of operations and financial condition.

Most agreements with Mabuhay Miles' commercial partners are short-term and may be terminated or renewed under the same or different terms when they expire. Co-branded credit card agreements with financial services companies are typically on multi-year terms. Agreements with other commercial partners, on the other hand, often have shorter terms. In addition, some of these agreements may be terminated prior to expiration in the case of any material uncured breach by us. Any such termination or inability to renew these agreements could adversely affect Mabuhay Miles and, consequently, our business, results of operations and financial condition.

We have limited ability to influence the commercial policy regarding miles of several of Mabuhay Miles' partners. Some partners may freely change their policies for accumulating, transferring and redeeming miles, as well as develop their own platforms for clients to exchange points for rewards, including airline tickets issued by other airlines, and as a result reduce demand for and revenue generated by Mabuhay Miles. Changes in these policies may (i) make the Mabuhay Miles program less attractive or efficient for the clients of its partners and (ii) increase competition in the loyalty program sector, which in turn may reduce the demand for miles, increase downward pressure on the average price of miles and adversely affect Mabuhay Miles. If Mabuhay Miles is unable to respond effectively to evolving market conditions, competitive dynamics or changes in partner policies, our business, results of operations and financial condition may be adversely affected.

We recognize deferred revenue for the fair value of award credits (miles) at the time miles are earned, and revenue is recognized when miles are redeemed or expire. We cannot control the timing of the redemption of miles, or the number of miles ultimately redeemed. If the redemption costs that we incur in a given fiscal year exceed our available cash and new sales in that period, we may not have sufficient cash on hand to cover all actual redemption costs in that year or future years, which could materially and adversely affect the program.

Our operating expenses related to the Mabuhay Miles program include the cost of providing award travel and other redemption rewards to members. Because we do not incur redemption-related costs for miles that are not

redeemed and have expired, our profitability depends in part on the estimated percentage of miles issued that will never be redeemed by members, or "breakage". If breakage decreases and we are unable to offset this decrease with increased revenue or reduced redemption costs, our business could be adversely affected.

An accumulation of ticket refunds could have an adverse effect on our financial results.

We have agreements with financial institutions and/or acquirers that process customer credit and debit card transactions for the sale of air travel and other services. In some of our credit card processing agreements, acquirers may require, under certain circumstances, that we maintain a reserve or set up a standby facility representing an amount of advance ticket sales for which we have not yet provided the air transportation. Acquirers may also withhold remitting a certain amount of our advance ticket sales until the tickets are flown. Ticket refunds lower our liquidity and an accumulation of such refunds could force us to post cash collateral with the acquirers for advance ticket sales, which could have a material adverse effect on our business, results of operations and financial condition.

Our results of operations fluctuate due to seasonality and other factors.

We expect our operating results to fluctuate due to seasonality, including variations in vacation and leisure demand throughout the year. Passenger traffic on our domestic and international routes typically increases during peak travel periods, including holidays and school vacation periods, and decreases during off-peak periods. The actions of our competitors may also contribute to fluctuations in our results of operations. As we enter new markets, we could be subject to additional seasonal variations along with any competitive responses to our entry by other airlines.

We are susceptible to adverse weather conditions, including typhoons, which are common in the Philippines and can disrupt our operations, particularly during typhoon season. Price changes in aircraft fuel as well as the timing and amount of maintenance and advertising expenditures also impact our operations. As a result of these factors, quarter-to-quarter comparisons of our operating results may not be a good indicator of our future performance. In addition, it is possible that in any future period our operating results could be below the expectations of investors and any published reports or analyses regarding us.

If we are unable to protect our intellectual property rights or maintain our technology license agreements, our business, results of operations and financial condition could be adversely affected.

We have the right to use certain trademarks and trade names in connection with our business, including, but not limited to, "*Philippine Airlines*", "*PAL*", "*PAL Express*", and "*Mabuhay Miles*". We believe that these trademarks and trade names and other related intellectual property are important to the success of our business. We and our affiliates protect our and their respective intellectual property rights through a variety of methods, including, but not limited to, applying for and obtaining trademark protection in the Philippines, the United States and certain other countries where we operate. Any violation of our intellectual property rights or refusal to record such rights in foreign jurisdictions may result in measures to protect these rights through litigation, oppositions, appeals or otherwise, which could be expensive and time consuming. If we or our affiliates fail to adequately protect intellectual property rights, our business, results of operations and financial condition could be adversely affected.

We license, subscribe or otherwise receive access to certain intellectual property and technology that are important to our business, and in the future, we may enter into additional agreements that provide us with licenses, subscriptions or access to valuable intellectual property or technology. If we are not able to negotiate or renew these agreements, or if we enter into or renew such agreements on unfavorable or less favorable terms, our business, results of operations and financial condition may be adversely affected. If we fail to comply with the obligations under our agreements, we may be required to pay damages or such agreements (or certain rights granted therein) may be terminated, which could disrupt our operations and harm our reputation. Our business may suffer if the third parties from whom we license, subscribe or otherwise receive access to intellectual property rights fail to enforce their rights in the applicable intellectual property against infringing third parties, or if the applicable intellectual property rights are found to be invalid or unenforceable.

While we believe that we have all appropriate licenses, subscriptions or other means of access from third parties to use all of the technology and software in our business, third parties may allege that we are infringing their rights in such technology or software, and may commence litigation against us. Even if we are successful in defending against such litigation, this could be expensive and time consuming and could have an adverse effect on our business, results of operations and financial condition.

Additionally, in the future, we may identify additional third-party intellectual property and technology we need, including to develop and offer new products and services. However, rights to such intellectual property and technology may not be available on acceptable terms or at all. Further, third parties from whom we currently license, subscribe or otherwise receive access to intellectual property rights and technology could refuse to renew our agreements upon their expiration or could impose additional terms and fees that we otherwise would not deem acceptable, requiring us to obtain the intellectual property or technology from another third party, if any is available, or to pay increased fees or be subject to additional restrictions on our use of such third-party intellectual property or technology.

Any damage to our reputation or brand image, including through social media, could adversely affect our business, results of operations and financial condition.

We operate in a public-facing industry and maintaining a good reputation is critical to our business. Our reputation or brand image could be adversely impacted by any failure to maintain satisfactory practices for all of our operations and activities. While we have achieved a Net Promoter Score in the mid-50s in 2025, maintaining high levels of customer satisfaction is critical to our business, and any decline in our service quality or Net Promoter Score could adversely affect our reputation, customer loyalty, and competitive position.

We use social media as a marketing and communication tool. These platforms provide us, as well as individuals, with access to a broad audience of consumers and other interested persons. Negative commentary regarding our business may be posted on social media platforms, which could reach a broader audience, and the inappropriate and/or unauthorized use of certain media platforms by our workforce or others, could cause brand damage or information leakage, including of sensitive information, through external media channels, or could lead to legal implications. Further, as laws, regulations, and different platforms' terms of service rapidly evolve to govern the use of social media, a failure by us, our employees or third parties acting at our direction to abide by applicable laws, regulations and terms in the use of these platforms and devices could subject us to fines or other penalties and, consequently, adversely impact our business, results of operations and financial condition.

The ongoing success of our brand may depend in part on our ability to achieve our stated sustainability goals or further our sustainability initiatives, and failure to achieve or demonstrate progress towards these goals may expose us to liability and reputational harm.

Regulators, governmental entities, customers, investors, creditors, insurers, employees and other stakeholders are increasingly focused on the sustainability and environmental, social and governance ("**ESG**") related impacts of industry operations and related disclosures. These sustainability-related disclosures, which are subject to rules, regulations and standards for collecting, measuring and reporting that are in some cases still developing, require internal controls and processes that continue to evolve and have resulted in, and are likely to continue to result in, increased general and administrative expenses and increased management time and attention spent complying with or meeting such expectations, rules, regulations and standards.

The ongoing success of our brand may depend in part on our ability to gather, analyze and report the appropriate data, achieve our stated sustainability goals, further our sustainability initiatives and comply with related national and international binding or non-binding legislation, regulation, standards and accords. It may also depend on the accuracy, adequacy or completeness of our disclosures relating to those goals and initiatives and progress against them, including any promotion of, or any failure to achieve and/or make progress toward our sustainability-related efforts and goals, which are subject to risks and uncertainties that are outside of our control.

We cannot assure you of the extent to which any of our sustainability-related goals will be achieved or that any current or future investments that we make in furtherance of achieving these goals will produce the expected results or meet increasing stakeholder expectations. Moreover, future events could lead us to prioritize other nearer-term interests over progressing toward our current climate or environmental goals based on business strategy, economic, regulatory and social factors or pressure from investors, creditors, insurers, and activist groups or other stakeholders. If we fail, or are perceived to fail, to meet or properly report on our progress toward achieving our climate, environmental or other sustainability-related goals and commitments, or if those goals are not perceived as being sufficiently robust, we could face adverse publicity and reactions from other investors, activist groups, or other stakeholders, which could result in reputational harm or other adverse effects, including potential litigation.

We are dependent on our senior management team, key personnel and skilled employees, and we may be unable to attract and retain qualified, skilled employees necessary to operate our business, which could have an adverse effect on our business, results of operations and financial condition.

Our success depends to a significant extent upon the efforts and abilities of our senior management team and key financial, operational and commercial personnel. Members of our senior management team may resign at any time. The loss of any of our senior management or key personnel could adversely affect our business, results of operations and financial condition.

Our business is labor intensive. As of March 31, 2026, PAL had 5,420 employees and APC had 1,468 employees, including pilots, cabin crew, ground personnel, and aircraft maintenance technicians. We require large numbers of pilots, flight attendants, maintenance technicians and other highly skilled personnel. We compete against other airlines for these highly skilled personnel and certain airlines offer wage and benefit packages exceeding ours. The airline industry has from time to time experienced a shortage of qualified personnel. In particular, as more pilots in the industry approach mandatory retirement age, the airline industry may be affected by a pilot shortage. We may also face shortages of qualified aircraft mechanics and dispatchers. As is common in our industry, we have at times faced considerable turnover of our skilled employees, many of whom have left us to work in countries where compensation is higher, requiring us to attract new skilled employees. Should the turnover of skilled employees (particularly pilots and maintenance technicians) increase, our training expenses would increase. We invest in talent development through programs such as PAL Multiversity and partnerships with external training providers, including LinkedIn Learning; however, we cannot assure you that these efforts will be sufficient to attract, train and retain the skilled personnel we need. We cannot assure you that we will be able to recruit, train and retain the managers, pilots, maintenance technicians and other operating employees that we need to continue our operations or replace departing employees, which could adversely affect our business, results of operations and financial condition.

As a result of the foregoing, we may not be able to attract or retain qualified personnel or may be required to increase wages. If we are unable to attract and retain qualified, skilled employees necessary to operate our business, our business could be harmed and we may be unable to implement our growth plans. In addition, as we hire more people and grow, we believe it may be increasingly challenging to continue to maintain our company culture. Our company culture, which we believe is one of our competitive strengths, is important to providing dependable customer service and having a productive, accountable workforce that helps keep our costs low. As we continue to grow, we may be unable to identify, hire or retain enough people who meet the above criteria, including those in management or other key positions.

In addition, our company culture could otherwise be adversely affected by our growing operations and geographic diversity. If we fail to maintain the strength of our company culture, our competitive ability and our business, results of operations and financial condition could be harmed.

We engage in transactions with related parties, which may create conflicts of interest.

We engage in transactions with related parties in the ordinary course of our business. These related parties include MacroAsia Corporation and its subsidiaries, such as MacroAsia Catering Services, Inc. and MacroAsia Airport Services Corporation, which provide ground handling, catering, and other aviation support services, as well as other affiliates within the LT Group, Inc. These transactions are conducted on terms that we believe are comparable to those that would be available from unrelated third parties; however, conflicts of interest may arise between us and our related parties. Related party transactions may also be subject to increased scrutiny by tax authorities, regulators, and investors. Any perception that our related party transactions are not conducted on arm's length terms could adversely affect our reputation and our relationships with regulators and investors.

For a description of our related party transactions, see "*Related Party Transactions.*"

Consumer protection regulations and laws, including restrictions on, or increased taxes applicable to, charges for ancillary products and services paid by airline passengers, could adversely affect our business, results of operations and financial condition.

We are subject to consumer protection regulations and laws in the Philippines, the United States, and other countries in which we operate, including restrictions on charges for ancillary products and services paid by airline passengers.

The applicable regulators in the Philippines, the United States and other countries in which we operate have been increasingly focused on strengthening regulation and enforcement of consumer protection rules in recent years. In the Philippines, the CAB regulates routes, tariffs, and passenger rights, and regulatory authorities may address complaints from passengers by opening administrative investigations that may result in fines or other enforcement actions. Department of Transportation ("**DOT**") in the United States issues regulations related to consumer protection and civil rights for air travelers. The DOT reviews carrier responses to consumer complaints and periodically audits airlines to determine whether such airlines have violated any of the DOT rules. If the DOT determines that we are not, or have not been, in compliance with these rules or if we are unable to remain compliant, the DOT may subject us to fines or other enforcement actions.

New regulations with respect to charges for ancillary products and services may require significant modifications to our distribution strategy and significant technological investments both in our platforms and in those of our distribution partners and technology partners, including global distribution systems, travel agencies, passenger service systems, credit card processors, and banks. If we fail to comply with such new regulations within the required timeframes, or if our compliance strategy is deemed inadequate by the authorities, we may be subject to fines or penalties.

If new laws or regulations are adopted in the Philippines, the United States, or other countries in which we operate that make unbundling of ancillary products and services impermissible, or more cumbersome or expensive, or if new taxes are imposed on ancillary revenues, our business, results of operations and financial condition could be adversely affected. Congressional, regulatory agency and other government scrutiny may also change industry practice or the public's willingness to pay for ancillary products and services.

Any violation or alleged violation of anti-corruption, anti-bribery, anti-money laundering and sanctions laws, or failure to comply with ethics and compliance standards, could adversely affect our business, results of operations and financial condition.

We are subject to several anti-corruption laws, including the Philippine Anti-Graft and Corrupt Practices Act, the Philippine Anti-Money Laundering Act (as amended), the U.S. Foreign Corrupt Practices Act of 1977 ("**FCPA**") and similar laws of other jurisdictions. The FCPA generally prohibits companies and their intermediaries from making improper payments to foreign officials with the purpose of obtaining or keeping business and/or other benefits. We cannot assure you that our employees, executives, board members, agents, and the companies to which we outsource certain of our business operations, will not take actions in violation of our anti-corruption, anti-bribery and anti-money laundering policies or applicable law, for which we may be ultimately held responsible.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United States and the Philippines, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations. We operate flights to various international destinations, including countries that may be subject to international sanctions or have heightened compliance risks. Any allegations or investigation relating to violations of anti-corruption, anti-bribery, anti-money laundering or trade control laws may harm our reputation and adversely affect our business, results of operations and financial condition.

We have adopted a code of business conduct and ethics applicable to all of our employees and collaborators, and we have internal policies in relation to our management and the conduct of our employees and counterparts. We also have a compliance function that oversees the implementation of these policies, conducts training, verifies compliance with laws and regulations and addresses violations.

However, despite our policies and procedures, our shareholders, employees, counterparties or anyone doing business with us may engage in fraudulent activities, corruption or bribery, unethical behavior or improperly appropriate or manipulate our assets for their personal or commercial advantage. Our failure to prevent, detect or remedy any such behaviors and/or process vulnerabilities in a timely manner could have an adverse material effect on our reputation, business, results of operations and financial condition.

We are subject to antitrust laws and regulations, and violations or perceived violations of such laws or regulations could have a material adverse effect on our business, results of operations and financial condition.

We are subject to antitrust laws and regulations in the Philippines and the other countries in which we operate, which laws and regulations generally prohibit anticompetitive behaviors and agreements (such as collusion, bid rigging, market distribution with competitors and the abuse of a dominant position) by any entity in the applicable

market. In the Philippines, the Philippine Competition Commission ("**PCC**") is responsible for enforcing competition laws. Our ability to make strategic investments or acquisitions in the future may be subject to antitrust review or merger control by relevant authorities in the Philippines or the other countries in which we operate, and failure or perceived failure to comply with these laws and regulations may result in the imposition of precautionary measures, fines or other sanctions.

Environmental regulation and climate change may impose significant costs on us, and failure to comply with applicable environmental regulations could adversely affect our reputation, business, results of operations and financial condition.

The airline industry is subject to increasingly stringent global, regional, federal, state, local and foreign laws, regulations and ordinances relating to the protection of the environment, including those relating to particulate emissions, greenhouse gas emissions, climate-related strategy, noise levels, discharges to surface and subsurface waters, safe drinking water and the management of hazardous substances, oils and waste materials. In the Philippines, we are subject to environmental laws including the Clean Air Act and the Clean Water Act. Failure to comply with any environmental regulations and licensing requirements could adversely affect our business, results of operations and financial condition, and could result in the suspension or revocation of operating authorities.

In 2016, to address climate change concerns, the International Civil Aviation Organization ("**ICAO**") adopted a resolution creating the Carbon Offsetting and Reduction Scheme for International Aviation ("**CORSIA**"), providing a framework for a global market-based measure to stabilize carbon dioxide emissions in international civil aviation. Under CORSIA, airline operators with annual emissions greater than 10,000 tons of carbon dioxide are required to report their emissions from international flights on an annual basis. Subject to a phase-in schedule, airline operators will be required to use Sustainable Aviation Fuels ("**SAF**"), or obtain and retire carbon offset credits corresponding to their carbon dioxide emissions above an established baseline.

The phases for the CORSIA scheme are: (i) pilot phase from 2021 until 2023, (ii) first phase from 2024 to 2026, during which only flights between nations that volunteer to participate in CORSIA are subject to offsetting requirements, and (iii) second phase from 2027 to 2035, during which most international flights will be subject to offsetting requirements. Although the impact of CORSIA cannot be fully predicted, it is expected to result in increased operating costs for us and other airlines that operate internationally.

The ongoing success of our brand may depend in part on our ability to achieve our stated sustainability goals or further our sustainability initiatives. Regulators, governmental entities, customers, investors, creditors, insurers, employees and other stakeholders are increasingly focused on the sustainability and ESG-related impacts of industry operations and related disclosures. We cannot assure you of the extent to which any of our sustainability-related goals will be achieved or that any current or future investments that we make in furtherance of achieving these goals will produce the expected results or meet increasing stakeholder expectations.

In addition, climate change may cause severe weather such as increased storms and flooding, rising sea level, and excessive heat. The Philippines is particularly susceptible to typhoons and other severe weather events, which could negatively impact our operations and infrastructure. The operational impact can include flight cancellations, flight delays and increased fuel prices, among others. All of these factors could result in loss of revenue. We are not able to predict accurately the materiality of any potential losses or costs associated with the physical effects of climate change.

Changes in tax laws, regulations or their interpretation, transfer pricing disputes, or adverse outcomes from tax audits could adversely affect our business, results of operations and financial condition.

We are subject to income taxes and other taxes in the Philippines and in the other jurisdictions in which we operate, including corporate income tax, value-added tax, withholding taxes, and other taxes imposed by the BIR and local government units. The Philippine tax system is complex, and the interpretation and application of tax laws may be subject to differing views. In the course of our business, there will be many transactions and calculations where the ultimate tax determination is uncertain and, as we gather more information and perform more analysis, our calculations may differ from previous estimates and may materially affect our consolidated financial statements. Furthermore, changes in legislation, treaties, regulation and jurisprudence can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting eligible expenses and deductions, and eliminating incentives and non-taxed income.

We benefit from certain tax exemptions and incentives under Philippine law, including exemptions under Presidential Decree No. 1590, which grants PAL duty-free importation of aircraft, spare parts and equipment, as well as tax exemptions on certain income or transactions. These exemptions and incentives reduce our operating costs and enhance our competitiveness. However, tax exemptions and incentives are subject to changes in law, regulation or interpretation and may be modified, reduced or eliminated by the Philippine government. Any reduction or elimination of tax exemptions or incentives currently available to us could increase our tax burden and operating costs and could adversely affect our business, results of operations and financial condition.

The Philippines and numerous other countries are engaged in establishing changes to tax laws affecting the taxation of multinational corporations, including pursuant to the Base Erosion and Profit Shifting ("**BEPS**") initiative of the Organisation for Economic Co-operation and Development ("**OECD**"). As part of the BEPS initiative, the OECD has published model rules for a global minimum tax (the "**GloBE rules**"), which aim to ensure that large multinational enterprise groups pay a minimum level of tax of 15% on the income arising in each of the jurisdictions in which they operate. The implementation of these rules in jurisdictions where we operate could increase the amount of taxes we are required to pay and the costs of tax compliance, which could adversely affect our business, results of operations and financial condition.

We are subject to transfer pricing rules in the Philippines and in other jurisdictions where we operate. These rules require that all transactions with related parties be priced using arm's length pricing principles. We have transactions with related parties, including MacroAsia Corporation and other affiliates, and tax authorities may challenge our transfer pricing policies. If any tax authority were successful in challenging our transfer pricing positions, we may be liable for additional taxes, penalties and interest, which could have a significant impact on our results of operations and cash flows.

We are subject to periodic review and audit by tax authorities. Although we believe that our tax provisions, positions and estimates are reasonable and appropriate, tax authorities may disagree with certain positions that we have taken, or that we will take, and any adverse outcome of such a review or audit could have a negative effect on us, our financial condition and the results of our operations. In addition, economic and political pressures to increase tax revenue in various jurisdictions may make any favorable resolution of tax disputes more difficult.

PAL and APC have pending cases with the Philippine Court of Tax Appeals regarding refunds of taxes that they contend were paid notwithstanding their entitlement to applicable tax exemption. In addition, PAL is contesting a tax assessment issued by the U.S. Internal Revenue Service, which is currently pending before the U.S. Tax Court. For further details, see "*Business – Legal and Administrative Proceedings*."

An adverse outcome in the refund proceedings could result in PAL and APC not recovering the amounts claimed. In addition, an adverse outcome in the U.S. tax assessment proceedings could result in additional tax liabilities, penalties and interest. PAL and APC remain subject to periodic examinations and audits by the relevant Philippine tax authorities in the ordinary course of business. Any resulting tax assessments that are ultimately determined adversely to PAL or APC could result in additional tax liabilities, penalties and interest in excess of any reserves established therefor. Any of the foregoing could have a material adverse effect on PAL's and APC's business, results of operations, financial condition and cash flows.

We may become involved in litigation that may have a material adverse effect on our business, results of operations and financial condition.

We have in the past been, are currently and may in the future become involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including breach of contract, commercial, employment, tax and other litigation and claims, and governmental and other regulatory investigations and proceedings.

Any claims asserted against us or our management, regardless of merit or eventual outcome, could be harmful to our reputation and brand and have an adverse impact on our relationships with our customers, commercial partners and other third parties and could lead to additional related claims. Such matters can be time consuming, divert management's attention and resources, cause us to incur significant expenses or liability and/or require us to change our business practices. Because of the potential risks, expenses and uncertainties of litigation, we may, from time to time, settle disputes, even where we believe that we have meritorious claims or defenses. Because litigation is inherently unpredictable, we cannot assure you that the results of any of these actions will not have a material adverse effect on our business, results of operations and financial condition.

PAL's credit rating could be downgraded.

PAL is rated by external credit rating agencies. These agencies review PAL's credit rating periodically. Any downgrade or adverse change in our credit rating outlook assigned by a credit rating agency, whether engaged by us or not, could adversely affect our financial condition and our business operations by increasing the cost of, or limiting or preventing us from securing, additional financing for future business or liquidity needs. There can be no assurance that the credit ratings assigned to us will not change in the future.

Potential investors should not place undue reliance on our unaudited and unreviewed financial information or the discussion of financial information in relation to PAL's and APC's unaudited and unreviewed financial information for the last twelve months ended March 31, 2026.

This Offering Memorandum contains certain discussion of PAL's and APC's financial information for the last twelve months ended March 31, 2026.

The unaudited and unreviewed financial information of PAL and APC as for the last twelve months ended March 31, 2026 have not been audited or reviewed by our auditors. Such financial information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Potential investors must exercise caution when considering such material financial trends and evaluating our financial condition and results of operations.

Risks Related to the Philippines

Volatility in the value of the Philippine Peso against the U.S. dollar and other currencies as well as in the global financial and capital markets could adversely affect our businesses.

The Philippine economy has experienced volatility in the value of the Philippine Peso and limitations to the availability of foreign exchange. In July 1997, the Bangko Sentral ng Pilipinas ("**BSP**") announced that the Philippine Peso could be traded and valued freely on the market. As a result, the value of the Philippine Peso underwent significant fluctuations between July 1997 and December 2004 and declined from approximately ₱29.00 to U.S.$1.00 in July 1997 to ₱56.18 to U.S.$1.00 by December 2004.

The value of the Philippine Peso may be adversely affected by certain events and circumstances such as the strengthening of the U.S. economy, the rise of the interest rates in the U.S. and other events affecting the global markets or the Philippines, causing investors to move their investment portfolios from the riskier emerging markets such as the Philippines. Consequently, an outflow of funds and capital from the Philippines may occur and may result in increasing volatility in the value of the Philippine Peso against the U.S. dollar and other currencies. According to BSP data, the Philippine Peso averaged at ₱55.6304 per U.S.$1.00 in 2023, ₱57.2907 per U.S.$1.00 in 2024 and ₱57.5051 per U.S.$1.00 in 2025. As of March 31, 2026, the exchange rate quoted on the BSP Reference Exchange Rate Bulletin was ₱60.74 per U.S.$1.00.

Our operations and assets are based in the Philippines and, therefore, a slowdown in economic growth in the Philippines could materially and adversely affect our business, financial position and results of operations.

Our business operations and assets are based in the Philippines. As a result, our results of operations and the quality and growth of our assets depend, to a large extent, on the performance of the Philippine economy. In the past, the Philippines has experienced periods of slow or negative growth, high inflation, significant devaluation of the Philippine currency and the imposition of exchange controls. The Philippine Statistics Authority reported annual average inflation rates of 6.0%, 3.2%, and 1.7% for the years 2023, 2024, and 2025, respectively. In its February 2026 Monetary Policy Report, the BSP forecasted that the inflation rate for 2026 and 2027 would be 3.6% and 3.2%, respectively.

Following the 25-basis-point cut in August 2024, resulting in a target reverse repurchase ("**RRP**") rate of 6.25%, which was the first reduction in nearly four years, the Monetary Board decided to further reduce the BSP's target RRP rates by 25 basis points on each of the following dates: October 16, 2024, December 19, 2024, April 10, 2025, June 19, 2025, and October 9, 2025. On December 11, 2025, the BSP further reduced its target RRP rate by 25 basis points to 4.50%. As a result, the interest rates on the overnight deposit and lending facilities were adjusted to 4.00% and 5.00%, respectively. In February 2026, the BSP again reduced its target RRP rate by 25 basis points to 4.25%. The interest rates on the overnight deposit and lending facilities were adjusted to 3.75% and 4.75%, respectively. In April 2026, the BSP increased its target RRP rate by 25 basis points to 4.50% in response to rising inflationary pressures and increased volatility in global commodity markets. Following such

increase, the interest rates on the overnight deposit and lending facilities were adjusted to 4.00% and 5.00%, respectively.

Factors that may adversely affect the Philippine economy include:

- decreases in business, industrial, manufacturing or financial activities in the Philippines, the Southeast Asian region or globally;
- scarcity of credit or other financing, resulting in lower demand for products and services provided by companies in the Philippines, the Southeast Asian region or globally;
- exchange rate fluctuations and foreign exchange controls;
- prolonged periods of inflation or deflation, or increases in interest rates;
- levels of employment, consumer confidence and income;
- changes in the Government's fiscal and regulatory policies;
- Government budget deficits;
- adverse trends in the current accounts and balance of payments of the Philippine economy;
- public health epidemics or outbreaks of diseases, such as COVID-19, monkeypox, the re-emergence of Middle East Respiratory Syndrome-Corona virus (MERS-CoV), SARS, avian influenza (commonly known as bird flu), or H1N1, or the emergence of similar diseases in the Philippines or in other countries in Southeast Asia;
- natural disasters, including but not limited to tsunamis, typhoons, earthquakes, fires, floods and similar events;
- political instability, terrorism or military conflict in the Philippines, other countries in the region or globally;
- geopolitical tensions between the Philippines and other claimant countries concerning disputed territories in the West Philippine Sea; and
- a downgrade in the long-term foreign and local currency sovereign credit ratings of the Philippines or the related outlook for such ratings; and other regulatory, social, political or economic developments in or affecting the Philippines.

According to the Philippine Statistics Authority, the Philippines' gross domestic product ("**GDP**") rate contracted by 9.5% in 2020, a reversal of the 6.0% GDP full-year growth posted in 2019. The decline was driven primarily by the spread of COVID-19, and the implementation of COVID-19-related restrictions. In 2021, the GDP recovered, resulting in a 5.8% full-year growth followed by a 7.6% full-year growth in 2022, a 5.6% full-year growth in 2023 and a 5.8% full-year growth in 2024. The Philippine Statistics Authority reported a full-year GDP growth of approximately 4.4% in 2025 and a year-on-year growth of 2.8% in the first quarter of 2026. Uncertainty surrounding the global economic outlook could cause economic conditions in the Philippines to deteriorate and there can be no assurance that current or future Philippine governmental policies will continue to be conducive to sustaining economic growth. There can be no assurance that the Philippines will maintain strong economic fundamentals in the future. Any future deterioration in economic conditions in the Philippines could materially and adversely affect our financial position and results of operations and our ability to implement our business strategy. Changes in the conditions of the Philippine economy could materially and adversely affect our business, financial condition or results of operations.

Political instability may have a negative effect on our business, financial position or results of operations.

The Philippines has from time to time experienced political and military instability, including acts of political violence. The Philippine Constitution provides that, in times of national emergency, when the public interest so requires, the Government may take over and direct the operation of any privately-owned public utility or business. In the last 10 years, there have been instances of political instability, including alleged extra-judicial killings,

alleged electoral fraud, impeachment complaints and proceedings against key governments officials including a former president, a former chief justice of the Supreme Court of the Philippines, the current vice-president of the Philippines, and public and military protests arising from alleged misconduct by the previous administration. On February 5, 2025, the House of Representatives of the Philippines approved the articles of impeachment of the vice-president of the Philippines and forwarded the same to the Senate. Following the transmittal of the articles of impeachment to the Senate of the Philippines, the impeachment trial for the vice-president of the Philippines is expected to commence in accordance with applicable laws and regulations. On June 10, 2025, the Senate of the Philippines moved to remand the articles of impeachment to the House of Representatives of the Philippines. On June 11, 2025, the House of Representatives of the Philippines adopted House Resolution No. 2346 to certify that the impeachment proceedings initiated by it adhered to the Philippine Constitution. Additionally, the House of Representatives of the Philippines deferred accepting the articles of impeachment pending further clarification from the Senate of the Philippines about its decision to remand the same.

On June 25, 2025, the Philippine Senate Impeachment Court announced its decision to further delay the start of impeachment trial until the House of Representatives of the Philippines prosecution panel has a new composition mandated by the 20th Congress. On July 25, 2025, the Supreme Court of the Philippines, acting on petitions challenging the impeachment of the vice-president, declared the articles of impeachment against the vice-president unconstitutional as the impeachment is barred by the one year rule under the Philippine Constitution and for being in violation of the right to due process of the vice-president under the Bill of Rights. While the decision of the Supreme Court of the Philippines states that it shall be immediately executory, the Supreme Court has yet to rule on the various motions for reconsideration filed against its ruling.

In addition, a number of current and past officials of the Philippine government are currently under investigation or have been indicted for graft, corruption, plunder, extortion, bribery, or usurpation of authority. On March 12, 2025, former President Rodrigo Duterte was surrendered to the custody of the International Criminal Court ("**ICC**") for charges of murder as a crime against humanity. On July 4, 2025, charges against former President Duterte were formally filed/submitted by the prosecution to the ICC. Further, a movement to amend the Philippine Constitution has been gaining traction and should this measure be successful, certain significant changes in the political climate can be expected. As of the date of this Offering Memorandum, the former President Duterte awaits trial in the Hague.

In August 2025, due to public backlash, the Philippine government began investigative efforts on ghost flood control projects allegedly pointing to widespread corruption and misuse of public funds by the Philippine Department of Public Works and Highways and several local government units. In September 2025, President Ferdinand R. Marcos, Jr. signed Executive Order No. 94 creating the Independent Commission for Infrastructure ("**ICI**"). The ICI was created to investigate, receive evidence, and evaluate reports against all individuals involved in substandard and ghost flood control, and other infrastructure projects, prioritizing projects within the last 10 years.

On May 11, 2026, the members of the House of Representatives voted to impeach Vice President Duterte once more. A total of 257 of the 316 members moved for the impeachment on the grounds of, among others, unexplained wealth (with public hearings revealing the bank transactions of Vice President Duterte which were flagged by the Anti-Money Laundering Council), graft and corruption during her tenure as the Secretary of Education, and the threats made against President Marcos and his wife. On the same day, majority of Philippine senators moved to declare all leadership positions in the Senate vacant. As a result, Senator Alan Peter Cayetano replaced Senator Vicente Sotto III as Senate President. The articles of impeachment were transmitted to the Senate on May 13, 2026. On May 18, 2026, the Senate convened as an impeachment court and ordered the issuance of a writ of summons to Vice President Duterte. The impeachment trial is set to commence on July 6, 2026.

In connection with the arrest of former President Duterte in relation to his alleged crimes against humanity, the International Criminal Court on May 11, 2026 unsealed an arrest warrant for Senator Ronald Marapon Dela Rosa as an indirect co-perpetrator, which was initially issued as secret on November 6, 2025. On May 21, 2026, following the denial by the Philippine Supreme Court of the application for the issuance of a temporary restraining order, the Department of Justice of the Philippines directed law enforcement agencies to enforce the warrant of arrest.

There can be no assurance that there will not be any future political events, as well as acts of election-related or other political violence, that could destabilize the Philippines resulting in a negative effect on the general economic conditions of the country. There can also be no guarantee that the current or any future government will adopt economic policies that are conducive to sustained economic growth or which do not materially and adversely impact the current regulatory environment. A major deviation from the policies of the immediate past

administration or fundamental change of direction, including with respect to Philippine foreign policy, may lead to an increase in political or social uncertainty and instability. Any such event could have a material impact on our business, financial position, and results of operations.

Acts of terrorism and violent crimes could destabilize the country and could have a material adverse effect on our business, financial position and results of operations.

Historically, the Philippines has been subject to a number of terrorist attacks and localized armed conflict. For example, on May 23, 2017, a clash erupted in Marawi, Lanao del Sur between government security forces and the ISIS affiliated-Maute group, following the government's offensive to capture alleged ISIS leader in Southeast Asia, Isnilon Hapilon, who was believed to be in the city. President Duterte immediately declared martial law in Mindanao amid protests from the opposition and sectors of civil society. Martial law in Mindanao was extended three times until it expired on December 31, 2019 after two and a half years. On August 24, 2020, twin explosions in Jolo, Sulu Province in Mindanao were carried out by suicide bombers linked to the Abu Sayyaf group, killing 14 people and wounding 75 others. On May 8, 2021, over a hundred members of the ISIS-linked Bangsamoro Islamic Freedom Fighters ("**BIFF**") occupied a town market in Maguindanao for several hours and forced families to flee their homes. A clash between the Philippine military and the BIFF members ensued on May 11, 2021, where five BIFF members were killed. On December 3, 2023, a bombing occurred in the middle of a Catholic mass service at the Mindanao State University in Marawi City, which killed four individuals and injured dozens more.

An increase in the frequency, severity or geographic reach of these terrorist acts, violent crimes, bombings and similar events could have a material adverse effect on investment and confidence in, and the performance of, the Philippine economy. Any such destabilization could cause interruption to parts of our businesses and materially and adversely affect its financial conditions, results of operations and prospects.

Natural or other catastrophes, including severe weather conditions, may adversely affect our business, materially disrupt our operations and result in losses not covered by its insurance.

The Philippines has experienced a number of major natural catastrophes over the years, including typhoons, droughts, volcanic eruptions and earthquakes. In July 2025, the Philippines was struck by tropical cyclones Crising, Dante, and Emong, causing an estimated ₱5.0 billion in infrastructure damage, according to the National Disaster Risk Reduction and Management Council of the Philippines.

The Philippines has been struck by multiple environmental calamities such as the Super Typhoon Ragasa and Typhoon Bualoi and a 6.9 magnitude earthquake in the province of Cebu in late September 2025, a 7.4 magnitude earthquake in Davao Oriental in early October 2025, and most recently, Typhoon Kalmaegi and Super Typhoon Fung-Wong all of which caused widespread damage and losses.

There can be no assurance that the occurrence of such natural catastrophes will not materially disrupt our operations or cause temporary disruptions in our ability to generate electricity and meet its obligations. These factors, which are not within our control, could potentially have significant effects on our assets and operations. While we carry insurance for certain catastrophic events, of types, in amounts and with deductibles that we believe are in line with general industry practices in the Philippines, there are losses for which we cannot obtain insurance at a reasonable cost or at all. We carry business interruption insurance coverage of up to U.S.$25 million, which may not be sufficient to cover all losses arising from extended operational disruptions. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of the capital invested in such business, as well as the anticipated future turnover, while remaining liable for any costs or other financial obligations related to the business. Any material uninsured loss could materially and adversely affect our business, financial condition and results of operations.

Changes in foreign exchange regulations in the Philippines could adversely affect our business, financial condition and results of operations.

If foreign exchange controls were to be imposed, our ability to access foreign currency to purchase aircraft and equipment and to service foreign currency denominated debt obligations could be adversely affected.

Generally, Philippine residents may freely dispose of their foreign exchange receipts and foreign exchange may be freely sold and purchased outside the Philippine banking system. However, the Monetary Board of the BSP, with the approval of the President of the Philippines, has statutory authority, in the imminence of or during a foreign exchange crisis or in times of national emergency, to: (i) suspend temporarily or restrict sales of foreign

exchange; (ii) require licensing of foreign exchange transactions; or (iii) require delivery of foreign exchange to the BSP or its designee banks. The Government has, in the past, instituted restrictions on the conversion of Philippine Pesos into foreign currency and the use of foreign exchange received by Philippine residents to pay foreign currency obligations.

There can be no assurance that the Government will not impose economic or regulatory controls that may restrict fee access to foreign currency in the future. Any such restrictions imposed in the future could severely curtail our ability to purchase aircraft, machinery and equipment from outside the Philippines in U.S. dollars and its ability to make principal and interest payments in U.S. dollars on its foreign currency-denominated obligations or Philippine Peso-denominated debt obligations that are payable in foreign currency, which could materially and adversely affect its financial condition and results of operations.

Corporate governance and disclosure standards in the Philippines may differ from those in more developed countries.

Although a principal objective of Philippine securities laws is to promote full and fair disclosure of material corporate information, there may be less publicly available information about Philippine public companies than is regularly made available by public companies in the U.S. and other countries. As a result, our noteholders may not have access to the same amount of information or have access to information in as timely of a manner as may be the case for companies listed in the U.S. and many other jurisdictions. Furthermore, although we comply with the requirements of the Philippine SEC with respect to corporate governance standards, these standards may differ from those applicable in other jurisdictions.

Territorial disputes with China and a number of Southeast Asian countries may disrupt the Philippine economy and business environment.

Competing and overlapping territorial claims by the Philippines, China and several Southeast Asian nations (such as Vietnam, Brunei and Malaysia) over certain islands and features in the West Philippine Sea (South China Sea) have for decades been a source of tension and conflicts.

China claims historic rights to nearly all of the West Philippine Sea based on its so-called "nine-dash line" and in recent years dramatically expanded its military presence in the sea which has raised tensions in the region among the claimant countries. In 2013, the Philippines became the first claimant country to file a case before the Permanent Court of Arbitration, the international arbitration tribunal based at the Hague, Netherlands to legally challenge claims of China in the West Philippine Sea and to resolve the dispute under the principles of international law as provided for under the United Nations Convention on the Law of the Sea ("**UNCLOS**"). In July 2016, the tribunal rendered a decision stating that the Philippines has exclusive sovereign rights over the West Philippine Sea (in the South China Sea) and that the "nine-dash line" claim of China is invalid.

Tension in the West Philippine Sea has been triggered by the continued presence of Chinese vessels in the Philippines' exclusive economic zone. The Philippines has filed and continues to file diplomatic protests against China and has called on China to recall its ships in Philippine waters. The Armed Forces of the Philippines has also deployed additional naval vessels to protect the territories of the Philippines. In the first half of 2024, tensions in the West Philippine Sea further escalated as several violent incidents transpired. On March 23, 2024, two Chinese Coast Guard ships assaulted a Philippine Navy supply vessel with water cannons. The incident resulted in the injuries of the Filipino crew members aboard the supply boat. On June 17, 2024, an encounter between the China Coast Guard and the Philippine Navy once again occurred on a resupply mission for the BRP Sierra Madre, which is grounded in Ayungin Shoal. Personnel of the China Coast Guard rammed and boarded vessels of the Philippine Navy, which resulted in massive damage to the navy boats and injuries to Philippine Navy personnel. In the past months, beginning April 2024, there has been a standoff between the Philippines and China over the Escoda Shoal (also known as Sabina Shoal). Escoda Shoal functions as the designated meeting area for Philippine vessels conducting resupply operations to the naval outpost at Ayungin Shoal. The BRP Sierra Madre, which has remained grounded there since 1999, is regarded as a primary point of contention between the Philippines and China.

There is no guarantee that the territorial dispute between the Philippines and other countries, including China, would end or that any existing tension will not escalate further, as China has taken steps to exercise control over the disputed territory. In such event, the Philippine economy may be disrupted and its business and financial standing may be adversely affected.

Any deterioration in the Philippine economy as a result of these or other factors, including a significant depreciation of the Philippine Peso or increase in interest rate, may adversely affect our operations. In particular, further disputes between the Philippines and other countries may lead to reciprocal trade restrictions on the other's imports or suspension of visa-free access and/or overseas Filipinos permits. Any impact from these disputes in countries in which we operate could materially and adversely affect our business, financial condition and results of operations.

The credit ratings of the Philippines may restrict the access to capital of Philippine.

Historically, the Philippines' sovereign debt has been rated relatively low by international credit rating agencies. International credit rating agencies issue credit ratings for companies with reference to the country in which they are resident. As a result, the sovereign credit ratings of the Philippines directly affect companies that are residents in the Philippines. In 2019, S&P Global Ratings gave a rating of "BBB+", which was an upgrade from the Philippines' former rating of "BBB". In July 2020, Moody's affirmed its "Baa2" with a stable outlook for the Philippines, while on May 27, 2021, S&P Global Ratings kept its "BBB+" rating on the Philippines and assigned a "stable" outlook on expectations of a "healthy" economic recovery. On August 14, 2024, Rating and Investment Information, Inc. ("**R&I**") upgraded its rating on the Philippines from the "BBB+" with positive outlook last year, to "A-" with stable outlook. On November 28, 2023, S&P Global Ratings affirmed the rating of "BBB+" with a positive outlook on the Philippine economy. Likewise, the Japan Credit Rating Agency's ("**JCRA**") affirmed the Philippines' stable outlook with an investment-grade credit rating at "A-" based on their report dated June 5, 2025. On April 29, 2025, Fitch re-affirmed the Philippines' "BBB" rating with a stable outlook, while on November 27, 2025, S&P Global Ratings affirmed its "BBB+" long term and "A-2" short term sovereign ratings on the Philippines, with a positive outlook on the long-term rating. On April 20, 2026, Fitch affirmed the Philippines' "BBB" rating, while S&P Global Ratings affirmed its "BBB+" long term and "A-2" short term sovereign ratings on the Philippines on April 8, 2026.

In respect of U.S. dollar-denominated global dual-tranche bonds issued by the Philippines, on June 2021, Moody's, S&P Global Ratings and Fitch assigned issuance ratings of "Baa2", "BBB+" and "BBB", respectively, all in line with Philippines' issuer rating. With regard to the Philippines' dual-tranche U.S. dollar-denominated bond offering in May 2024, Moody's, S&P Global Ratings, and Fitch assigned issuance ratings of "Baa2", "BBB+", and "BBB", respectively, all in line with the Philippines' issuer rating. On April 29, 2025, Fitch affirmed the Philippines' long-term foreign currency issuer default rating at "BBB" with a stable outlook.

No assurance can be given that Fitch, Moody's, S&P Global Ratings, JCRA, R&I or any other international credit rating agency, will not downgrade the credit ratings of the Government in the future and, therefore, of Philippine companies. Any such downgrade could have an adverse impact on the liquidity in the Philippine financial markets, the ability of the Government and Philippine companies to raise additional financing and the interest rates and other commercial terms at which such additional financing is available.

Public health crises or outbreaks of diseases may have a material and adverse impact on the economic activities and business operations in the Philippines.

In late 2019, COVID-19, an infectious disease that was first reported to have been transmitted to humans in 2019, spread globally during 2020, and was declared as a pandemic by the World Health Organization ("**WHO**") in March 2020. While the WHO has declared the COVID-19 pandemic to be over in May 2023, there are still active and recurring cases globally, including in the Philippines. In July 2023, the President of the Philippines issued Presidential Proclamation No. 297, effectively lifting the state of public health emergency caused by the COVID-19 pandemic throughout the Philippines.

On August 14, 2024, the WHO declared the mpox (formerly known as monkeypox) outbreak as a public health emergency of international concern. A few days after the WHO declaration or on August 19, 2024, the Philippine government announced that it detected the first case of mpox virus in the country in 2024. In response, the Philippine government ordered the close contacts of the patient to undergo mandatory quarantine. In addition, the Philippine government continues to undertake close surveillance of any potential spread of mpox. Since 2024, the Philippines has recorded a total number of 911 cases of mpox.

Any government restrictions and regulations to curb any public health crises or outbreak or resurgence of infectious diseases, including the imposition of community quarantine, may adversely affect business operations and lead to further contraction of the Philippine economy, inevitable closure of business operations, and exponential rise in unemployment rates. Our operational and financial performance will depend on future developments relating to any public health crisis or outbreak or resurgence of infectious diseases, including the

ability to contain the outbreak and ease related restrictions, and the overall impact on the Philippine economy and demand for our services.

Risks Related to the Notes, the Guarantees and this Offering

Through the purchase of the Notes, the Holders of the Notes may be exposed to a legal system subject to considerable discretion and uncertainty, and it may be difficult or impossible for the Holders of the Notes to pursue claims under the Notes or the Guarantees.

Philippine legal principles relating to the rights of debtors and creditors, or their practical application by Philippine courts, differ materially from those that would apply within the United States, the United Kingdom or the European Union. Neither the rights of debtors nor the rights of creditors under Philippine law are as clearly established or recognized as under legislation or judicial precedent in the United States, United Kingdom and most European Union member states. In addition, under Philippine law, debtors may have rights and defenses to actions filed by creditors that these debtors would not have in jurisdictions with more established legal regimes such as those in the United States, United Kingdom and most European Union member states.

In respect of disputes arising from commercial or financial transactions, Philippine courts generally apply fundamental principles of contract law which may, in certain cases, rely upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is that the outcome of the application of Philippine law may be difficult or impossible to predict. In addition, under the Philippine Civil Code, a guarantor may ostensibly waive its right to require the obligee to exhaust its legal remedies against the obligor's assets prior to the obligee exercising its rights under a related guarantee. However, a guarantor may be able to argue successfully on the ground of exercise of the benefit of excussion, which is the general rule in Philippine contract law, whereby such guarantor can require the obligee to exhaust such remedies before acting against the guarantor. The foregoing notwithstanding, as matters or disputes pending before Philippine courts are largely dependent on the Philippine courts' appreciation of facts and circumstances surrounding such matters or disputes and on which judicial discretion is to be exercised, we cannot assure you that the Philippine court would not side with any of the Guarantors on this matter, despite the express waiver by the Guarantors of the benefit of excussion in the Guarantees. As a result, it may be difficult for the Holders of the Notes to pursue a claim against, initially, the Issuer, and then, once such remedies are exhausted, against the Guarantors in the Philippines, which may adversely affect or eliminate entirely their ability to obtain and enforce a judgment against the Issuer and/or the Guarantors in the Philippines or increase their costs of pursuing, and the time required to pursue, claims against the Issuer and/or the Guarantors.

Therefore, the holders of the Notes may have difficulty in enforcing any rights under the Notes, the Guarantees or the other transaction documents in the Philippines, where most of our assets are located. Moreover, depending on the recognition which non-Philippine courts may grant to such Philippine decisions, the holders of the Notes may also be disabled from enforcing any rights under the Notes, the Guarantees or the other transaction documents, or collecting on the Company's or the Guarantors' assets, anywhere else in the world. In sum, the holders of the Notes may have no effective or practical recourse or any assets or legal process in the Philippines to enforce any rights against us or the Company.

In addition, the participation of a holder of a Note as a creditor in this transaction may expose it to affirmative judgments by Philippine courts against it (beyond the value of the Notes such holder of a Note purchased). Moreover, affirmative relief granted against the holders of the Notes by Philippine courts may be enforced by non-Philippine courts against the assets of the holders of the Notes (or other transaction participants) located outside of the Philippines (and each holder of a Note should consult its own lawyer in that regard).

The terms of the Notes and the Guarantees will contain covenants limiting our financial and operating flexibility.

Covenants contained in the documentation relating to the Notes and the Guarantees will restrict the ability of the Issuer, the Guarantors and any Restricted Subsidiary (as defined in "**Description of the Notes**") to, among other things:

- incur or guarantee additional indebtedness and issue certain redeemable or preferred stock;
- create or incur certain liens;
- make certain payments, including dividends or other distributions, with respect to the shares of the Issuer, the Guarantors and the Restricted Subsidiaries;

- prepay or redeem subordinated debt or equity;
- make certain investments;
- create encumbrances or restrictions on the payment of dividends or other distributions, loans or advances to and on the transfer of assets to the Guarantors or any of its Restricted Subsidiaries;
- sell, lease or transfer certain assets, including stock of the Restricted Subsidiaries;
- enter into sale and leaseback transactions (other than in respect of Aircraft Financings);
- engage in certain transactions with affiliates;
- enter into unrelated businesses or engage in prohibited activities; and
- consolidate or merge with other entities.

All of these covenants are subject to the limitations, exceptions and qualifications described in "*Description of the Notes — Certain Covenants*." These covenants could limit our ability to pursue our growth plan, restrict our flexibility in planning for, or reacting to, changes in our business and industry, and increase our vulnerability to general adverse economic and industry conditions. We may also enter into additional financing arrangements in the future, which could further restrict our flexibility.

Any defaults of covenants contained in the Notes may lead to an event of default under the Notes and the Indenture and may lead to cross-defaults under our other indebtedness. No assurance can be given that the Issuer will be able to pay any amounts due to the Noteholders in the event of such default, and any default may significantly impair the Issuer's ability to pay, when due, the interest of and principal on the Notes and the Guarantors', ability to satisfy its obligations under the Guarantees.

We may incur additional indebtedness. This could further exacerbate the risks described above.

Subject to restrictions in the Indenture governing the Notes, we may incur additional indebtedness, which could increase the risks associated with our already substantial indebtedness. If we incur any additional indebtedness that ranks equally with the Notes, the relevant creditors will be entitled to share ratably with the Noteholders in any proceeds distributed in connection with any insolvency, liquidation, reorganization, dissolution or other winding-up of the Issuer or a Guarantor. This may have the effect of reducing the amount of proceeds paid to the Noteholders. Covenants in agreements governing debt that we may incur in the future may also materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, we could be in default of financial covenants contained in agreements relating to our future debt in the event that our results of operations do not meet any of the terms in the covenants, including the financial thresholds or ratios. A default under one debt instrument may also trigger cross-defaults under other debt instruments. An event of default under any debt instrument, if not cured or waived, could materially and adversely affect our or our investments' business, prospects, financial condition and results of operations.

Enforcing rights under the Notes or the Guarantees across multiple jurisdictions may prove difficult.

The Notes will be issued by the Issuer, which is incorporated under the laws of the Cayman Islands, and the Notes will be guaranteed by the Guarantors and certain of its subsidiaries, which are established under the laws of the Philippines or other non-United States jurisdictions. In addition, the Notes and the Indenture are governed by the laws of New York.

In the event of a bankruptcy, insolvency or similar event, proceedings could be initiated in, among others, the Cayman Islands, the Philippines and New York. Such multi-jurisdictional proceedings are likely to be complex and costly for creditors and otherwise may result in greater uncertainty and delay regarding the enforcement of your rights. Investors' rights under the Notes and the Guarantee will be subject to the insolvency and administrative laws of several jurisdictions and there can be no assurance that investors will be able to effectively enforce their rights in such complex multiple bankruptcy, insolvency or similar proceedings.

In addition, the bankruptcy, insolvency, administrative and other laws of the Cayman Islands, the Philippines and New York or other non-United States jurisdictions may be materially different from, or be in conflict with, each other and those with which investors may be familiar, including in the areas of rights of creditors, priority of governmental and other creditors, ability to obtain post-petition interest and duration of the proceeding. The

application of these laws, or any conflict among them, could call into question whether any particular jurisdiction's laws should apply, adversely affect investors' ability to enforce their rights under the Notes and the Guarantee in the relevant jurisdictions or limit any amounts that they may receive.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance our obligations with respect to, our indebtedness, including the Notes, will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. Our business may not generate sufficient cash flow from operations and future sources of capital may not be available to us in an amount sufficient to enable us to service our indebtedness, including the intercompany loan agreements and the Notes, or to fund our other liquidity needs. If we are unable to generate sufficient cash flow to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our financial condition and results of operations and our ability to satisfy our obligations under the Notes.

Moreover, our offering structure may be found to be non-compliant with the laws of the Cayman Islands and the Philippines tax treaty and applicable Philippine tax regulations. Under these circumstances, there can be no assurance that the Philippine tax authorities will not unilaterally apply a 20% withholding tax rate upon the Noteholders, except for Noteholders that are non-Philippine residents not engaged in trade or business and non-resident foreign corporations, both of whom shall still be subject to a final withholding tax rate of 25%. This would effectively increase our debt servicing obligations with respect to the Notes, and we cannot assure you that we could satisfy such increased obligations.

It may not be possible for you to effect service of process, or to enforce judgments of a foreign court, on the Guarantors in the Philippines.

Each of the Guarantors is a limited liability company incorporated in the Philippines operating within the framework of Philippine laws relating to investment and the majority of its significant assets are located in the Philippines. Certain of the Guarantors' directors reside outside the Philippines. As a result, it may be difficult for investors to effect service of process, including judgments, on the Guarantors or their respective directors outside the Philippines, or to enforce judgments obtained in non-Philippine courts against the Guarantors or their respective directors in the Philippines. See "*Enforcement of Civil Liabilities*."

The Guarantors have been advised by their legal adviser as to Philippine law that judgments of non-Philippine courts are generally not enforceable in Philippine courts, although such judgments could be admissible as non-conclusive evidence in a proceeding on the underlying claim in a Philippine court. While the Philippines is not a party to any international treaty in relation to the recognition or enforcement of foreign judgments, it is a signatory to the United Nations Convention on the Recognition and Enforcement of Foreign Arbitral Awards. As such, judgments obtained against the Company in any foreign court may be recognised and enforced by the courts of the Philippines in an independent action brought in accordance with the relevant procedures set forth in the Rules of Court of the Philippines to enforce such judgment. However, such foreign judgment or final order may be rejected in the following instances: (i) such judgment was obtained by collusion or fraud; (ii) the foreign court rendering such judgment did not have jurisdiction; (iii) such order or judgment is contrary to good customs, public order or public policy of the Philippines; (iv) the Company did not have notice of the proceedings before the foreign court; or (v) such judgment was based upon a clear mistake of law or fact. Our legal advisers as to Philippine law have also advised us that there is doubt as to whether Philippine courts will recognize judgments in original actions brought in Philippine courts based only upon the civil liability provisions of the securities laws of other countries. In addition, a Philippine court may refuse to hear an original action based on securities laws of other countries. As a result, the Noteholders would be required to pursue claims against the Guarantors or their respective directors and executive officers in Philippine courts.

The claims and remedies available under Philippine law may not be as extensive as those available in other jurisdictions. No assurance can be given that the Philippine courts will protect the interests of the Noteholders in the same manner or to the same extent as would courts in more developed countries outside of the Philippines.

There has been no prior market for the Notes; the absence of a prior market in the Notes may contribute to a lack of liquidity and the market price of the Notes following this offering may be volatile.

The Notes comprise a new issue of securities for which there is currently no public market. Approval in-principle has been obtained from the SGX-ST for the listing and quotation of the Notes on the SGX-ST. No assurance can be given that the application to the SGX-ST will be approved or that, if the Notes are listed, the Issuer will be able to maintain a listing for the Notes or that a liquid trading market for the Notes will develop or continue. The Notes could trade at prices that may be lower than the initial market value thereof depending on many factors, including prevailing interest rates, our operating results and the markets for similar securities. Neither the Issuer, the Guarantors nor the Initial Purchasers have any obligation to make a market in the Notes or to maintain the listing of the Notes on the SGX-ST. In addition, the market for debt securities in emerging markets has been subject to disruptions that have caused substantial volatility in the prices of securities similar to the Notes. There can be no assurance that the markets for the Notes, if any, will not be subject to similar disruptions. Any disruptions in these markets may have a material and adverse effect on the holders of the Notes.

The Guarantees may be challenged under applicable bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws, which could impair the enforceability of the Guarantees.

Under bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws in the Philippines, where the Guarantors and the majority of their subsidiaries are incorporated and where the majority of their significant assets are currently located (as well as under the law of certain other jurisdictions to which a Guarantor may be subject or in which insolvency proceedings against a Guarantor may be commenced), the enforceability of the Guarantees may be impaired if certain statutory or other conditions are met. In particular, the Guarantees may be voided or rescinded, or claims in respect of the Guarantees could be subordinated to all other debts of such Guarantor, if at the time of the incurrence of the indebtedness evidenced by, or when it gives, its Guarantee, it:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the Guarantee in a position which, in the event of such Guarantor's insolvency, would be better than the position the beneficiary would have been in had the Guarantee not been given;
- received no commercial benefit;
- received less than reasonably equivalent value or fair consideration for the incurrence of such Guarantee;
- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged in a business or transaction for which such Guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.
- The test for insolvency, the other particular requirements for the enforcement of fraudulent transfer law, and the nature of the remedy if a fraudulent transfer is found, may vary depending on the law of the jurisdiction which is being applied. Under the laws of the Philippines, it would also be necessary for the directors to ensure that such Guarantor is solvent immediately after entry into, and performance of any obligation under, the transaction, that:
- it will be able to satisfy its liabilities as they become due in the ordinary course of its business; and
- the realizable value of the assets of such Guarantor will not be less than the sum of its total liabilities other than deferred taxes, as shown in the books of account, and its capital.

The directors are required to ensure that the issued capital of such Guarantor is maintained and that, after the giving of the Guarantee, such Guarantor would have sufficient net assets to cover the nominal value of its issued share capital. If a court voided such Guarantee, or rescinded or held it unenforceable for any other reason, then the Noteholders would cease to have a claim against such Guarantor based upon such Guarantee, and would solely be creditors of the Issuer. If a court subordinated the Guarantee to other indebtedness of such Guarantor, then claims under the Guarantee would be subject to the prior payment of all liabilities (including trade payables). We cannot assure you that there would be sufficient assets to satisfy the claims of the Noteholders after providing for all such prior claims.

Priority of debt evidenced by a public instrument.

Under Philippine law, in the event of liquidation of a company, unsecured debt of a company (including guarantees of debt) which is evidenced by a public instrument as provided in Article 2244(14) of the Civil Code of the Philippines will rank ahead of unsecured debt of such company which is not so evidenced by a public instrument. Under Philippine law, a debt becomes evidenced by a public instrument when it has been acknowledged before a notary or any person authorized to administer oaths in the Philippines. Although the position is not clear under Philippine law, it is possible that a jurat (which is a statement of the circumstances in which an affidavit was made) may be sufficient to constitute a debt evidenced by a public instrument. The Guarantor may have other financial indebtedness covered by agreements covered in public instruments. As such, any such debt may, by mandatory provision of law, will rank ahead of the Notes in the event of the insolvency or liquidation of the Guarantor.

Claims of the secured creditors of the Guarantors will have priority with respect to their security over the claims of unsecured creditors, such as the Noteholders, to the extent of the value of the assets securing such indebtedness.

Certain of our credit facilities are secured. See "*Description of Other Material Indebtedness*." The terms of the Indenture permit us to incur additional secured indebtedness under certain circumstances. See "*Description of the Notes—Certain Covenants—Definitions—Permitted Liens*."

Claims of the secured creditors of the Guarantors and the Restricted Subsidiaries will have priority with respect to the assets securing their indebtedness over the claims of the Noteholders. Therefore, the Notes and the Guarantees will be effectively subordinated to any secured indebtedness and other secured obligations of the Guarantors to the extent of the value of the assets securing such indebtedness or other obligations. In the event of any foreclosure, dissolution, winding up, liquidation, reorganization, administration or other bankruptcy or insolvency proceeding of the Guarantors that has secured obligations, holders of secured indebtedness will have prior claims to the assets of the Guarantors that constitute their collateral. The Noteholders will participate ratably with all holders of the unsecured indebtedness of the Guarantors, and potentially with all of their other general creditors, based upon the respective amounts owed to each holder or creditor, in the remaining assets of the Guarantors. In the event that any of the secured indebtedness of the Guarantors becomes due or the creditors thereunder proceed against the assets that secure such indebtedness, the Guarantors' assets remaining after repayment of that secured indebtedness may not be sufficient to repay all amounts owing in respect of the Guarantees. As a result, the Noteholders may receive less than holders of secured indebtedness of the Guarantors.

Payments with respect to the Notes and Guarantees will be structurally subordinated to liabilities, contingent liabilities and obligations of a significant number of our subsidiaries.

On the Original Issue Date (as defined in the Indenture), the Notes will not be guaranteed by certain of the Guarantors' subsidiaries. In addition, under the terms of the Indenture, future Restricted Subsidiaries which are Excluded Subsidiaries will not be required to become guarantors of the Notes. See "*Description of the Notes—Subsidiary Guarantees*." Creditors, including trade creditors of our non-guarantor subsidiaries and any holders of preferred shares in such entities, would have a claim on our non-guarantor subsidiaries' assets that would be prior to the claims of the Noteholders. As a result, our payment obligations under the Notes and the Guarantees will be effectively subordinated to all existing and future obligations of our non-guarantor subsidiaries, and all claims of creditors of our non-guarantor subsidiaries will have priority as to the assets of such entities over our claims and those of our creditors, including the Noteholders.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future.

The ratings assigned to the Notes may be lowered or withdrawn entirely in the future. The Notes are expected to be assigned a rating of "Ba2" by Moody's, and "BB" by Fitch. The ratings address the ability to perform obligations under the terms of the Notes and the Guarantees of the Notes and the credit risks in determining the likelihood that payments will be made when due. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. No assurances can be given that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if, in its judgment, circumstances in the future so warrant.

Upon a Change of Control Triggering Event, the Issuer may not be in a position to redeem the Notes.

Upon a Change of Control Triggering Event (as defined under "**Description of the Notes**"), the Issuer must, pursuant to the provisions of the Notes, make an offer to repurchase all of such Noteholder's Notes at a purchase price of 101% of their principal amount plus accrued and unpaid interest, if any, up to, but not including, the date

of purchase. See "Description of the Notes." A Change of Control Triggering Event could occur as a result of a number of actions beyond the control of the Guarantors, including the acquisition by any person or group other than the Permitted Holders of a percentage of the voting power of the Voting Stock of the Guarantors greater than the Permitted Holders, the sale by the Permitted Holders of their Voting Stock, the enforcement of security interests granted by the Permitted Holders or other persons over their Voting Stock or other disposal beyond the control of the Guarantors. In the event of such occurrence, there can be no assurance that any of the Guarantors will have sufficient funds to pay the purchase price for all the Notes. The source of funds for payment under the Guarantee would be from the Guarantors' available cash or third-party financing. The failure by the Issuer to make an offer to purchase all outstanding Notes upon a Change of Control Triggering Event would constitute an event of default under the Notes. Such event of default under the Notes may, in turn, constitute an event of default under the Guarantors' other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If any of the Guarantors' other debt were to be accelerated, such Guarantor may not have sufficient funds to fulfill its obligations under the Guarantee.

Holders of the Notes may be excluded from receiving compensation in respect of a consent, waiver or amendment to the Indenture or the Notes.

The Guarantors and their subsidiaries are generally excluded from paying any consideration, directly or indirectly, to any holder of the Notes for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes unless such consideration is offered to be paid or is paid to all holders that consent, waive or agree to amend such term or provision. However, the Guarantors will be permitted to exclude holders of the Notes in any jurisdiction where such consent, waiver or amendment or payment of consideration for such consent, waiver or amendment, in either case in the manner the Guarantors deem appropriate, would not be permitted under applicable law in such jurisdiction or would require us to (i) file a registration statement, prospectus or similar document subjecting us or any of the Guarantors' subsidiaries to ongoing periodic reporting or similar requirements, (ii) qualify as a foreign corporation or other entity or as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (iii) generally consent to service of process in any such jurisdiction or (iv) subject the Guarantors or any of its subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject. The Guarantors intend to evaluate at the time of any consent, waiver or amendment the costs, potential liabilities and any other factors the Guarantors consider appropriate at the time associated with extending such consent, waiver or amendment into the relevant jurisdictions. On this basis of this evaluation, the Guarantors will then make a decision as to how to proceed and whether to extend such consent, waiver or amendment. The Guarantors cannot assure you that they will include holders of the Notes in jurisdictions where the above exclusions are permitted.

The transfer of Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.

The Notes and the Guarantee have not been registered under, and the Issuer is not obligated to register the Notes or the Guarantee under, the Securities Act or the securities laws of any other jurisdiction and, unless so registered, may not be offered or sold except pursuant to an exemption from or a transaction not subject to, the registration requirements of the Securities Act and any other applicable laws. The Notes are being offered and sold only (i) to qualified institutional buyers ("**QIBs**") in accordance with Rule 144A under the Securities Act ("**Rule 144A**") and (ii) outside the United States in offshore transactions in accordance with Regulation S under the Securities Act ("**Regulation S**"). See "Transfer Restrictions." The Guarantors have not agreed to, or otherwise undertaken, to register the Notes (including by way of an exchange offer), and the Guarantors have no intention to do so.

The Notes will initially be held in book entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Notes will initially only be issued in global certificated form and held through DTC and its participants, including Euroclear and Clearstream. Interests in the Global Notes (as defined in "*Description of the Notes – Book-Entry; Delivery and Form*") representing the Notes will trade in book-entry form only, and Notes in definitive registered form, or definitive registered Notes, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Notes. The custodian for DTC will be the sole registered holder of the Global Notes. Payments of principal, interest and other amounts owing on or in respect of the Global Notes will be made to the paying agent who will make payments to DTC. Thereafter, these payments will be credited to accounts of participants (including Euroclear and Clearstream) that hold book-entry interests in the Global Notes and credited by such participants to indirect participants. After payment to the custodian for DTC, we will have no responsibility or liability for payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of DTC, Euroclear and Clearstream, and if you are not a

participant in DTC, Euroclear and Clearstream on the procedures of the participant through which you own your interest, to exercise any rights and obligations of a holder of Notes under the Indenture. Unlike the holders of the Notes themselves, owners of book-entry interests will not have the direct right to act upon the Guarantors' solicitations for consents, requests for waivers or other actions from holders of the Notes. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from DTC, Euroclear and Clearstream. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis.

Similarly, upon the occurrence of an event of default under the Indenture, unless and until definitive registered Notes are issued in respect of all book-entry interests, if you own a book-entry interest, you will be restricted to acting through DTC, Euroclear and Clearstream. The procedures to be implemented through DTC, Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Notes. See "*Description of the Notes – Book-Entry; Delivery and Form*."

We must comply with the restrictions and covenants in agreements governing our debt obligations, including the Indenture, to avoid defaulting under the terms of these agreements.

If we are unable to comply with the restrictions and covenants in the Indenture governing the Notes, or our current or future indebtedness and other agreements, there may be a default under the terms of the Indenture or these agreements. In the event of a default under the Indenture or these agreements, the lenders may terminate their commitments to lend to us, accelerate the indebtedness and declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, some of our indebtedness agreements, including the Indenture governing the Notes, contain cross-acceleration or cross-default provisions. As a result, our default under one indebtedness agreement may cause the acceleration of other indebtedness, including the Notes, or result in a default under our other indebtedness agreements, including the Indenture governing the Notes. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we may obtain alternative financing, we cannot assure you that it would be on terms that are favorable or acceptable to us.

We will follow the applicable disclosure standards for debt securities listed on the SGX-ST, which standards may be different from those applicable to companies in certain other countries.

We will be subject to continuing reporting obligations in respect of the Notes to be listed on the SGX-ST. The disclosure standards imposed by the SGX-ST for such continuing reporting obligations may be different than those imposed by securities exchanges in other countries or regions such as the United States or the United Kingdom. As a result, the level of information that is available may not correspond to what investors in the Notes are accustomed to.

Holders of the Notes will not have voting rights at shareholders' meetings.

Holders of the Notes do not have any right to vote at any of our shareholders' meetings. Consequently, Holders of the Notes cannot influence any decisions by our Board of Directors or any decisions by shareholders, including the distribution of dividends in respect of our ordinary shares.

Interest rate risks may affect the value of the Notes.

The Notes are fixed interest rate securities. Subsequent changes in market interest rates may adversely affect the value of the Notes.

The value of the Collateral will not be sufficient to satisfy our obligations under the Notes.

The obligations of the Issuer and the Guarantors under the Notes and the Guarantees will be secured by the Collateral (as defined in "*Description of the Notes*") which shall consist of a charge over all of the Issuer's rights in the Interest Reserve Account (as defined in "*Description of the Notes*"). The amount of proceeds that would ultimately be realized from the Collateral upon any enforcement action will not be sufficient to satisfy our obligations under the Notes. The value of the Collateral and any amount to be recovered upon enforcement action against the Collateral will depend upon many factors including, among others, the jurisdiction in which the enforcement action is completed. An appraisal of the Collateral has not been prepared in connection with the offering of the Notes. Accordingly, we cannot assure you that any enforcement action will be successful.

The ability of the Collateral Agent to foreclose on the Collateral, upon the occurrence of an Event of Default or otherwise, will be subject in certain instances to perfection and priority issues. Although procedures will be

undertaken to support the validity and enforceability of the security interests, we cannot assure you that the Trustee or Holders of the Notes will be able to enforce any of the security interests.

The rights over the Collateral will not be granted directly to the Noteholders.

The rights over the Collateral securing the obligations of the Issuer and the Guarantors under the Notes and the Indenture have not been and will not be granted directly to the Noteholders, but will be granted only in favor of the Collateral Agent. As a consequence, Noteholders will not have direct security and will not be entitled to take enforcement action in respect of the security for the Notes and the Guarantees, except through the Collateral Agent, which has agreed to apply any proceeds of enforcement on such security towards such obligations. The Trustee and the Collateral Agent will not be under any obligation to exercise any rights or powers conferred under the Indenture, the Notes, the Note Guarantees or any of the security agreements for the benefit of the Noteholders unless such Noteholders have offered to the Trustee and the Collateral Agent indemnity and/or security satisfactory (including by way of pre-funding) to the Trustee and the Collateral Agent against any loss, liability or expense which it may incur in complying with such instructions. If satisfactory indemnities or security are not provided in a timely manner by the Noteholders, any recovery under the Indenture, the Notes, the Guarantees or the security agreements may be adversely affected.

The Notes and the Guarantees will be structurally subordinated to the indebtedness and other obligations of our existing and future subsidiaries that are not and do not become guarantors of the Notes.

The Notes and the Guarantees will be structurally subordinated to any indebtedness and other liabilities and commitments of any Subsidiaries that are not Subsidiary Guarantors such that, in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any subsidiary that is not a Guarantor or a Restricted Subsidiary, all of that non-Subsidiary Guarantor's creditors (including trade creditors) would be entitled to payment in full out of that subsidiary's assets before we would be entitled to any payment. GuidetothePhilippines, Inc., MMI, and MMET are non-operational companies as of the date of this Offering Memorandum. For the year ended December 31, 2025, Sabre's revenues of U.S.$1.7 million and net income of U.S.$0.7 million accounted for 0.1% and 0.4% of PAL's revenues and net income, respectively. As of December 31, 2025, Sabre's total assets of U.S.$4.5 million represented 0.12% of PAL's total assets. The Subsidiary Guarantees will also be structurally subordinated to all existing and future debt and other liabilities, including trade payables, such Subsidiary Guarantor. Any right we have to receive assets of any non-Subsidiary Guarantor upon that subsidiary's liquidation or reorganization (and the consequent right of the holders of the Notes to participate in those assets) will be effectively subordinated to the claims of that subsidiary's creditors, except to the extent that we are recognized as a creditor of that subsidiary, in which case our claims would still be subordinated in right of payment to any security in the assets of that subsidiary and any indebtedness of that subsidiary senior to that which we hold.

In addition, the Subsidiary Guarantees will be automatically released upon the occurrence of certain events, including the following:

- upon the repayment in full of the Notes;
- the legal or covenant defeasance of the Notes in accordance with the Indenture;
- the designation of a Subsidiary Guarantor or a Restricted Subsidiary as an Unrestricted Subsidiary; or
- the sale, merger, consolidation, transfer, winding up, conveyance or other disposition of such Subsidiary Guarantor resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary;

If any Subsidiary Guarantee is released, no holder of the Notes will have a claim as a creditor against that subsidiary, and the indebtedness and other liabilities, including trade payables and preferred stock, if any, whether secured or unsecured, of that subsidiary will be effectively senior to the claim of any holders of the Notes. See "Description of the Notes — Subsidiary Guarantees."

We are permitted to create Unrestricted Subsidiaries, which will not be subject to any of the covenants in the indenture governing the notes, and we may not be able to rely on the cash flow or assets of those Unrestricted Subsidiaries to pay our indebtedness.

Unrestricted Subsidiaries will not be subject to the covenants under the Indenture governing the Notes. As the Unrestricted Subsidiaries are not bound by these covenants, they may enter into financing arrangements or incur other obligations that restrict or prohibit their ability to make loans, dividends or other distributions to us. As a result, we may not be able to access the cash flow or assets of our Unrestricted Subsidiaries to service our indebtedness, including the Notes.

The Notes will be effectively subordinated to secured obligations of the Issuer and the Guarantors (other than the Collateral securing the Notes), to the extent of the value of the assets pledged to secure those obligations.

The Notes will not be secured by any assets of the Issuer or the Guarantors other than the Collateral (which is subject to certain limitations and exceptions described in this "Risk Factors" section) and such additional Collateral as may be pledged in the future. Consequently, with respect to the exercise of remedies by the holders of existing or future obligations secured by liens on assets (other than the Collateral securing the Notes), the proceeds of those assets of the Guarantors or any guarantor that secure the obligations under any such existing or future obligations (but not the obligations under the Notes) will, upon liquidation or other disposition, not be available to the holders of the Notes to the extent of the amount of such other secured obligations. As a result, the Notes and the Guarantees will be effectively subordinated to any existing or future obligations secured by liens on assets (other than the Collateral securing the Notes) to the extent of the value of the assets pledged to secure those obligations.

Singapore taxation risk.

The Notes are intended to be qualifying debt securities for the purposes of the ITA, subject to the fulfilment of certain conditions more particularly described in the section "*Taxation – Singapore Taxation*".

However, there is no assurance that the conditions for qualifying debt securities will be met or that Notes will continue to enjoy the tax exemptions and/or concessions in connection therewith should the relevant tax laws or the Monetary Authority of Singapore (the "**MAS**") circulars be amended or revoked at any time or should the required conditions cease to be fulfilled.

USE OF PROCEEDS

We expect the net cash proceeds from the offering and issue of the Notes as described herein, after deducting (i) underwriting fees, commissions and other estimated transaction expenses related to this offering and issue of the Notes and (ii) amounts used to fund the Interest Reserve Account ("**IRA**"), to amount to approximately U.S.$277.0 million.

Subject to compliance with applicable law and regulations, we intend to use the net proceeds of the offering of the Notes for general corporate purposes and refinancing offshore existing indebtedness and capital expenditures of the PAL Group.

The foregoing represents our current intentions and our best estimate of our allocation of the net proceeds of the Offering based upon our current plans and estimates regarding our anticipated expenditures. We may find it necessary or advisable to use portions of the net proceeds for other business related purposes.

CAPITALIZATION

The table below sets forth PAL's consolidated capitalization and indebtedness as of March 31, 2026 (i) on an actual basis and (ii) as adjusted to give effect to the issuance of the Notes. This information has been partially extracted from the Financial Statements of PAL as at March 31, 2026.

You should read this table in conjunction with PAL's Financial Statements and the related notes to the financial statements included elsewhere in this Offering Memorandum and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Use of Proceeds*."

CAPITALIZATION AND INDEBTEDNESS OF PAL

The following table sets forth the indebtedness and capitalization of PAL as of March 31, 2026. This table should be read in conjunction with PAL's unaudited consolidated interim financial statements as of and for the three months ended March 31, 2025 and 2026 and the notes presented elsewhere herein.

	March 31, 2026	
	Actual	**As Adjusted**
	(Unaudited)	**(Unaudited)**
	(in millions) U.S.$	
Indebtedness		
Current portion of long-term obligations	452.5	452.5
Long-term obligations – net of current portion	1,367.9	1,367.9
Notes offered hereunder[(1)]	-	297.0
	1,820.4	2,117.4
Equity		
Capital stock	34.9	34.9
Capital in excess of par	529.5	529.5
Other equity reserves	26.3	26.3
Other comprehensive loss	(17.7)	(17.7)
Retained earnings	289.9	289.9
	862.9	862.9
Total Capitalization[(2)]	**2,683.3**	**2,980.3**

(1) Represents the discounted proceeds of the offering of the Notes, without taking into account, among others, the estimated bond issuance costs and amounts used to fund the Interest Reserve Account (see "*Use of Proceeds*").

(2) Total capitalization, computed as the sum of total indebtedness and total equity.

Except as disclosed in this Offering Memorandum, there has been no material change in PAL's capitalization and indebtedness since March 31, 2026.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

Unless otherwise stated or the context requires otherwise, the financial information as of and for the years ended December 31, 2023, 2024 and 2025 appearing in this Offering Memorandum is derived from the financial information appearing in the Audited Financial Statements, and the financial information as of March 31, 2026 and for the three months ended March 31, 2025 and 2026 appearing in this Offering Memorandum is derived from the financial information appearing in the Unaudited Interim Financial Statements. The Audited Financial Statements have been prepared in accordance with PFRS, and the Unaudited Interim Financial Statements have been reviewed by SGV & Co. in accordance with Philippine Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." The selected financial information presented below should be read in conjunction with the Financial Statements and the notes related thereto included elsewhere in this Offering Memorandum and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The financial statements of PAL have been prepared and presented on a consolidated basis in accordance with PFRS, and the financial statements of APC have been prepared and presented on a standalone basis in accordance with PFRS. PFRS differs in certain material respects from IFRS. Potential investors should consult their own professional advisers for an understanding of the differences between PFRS and IFRS, and how those differences could affect the financial information contained in this Offering Memorandum. The information below should not be taken as an indication of future results of operations or financial condition. Interim financial information should not be taken as an indication of the expected financial condition or results of operations for the relevant full financial year.

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on March 31, 2026 of U.S.$1.00 to ₱60.74.

PAL

Consolidated Statements of Comprehensive Income

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
REVENUE					
Passenger	2,870.3	2,702.7	2,728.1	698.6	759.6
Cargo	142.7	159.7	165.0	35.3	43.2
Ancillary	207.6	241.2	301.2	75.1	83.6
Others	29.7	30.5	30.9	7.7	9.3
Total Revenue	**3,250.3**	**3,134.1**	**3,225.2**	**816.7**	**895.7**
EXPENSES					
Flying operations	1,544.9	1,624.5	1,655.0	409.6	447.1
Maintenance	379.9	365.3	398.1	95.5	111.5
Aircraft and traffic servicing	280.0	313.3	367.6	88.2	90.8
Passenger service	211.8	223.4	234.5	59.1	60.2
Reservation and sales	196.6	238.8	250.6	65.2	61.4
General and administrative	136.1	54.5	91.4	23.7	22.8
Total Expenses	**2,749.2**	**2,819.8**	**2,997.2**	**741.3**	**793.8**
OTHER INCOME (CHARGES) - Net					
Financing charges	(153.8)	(123.0)	(106.5)	(25.7)	(30.9)
Share in net income of an associate					0.4
Other income (charges) - net	44.7	(23.8)	58.9	36.9	6.6
Total Other Income (Charges)	**(109.1)**	**(146.8)**	**(47.6)**	**11.2**	**(23.9)**
INCOME BEFORE INCOME TAX	**392.0**	**167.5**	**180.3**	**86.7**	**78.0**

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
INCOME TAX BENEFIT (EXPENSE)	**(5.5)**	**(20.1)**	**(17.3)**	**(10.2)**	**0.5**
NET INCOME	**386.5**	**147.4**	**163.1**	**76.5**	**78.5**
OTHER COMPREHENSIVE INCOME (LOSS)					
Other comprehensive income (loss), net of deferred income tax effect	(7.5)	3.7	(2.7)	0.2	0.0
TOTAL COMPREHENSIVE INCOME	**379.0**	**151.1**	**160.4**	**76.7**	**78.6**
Net income attributable to:					
Equity holders of the Parent Company	383.7	142.9	160.3	73.7	78.5
Non-controlling interests	2.8	4.5	2.8	2.8	-
Total comprehensive income attributable to:					
Equity holders of the Parent Company	376.2	146.6	157.6	74.0	78.6
Non-controlling interests	2.8	4.5	2.8	2.8	-

Consolidated Statements of Financial Position

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)
		(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$
ASSETS				
Current Assets				
Cash and cash equivalents	423.9	387.0	431.4	614.8
Short-term investments	309.4			
Receivables	544.2	424.4	157.7	207.3
Expendable parts, fuel, materials and supplies	75.5	83.1	89.2	93.3
Other current assets	153.7	176.5	149.1	140.3
Total Current Assets	**1,506.7**	**1,071.0**	**827.4**	**1,055.7**
Noncurrent Assets				
Property and equipment				
At cost	2,144.2	2,265.8	2,616.7	2,744.7
At appraised values	18.8	18.0	15.1	14.3
Investment in an associate	–	–	54.1	54.6
Deferred income tax assets	95.8	81.2	72.3	75.3
Other noncurrent assets	244.1	265.3	298.5	318.7
Total Noncurrent Assets	**2,502.9**	**2,630.3**	**3,056.7**	**3,207.6**
TOTAL ASSETS	**4,009.6**	**3,701.3**	**3,884.1**	**4,263.3**
LIABILITIES AND EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	722.7	579.6	528.9	619.0
Unearned transportation revenue	497.0	485.0	425.4	499.2
Current portion of long-term obligations	467.7	406.4	443.3	452.5
Total Current Liabilities	**1,687.4**	**1,470.9**	**1,397.7**	**1,570.6**
Noncurrent Liabilities				
Long-term obligations - net of current portion	1,273.1	980.5	1,242.7	1,367.9

	As of December 31,			As of March 31,
	2023	2024	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)
		(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$
Accrued employee benefits	261.2	262.3	273.1	270.7
Reserves and other noncurrent liabilities	146.9	202.1	185.5	190.5
Total Noncurrent Liabilities	**1,681.1**	**1,444.9**	**1,701.3**	1,829.1
Total Liabilities	**3,368.5**	**2,915.8**	**3,099.0**	3,399.7
Equity				
Capital stock	34.9	34.9	34.9	34.9
Capital in excess of par	529.5	529.5	529.5	529.5
Other equity reserves	27.0	27.0	26.3	26.3
Other comprehensive loss	(13.8)	(12.8)	(17.7)	(17.7)
Retained earnings (deficit)	(116.4)	29.2	211.4	289.9
Equity Attributable to Equity Holders of Parent	461.3	607.9	784.4	863.0
Non-controlling interests	179.9	177.6	0.7	0.7
Total Equity	**641.1**	**785.5**	**785.1**	**863.6**
TOTAL LIABILITIES AND EQUITY	**4,009.6**	**3,701.3**	**3,884.1**	**4,263.3**

Consolidated Statements of Cash Flows

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(in million)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Net cash from (used in) operating activities	883.4	493.0	573.7	169.1	277.0
Net cash from (used in) investing activities	(279.6)	(75.2)	(447.5)	(118.2)	(40.0)
Net cash from (used in) financing activities	(501.0)	(448.1)	(83.8)	(26.2)	(49.2)
Net increase (decrease) in cash and cash equivalents	100.6	(36.8)	44.4	26.8	183.3
Cash and cash equivalents at the beginning of year/period	323.3	423.9	387.0	387.0	431.4
Cash and cash equivalents at the end of year/period	423.9	387.0	431.4	413.8	614.8

APC

Statement of Comprehensive Income

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
REVENUE							
Transportation revenue	7,960.2	9,817.4	11,738.8	193.3	2,618.6	3,099.9	51.0
Others	5.5	9.7	13.2	0.2	2.0	2.9	0.05
Total Revenue	**7,965.6**	**9,827.0**	**11,752.0**	**193.5**	**2,620.5**	**3,102.8**	**51.1**
EXPENSES							
Flying operations	3,788.8	4,459.4	4,338.7	71.4	1,030.1	1,244.4	20.5
Maintenance	1,098.5	1,677.4	2,342.9	38.6	504.9	516.8	8.5
Aircraft and traffic servicing	1,049.7	1,642.6	1,699.3	28.0	303.3	487.9	8.0

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(in million)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Passenger service	584.2	808.6	794.1	13.1	184.2	174.2	2.9
General and administrative	455.7	634.1	964.1	15.9	191.3	187.7	3.1
Total Expenses	**6,976.9**	**9,222.2**	**10,139.2**	**166.9**	**2,213.9**	**2,611.0**	**43.0**
OTHER INCOME (CHARGES) - Net							
Financing income	13.7	24.5	19.8	0.3	5.6	0.5	0.01
Financing charges	(608.8)	(658.8)	(535.2)	(8.8)	(142.7)	(150.1)	(2.5)
Equity in net losses of a subsidiary	(10.3)	(3.5)	(0.2)	(0.003)	0.9	-	-
Others income (charges) – net	(241.3)	(100.6)	(133.4)	(2.2)	39.4	(301.3)	(5.0)
	(846.8)	**(738.4)**	**(648.9)**	**(10.7)**	**(96.9)**	**(450.9)**	**(7.4)**
INCOME (LOSS) BEFORE INCOME TAX	**141.9**	**(133.5)**	**963.8**	**15.9**	**309.7**	**40.8**	**0.7**
INCOME TAX EXPENSE	**(178.6)**	**(170.7)**	**(244.2)**	**(4.0)**	**55.7**	**83.6**	**1.4**
NET INCOME (LOSS)	**(36.7)**	**(304.2)**	**719.6**	**11.8**	**254.0**	**(42.8)**	**(0.7)**
OTHER COMPREHENSIVE INCOME (LOSS)							
Remeasurement gain (loss) on defined benefit obligation	(175.2)	(31.6)	416.7	6.9	–	–	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(211.9)**	**(335.8)**	**1,136.3**	**18.7**	**254.0**	**(42.8)**	**(0.7)**

Statements of Financial Position

	As of December 31,				As of March 31,	
	2023	2024	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	
				(in million)		
	₱	₱	₱	U.S.$	₱	U.S.$
ASSETS						
Current Assets						
Cash and cash equivalents	704.4	822.6	561.2	9.2	462.5	7.6
Short-term investments	-	23.1	64.7	1.1	123.0	2.0
Receivables	1,259.2	871.0	975.0	16.1	1,368.2	22.5
Expendable parts, materials and supplies	787.1	1,144.0	1,406.6	23.2	1,639.7	27.0
Other current assets	510.4	773.1	778.6	12.8	835.0	13.7
Total Current Assets	**3,261.1**	**3,633.8**	**3,786.1**	**62.3**	4,428.4	72.9
Noncurrent Assets						
Property and equipment	5,503.4	5,638.9	6,717.7	110.6	7,949.1	130.9
Investment in a subsidiary	3.7	0.2	–	–	–	–
Other noncurrent assets	1,098.1	1,134.4	1,081.9	17.8	1,071.6	17.6
Total Noncurrent Assets	**6,605.2**	**6,773.4**	**7,799.6**	**128.4**	9,020.7	148.5
TOTAL ASSETS	**9,866.3**	**10,407.2**	**11,585.7**	**190.7**	13,449.1	221.4
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and accrued expenses	1,794.7	1,537.7	1,628.8	26.8	2,002.2	33.0
Current portion of lease liabilities	1,708.1	1,657.5	1,888.8	31.1	2,050.5	33.8
Total Current Liabilities	**3,502.8**	**3,195.1**	**3,517.6**	**57.9**	4,052.7	66.7
Noncurrent Liabilities						

	As of December 31,				As of March 31,	
	2023	2024	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	
			(in million)			
	₱	₱	₱	U.S.$	₱	U.S.$
Lease liabilities - net of current portion	4,525.9	4,669.5	4,642.4	76.4	5,965.2	98.2
Asset restoration obligation	13.2	13.2	–	–	–	–
Accrued employee benefits	590.7	1,631.4	1,391.4	22.9	1,439.7	23.7
Total Noncurrent Liabilities	**5,129.8**	**6,314.1**	**6,033.8**	**99.3**	7,404.9	121.9
Total Liabilities	**8,632.5**	**9,509.2**	**9,551.5**	**157.3**	11,457.6	188.6
Equity						
Capital stock	71.8	71.8	71.8	1.2	71.8	1.2
Additional paid-in capital	1,121.7	1,121.7	1,121.7	18.5	1,121.7	18.5
Accumulated remeasurements on defined benefit obligation	(80.1)	(111.7)	305.0	5.0	305.0	5.0
Retained earnings (deficit)	120.4	(183.8)	535.8	8.8	493.0	8.1
Total Equity	**1,233.8**	**898.0**	**2,034.3**	**33.5**	1,991.5	32.8
TOTAL LIABILITIES AND EQUITY	**9,866.3**	**10,407.2**	**11,585.7**	**190.7**	13,449.1	221.4

Statements of Cash Flows

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net cash from (used in) operating activities	2,735.8	2,855.4	3,163.9	52.1	729.8	753.0	12.4
Net cash from (used in) investing activities	(11.7)	(317.2)	(1,052.8)	(17.3)	(108.8)	(146.0)	(2.4)
Net cash from (used in) financing activities	(2,247.2)	(2,431.0)	(2,377.3)	(39.1)	(594.9)	(695.2)	(11.4)
Net increase (decrease) in cash and cash equivalents	460.9	118.2	(261.4)	(4.3)	23.9	(98.7)	(1.6)
Cash and cash equivalents at the beginning of year/period	243.5	704.4	822.6	13.5	822.6	561.2	9.2
Cash and cash equivalents at the end of year/period	704.4	822.6	561.2	9.2	846.5	462.5	7.6

OTHER FINANCIAL DATA

Set out below are certain performance indicators that PAL and APC utilize in period-to-period analysis and comparison of financial data.

	As of and for the years ended December 31,			For the three months ended March 31,		As of and for the twelve months ended March 31,
	2023	2024	2025	2025	2026	2026
PAL EBITDA[2] (U.S.$ millions	798.7	644.6	650.0	204.0	218.6	664.6[1]
APC Adjusted EBITDA[3] (U.S.$ millions)	35.6	27.2	44.6	10.8	15.1	48.9[1]
Combined EBITDA[4] (U.S. $ millions)	834.3	671.8	694.6	214.8	233.7	713.5[1]
PAL EBITDAR[5] (U.S.$ millions)	833.8	728.4	708.5	219.1	226.9	716.3[1]
APC Adjusted EBITDAR[6] (U.S.$ millions)	35.6	27.2	44.6	10.8	15.1	48.9[1]
Combined EBITDAR[7] (U.S. $ millions)	869.4	755.6	753.1	229.9	242.0	765.2[1]
Combined EBITDAR	26%	23%	22%	27%	26%	26%

	As of and for the years ended December 31,			For the three months ended March 31,		As of and for the twelve months ended March 31,
	2023	2024	2025	2025	2026	2026
Margin[8]						
PAL Adjusted Debt[9]	1,710.4	1,372.8	1,615.4	-	-	1,749.3
APC Adjusted Debt[10]	-	-	-	-	-	-
Combined Total Debt[11]	1,710.4	1,372.8	1,615.4	-	-	1,749.3
PAL Net Debt[12]	1,286.5	985.8	1,184.0	-	-	1,134.5
APC Adjusted Net Debt[13]	(11.6)	(13.5)	(9.2)	-	-	(7.6)
Combined Net Debt[14]	1,274.9	972.3	1,174.8	-	-	1,126.9
Combined Total Debt-to-Combined EBITDAR Ratio[15]	2.0	1.8	2.1	-	-	2.3
Combined Net Debt-to-Combined EBITDAR Ratio[16]	1.5	1.3	1.6	-	-	1.5
Combined EBITDAR Interest Cover[17]	8.4	8.0	8.6	-	-	8.1
PAL Net Income (U.S.$ millions)	386.5	147.4	163.1	76.5	78.5	165.1[1]
PAL Total Revenue ((U.S.$ millions)	3,250.3	3,134.1	3,225.2	816.7	895.7	3,304.2[1]
PAL Net Income Margin[18]	11.9%	4.7%	5.1%	9.4%	8.8%	5.0%
APC Net Income (₱ millions)	(36.7)	(304.2)	719.6	254.0	(42.8)	422.8[1]
APC Total Revenue (₱ millions)	7,965.6	9,827.0	11,752.0	2,621.0	3,102.8	12,234.2[1]
APC Net Income Margin[18]	(0.5%)	(3.1%)	6.1%	9.7%	(1.4%)	3.5%

***Notes**:*

(1) The last twelve months covering the period April 1, 2025 to March 31, 2026, computed based on the year ended December 31, 2025 less the three months ended March 31, 2025 plus the three months ended March 31, 2026.

(2) PAL Adjusted EBITDA is calculated as income before income tax plus depreciation and amortization expense and financing charges and adjusted for the effect of foreign exchange gains and losses.

(3) APC Adjusted EBITDA is calculated as income before tax plus depreciation and amortization expense and financing charges (net of financing income) and adjusted for the effect of foreign exchange gains and losses; less depreciation arising from operating leases with PAL.

(4) Combined EBITDA is calculated as the sum of PAL EBITDA and APC Adjusted EBITDA.

(5) PAL Adjusted EBITDAR is calculated as income before income tax plus depreciation and amortization expense and financing charges, and lease charges, and adjusted for the effect of foreign exchange gains and losses.

(6) APC Adjusted EBITDAR is calculated as income before tax plus depreciation and amortization expense and financing charges, and adjusted lease charges, and adjusted for the effect of foreign exchange gains and losses; less depreciation arising from operating leases with PAL.

(7) Combined EBITDAR is calculated as the sum of PAL Adjusted EBITDAR and APC Adjusted EBITDAR.

(8) Combined EBITDAR Margin is calculated as EBITDAR divided by the sum of total revenues of PAL and total revenues of APC.

(9) PAL Adjusted Debt is calculated as the sum of long-term debt (including current portion) and aircraft lease liabilities (current and non-current) of PAL less lease liabilities – ground property.

(10) APC Adjusted Debt is calculated as the sum of long-term debt (including current portion) and aircraft lease liabilities (current and non-current) of APC less lease liabilities owed to PAL.

(11) Combined Total Debt is calculated as the sum of PAL Adjusted Debt and APC Adjusted Debt.

(12) PAL Net Debt is calculated as PAL Adjusted Debt less cash and cash equivalents of PAL.

(13) APC Adjusted Net Debt is calculated as APC Adjusted Debt less cash and cash equivalents of APC.

(14) Combined Net Debt is calculated as the sum of PAL Net Debt and APC Net Debt.

(15) Combined Total Debt-to-Combined EBITDAR Ratio is calculated as Combined Total Debt as of the end of the relevant period divided by Combined EBITDAR for the relevant period.

(16) Combined Net Debt-to-Combined EBITDAR is calculated as Combined Net Debt as of the end of the relevant period divided by Combined EBITDAR for the relevant period.

(17) Combined EBITDAR Interest Cover is calculated as Combined EBITDAR for the relevant period divided by the sum of the financing charges (net of interest income) for the same period for each of PAL and APC.

(18) PAL Net Income Margin and APC Net Income Margin is computed as Net Income divided by Total Revenue.

Calculation of PAL Adjusted EBITDA, PAL Adjusted EBITDAR , APC Adjusted EBITDA and APC Adjusted EBITDAR

The following tables present reconciliations of PAL Adjusted EBITDA, PAL Adjusted EBITDAR, APC Adjusted EBITDA, and APC Adjusted EBITDAR from income before income tax and income/(loss) before income tax, respectively, for each of the periods indicated.

PAL Adjusted EBITDA and PAL Adjusted EBITDAR:

	As of and for the years ended December 31,			As of and for the three months ended March 31,		For the twelve months ended March 31,
	2023 (Audited)	2024 (Audited)	2025 (Audited)	2025 (Unaudited)	2026 (Unaudited)	2026 (Unaudited)
			(in millions)			
Income before income tax	392.0	167.5	180.3	86.7	78.0	171.6
Add/(Deduct)						
Financing Charges.....	153.8	123.0	106.6	25.7	30.9	111.8
Depreciation and Amortization.....	257.5	323.4	374.3	97.0	111.1	388.4
Foreign exchange translation (gain)/loss	(4.5)	30.7	(11.2)	(5.4)	(1.4)	(7.2)
Other non-recurring loss (income)	0.0	0.0	0.0	0.0	0.0	0.0
PAL EBITDA	798.7	644.6	650.0	204.0	218.6	664.6
Add: Aircraft Lease Charges..	35.1	83.8	58.5	15.1	8.3	51.7
PAL EBITDAR.....	833.8	728.4	708.5	219.1	226.9	716.3

APC Adjusted EBITDA and EBITDAR:

	For the years ended December 31,				For the three months ended March 31,			For the twelve months ended March 31,	
	2023 (Audited)	2024 (Audited)	2025 (Audited)	2025	2025 (Unaudited)	2026 (Unaudited)	2026	2026 (Unaudited)	2026
					(in million)				
	₱	₱	₱	U.S.$	₱	₱	U.S.$	₱	U.S.$
Income/ (Loss) before income tax	141.9	(133.5)	963.8	15.9	309.7	40.8	0.7	694.9	11.4
Add/ (Deduct) .....:									
Financing charges	608.8	658.8	535.2	8.8	142.7	150.1	2.5	542.6	8.9
Depreciation and amortization ..	1,807.2	1,725.9	1,760.4	29.0	408.7	593.3	9.8	1,945.0	32.0
Foreign exchange loss/(gain)	282.9	81.1	127.5	2.1	(39.7)	296.2	4.9	463.3	7.6
APC EBITDA	**2,840.8**	**2,332.3**	**3,386.9**	**55.8**	**821.4**	**1,080.4**	**17.8**	**3,645.8**	**60.0**
Less: Operating lease with PAL.....	676.6	678.4	676.6	11.1	166.8	163.0	2.7	672.8	11.1
APC Adjusted EBITDA	**2,164.2**	**1,653.9**	**2,710.3**	**44.6**	**654.6**	**917.4**	**15.1**	**2,973.1**	**48.9**
Add: Aircraft Lease Charges[(1)].....	601.7	679.1	978.8	16.1	172.3	190.7	3.1	997.2	16.4
Less: Lease Charges due to PAL[(1)].....	(601.7)	(679.1)	(978.8)	(16.1)	(172.3)	(190.7)	(3.1)	(997.2)	(16.4)
APC Adjusted EBITDAR....	**2,164.2**	**1,653.9**	**2,710.3**	**44.6**	**654.6**	**917.4**	**15.1**	**2,973.1**	**48.9**
**APC Adjusted EBITDAR ($)..... **	**35.6**	**27.2**	**44.6**	**-**	**10.8**	**15.1**	**-**	**48.9**	**-**

Note:

(1)Represents APC's short term lease obligations to PAL under intercompany aircraft lease arrangements computed based on a power-by-the-hour (PBH) rate or a fixed monthly amount, whichever is lower. Please refer to Note 20 to the audited financial statements of APC, and Note 14 to the unaudited interim financial statements of APC.

Calculation of PAL Adjusted Debt

	As of December 31,		As of March 31,		
	2023	2024	2025	2025	2026
	(Audited)	(Audited)	(Audited)	(Unaudited)	(Unaudited)
			(*in million*)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Current portion of long-term obligation	467.7	406.4	443.3	402.6	452.5
Long-term obligations - net of current portion	1,273.1	980.5	1,242.7	966.8	1,367.9
Total Debt	1,740.8	1,386.9	1,686.0	1,369.4	1,820.4
Less: Lease Liabilities-Ground Property	30.4	14.1	70.6	13.5	71.1
PAL Adjusted Debt	**1,710.4**	**1,372.8**	**1,615.4**	**1,355.9**	**1,749.3**
Cash	423.9	387.0	431.4	413.8	614.8
PAL Net Debt	**1,286.5**	**985.8**	**1,184.0**	**942.1**	**1,134.5**

Calculation of APC Adjusted Debt

	As of December 31,				As of March 31,		
	2023	2024	2025	2025	2025	2026	2026
	(Audited)	(Audited)	(Audited)		(Unaudited)	(Unaudited)	
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Current portion of lease liabilities	1,708.1	1,657.5	1,888.8	31.1	1,661.7	2,050.5	33.8
Lease liabilities – net of current portion	4,525.9	4,669.5	4,642.4	76.4	4,166.1	5,965.2	98.2
Total Lease Liabilities	**6,234.0**	**6,327.0**	**6,531.2**	**107.5**	**5,827.7**	**8,015.7**	**132.0**
Less: Lease liabilities owed to PAL[(1)]	6,234.0	6,327.0	6,531.2	107.5	5,827.7	8,015.7	132.0
APC Adjusted Debt	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Less: Cash	704.4	822.6	561.2	**9.2**	846.5	462.5	7.6
APC Net Debt	**(704.4)**	**(822.6)**	**(561.2)**	**(9.2)**	**(846.5)**	**(462.5)**	**(7.6)**
APC Net Debt ($)	**(11.6)**	**(13.5)**	**-**	**-**	**(13.9)**	**-**	**-**

Note:

(1)Represents APC's short term lease obligations to PAL under intercompany aircraft lease arrangements computed based on a power-by-the-hour (PBH) rate or a fixed.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis is based upon information contained in the audited consolidated financial statements of PAL, the audited financial statements of APC, and the unaudited interim financial statements of PAL and APC, including the notes thereto, included elsewhere in this Offering Memorandum. You should read the following discussion and analysis in conjunction with those financial statements, including the notes thereto. This discussion contains forward-looking statements that reflect our current views with respect to future events and financial performance. See "Forward-Looking Statements and Associated Risks" for a discussion of the risks relating to such forward-looking statements. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of factors such as those set forth under "Risk Factors" and elsewhere in this Offering Memorandum.

Translations from Philippine Pesos to U.S. dollars for the convenience of the reader have been made at the BSP Rate on March 31, 2026 of U.S.$1.00 to ₱60.74.

OVERVIEW

We are the national flag carrier of the Philippines and Asia's oldest commercial airline, providing passenger air travel, cargo and loyalty services across domestic and international markets. Philippine Airlines, Inc. ("**PAL**") has been in operation for over 85 years. With Air Philippines Corporation ("**APC**", operating as "**PAL Express**", and together with PAL, the "**PAL Group**"), we serve both full-service and value-oriented market segments. As of May 31, 2026, the PAL Group operated a combined fleet of 84 aircraft, serving 70 destinations across 88 routes. Our domestic network serves 30 cities and towns throughout the Philippine archipelago, and we have an international network that spanned 40 destinations in 16 countries across North America, the Middle East, Asia and Oceania.

We operate from our principal hub at Ninoy Aquino International Airport ("**NAIA**") in Manila, with a secondary hub at Mactan-Cebu International Airport. We also operate domestic leisure routes from Clark International Airport in Pampanga, which provides an alternative gateway for passengers from the northern Luzon region. In North America and Micronesia, we operate non-stop flights between Manila and 10 destinations: Los Angeles, San Francisco, Seattle (launched October 2024), New York, Honolulu, Guam, Saipan, Palau, Vancouver and Toronto. We plan to commence service to Chicago in November 2026. We maintain strong flight frequencies to key Asian markets, including Japan (Tokyo-Narita, Tokyo-Haneda, Osaka, Nagoya, Fukuoka, Sapporo), Southeast Asia (Singapore, Bangkok, Kuala Lumpur, Ho Chi Minh City, Hanoi, Da Nang, Jakarta, Bali, and Phnom Penh), Greater China (Hong Kong, Shanghai, Taipei, Xiamen, Jinjiang, and Beijing), Korea (Seoul-Incheon and Busan), Middle East (Riyadh, Doha, and Dubai) and Australasia (Sydney, Melbourne, Brisbane, Perth, and Port Moresby). In 2023, 2024 and 2025, we transported approximately 14.7 million, 15.6 million and 16.3 million passengers, respectively. In the first quarter of 2026, we transported approximately 4.3 million passengers. We maintain codeshare arrangements with leading global carriers, including ANA (which holds a 4.1% equity stake in PAL Holdings, Inc.), American Airlines, Cathay Pacific, and Singapore Airlines, enhancing network connectivity for our passengers. See "*Business—Strategic Partnerships*."

We provide multiple classes of service, including Business Class, Premium Economy, Comfort Class and Economy Class. Our brand promise, "*Care That Comes from the Heart*," reflects our commitment to delivering service excellence with Filipino hospitality. See "*Business—Our Vision and Mission*."

We also operate complementary businesses which we believe provide further scale and enhance our overall value proposition. Our Mabuhay Miles frequent flyer program had 6.9 million members as of May 31, 2026. The program has commercial partnerships with leading financial institutions, including the Philippine National Bank through co-branded Mabuhay Miles credit card portfolio. See "*Business—Our Services—Mabuhay Miles Frequent Flyer Program*." We believe that our cargo operation is among the largest in the Philippines, and maintains a leading market position at our Manila hub. Cargo is transported through the belly space of our passenger aircraft, maximizing network efficiency with minimal incremental capital requirements.

Following the impact of the COVID-19 pandemic on airline travel, PAL successfully emerged from Chapter 11 restructuring within approximately four months of its filing in September 2021 with strong support from our controlling shareholder, reducing its debt and lease obligations. Since emerging from restructuring, PAL has remained profitable, reflecting the benefits of our transformed business model with a right-sized fleet, streamlined cost structure and a focus on profitable routes.

For the years ended December 31, 2023, 2024 and 2025, PAL had consolidated revenue of U.S.$3,250.3 million, U.S.$3,134.1 million and U.S.$3,225.2 million, respectively, and net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million, respectively. For the three months ended March 31, 2025 and 2026, PAL had consolidated revenue of U.S.$816.7 million and U.S.$895.7 million, respectively, and net income of U.S.$76.5 million and U.S.$78.5 million, respectively. As of December 31, 2025 and March 31, 2026, PAL had total assets of U.S.$3,884.1 million and U.S.$4,263.3 million, respectively.

For the years ended December 31, 2023, 2024 and 2025, APC had total revenues of ₱7,965.6 million, ₱9,827.0 million and ₱11,752.0 million (U.S.$193.5 million), respectively, and net income (loss) of ₱(36.7) million, ₱(304.2) million and ₱719.6 million (U.S.$11.8 million), respectively. For the three months ended March 31, 2025 and 2026, APC had total revenues of ₱2,620.5 million and ₱3,102.8 million (U.S.$51.1 million), respectively, and net income (loss) of ₱254.0 million and ₱(42.8) million (U.S.$(0.7) million), respectively. As of December 31, 2025 and March 31, 2026, APC had total assets of ₱11,585.7 million and ₱13,449.1 million (U.S.$221.4 million), respectively.

FACTORS AFFECTING OUR FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our financial condition and results of operations have been affected, and will continue to be, affected by a number of important factors, including the following:

Aircraft Fuel Prices

Aircraft fuel is a primary and highly volatile operating expense for PAL, accounting for 37.2%, 34.3% and 30.9% of PAL's total operating expenses in the years ended December 31, 2023, 2024 and 2025, respectively, and 31.1% and 31.7% in the three months ended March 31, 2025 and 2026, respectively. APC does not directly incur fuel costs as it operates under the Codeshare Agreement with PAL, under which PAL is responsible for fuel procurement for APC-operated flights. Under PAL's aircraft fuel purchase agreements with its suppliers, fuel prices are based on the MOPS benchmark and comprise both variable and fixed components. International and local aircraft fuel prices are subject to wide price fluctuations based on geopolitical developments, global supply and demand dynamics, and market speculation. In addition, such agreements do not protect against price increases or guarantee the availability of fuel. Beginning February 28, 2026, the conflict involving the United States, Israel and Iran caused oil prices to spike toward U.S.$120 per barrel, resulting in a material surge in the MOPS benchmark for jet fuel and contributing to heightened price volatility. Prior to the onset of the conflict, PAL's average fuel cost was approximately U.S.$102 per barrel. As of May 2026, PAL's average fuel cost had increased to approximately U.S.$210 per barrel. PAL expects its fuel costs to remain elevated for the remainder of 2026 as a result of the ongoing conflict and related market disruptions. For a further discussion, see "*Risk Factors—Risks Relating to Our Business—Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition*."

As of March 31, 2026, PAL had no outstanding fuel derivatives and does not currently hedge systematically against fuel price risk. PAL is permitted to impose passenger fuel surcharges in accordance with regulations issued by the CAB. Prior to the onset of the Middle East conflict, fuel surcharges covered approximately 40% of fuel costs and were adjusted on a monthly basis. As a result of the crisis, CAB has adopted a 15-day monitoring and implementation cycle for fuel surcharges to allow faster response to market changes. The shorter cycle will remain in place until the current situation stabilizes.

Capacity Deployment and Flight Activity

PAL's and APC's financial performance is significantly affected by capacity deployment and the number of flights operated. Capacity, measured by available seat kilometers ("**ASK**"), directly affects PAL's ability to generate passenger and cargo revenue, while flight activity affects operating costs, including fuel, airport and traffic servicing charges, maintenance expenses and personnel costs.

PAL regularly adjusts capacity across its domestic and international network in response to passenger demand, competitive conditions, aircraft availability and other operational considerations. Changes in capacity deployment may affect passenger traffic, load factors, yields and ancillary revenue generation, as well as the level of operating expenses incurred across the business. For further details, see "*—Results of Operations*."

APC operates flights under the Codeshare Agreement with PAL, and changes in the number of flights operated by APC affect both APC's operating costs and its transportation revenue earned under the Codeshare Agreement.

For a description of the Codeshare Agreement and its effect on each entity's results of operations, see "—*Relationship Between PAL and APC*."

Capacity deployment may also be affected by external factors. Beginning February 28, 2026, in response to the Middle East conflict, PAL suspended commercial flights to Dubai, Doha and Riyadh, which accounted for approximately 8% of PAL's total revenue and 11% of PAL's capacity in the year ended December 31, 2025. PAL has since resumed commercial flights to Riyadh on April 10, 2026. We have implemented further capacity reductions as a result of high fuel costs and to align with the demand environment. For further details, see "*Risk Factors—Risks Relating to Our Business—Terrorist attacks or armed conflicts could adversely affect the airline industry and us by decreasing demand and increasing costs*", "*Risk Factors—Risks Relating to Our Business—Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition" and "Business—Recent Developments"*.

Competition

The airline industry is highly competitive. The principal competitive factors include fare pricing, route networks, flight schedules, on-time performance, customer experience, and loyalty programs. PAL competes directly for passengers in both domestic and international markets, while APC operates exclusively under the Codeshare Agreement with PAL, pursuant to which PAL markets and sells all passenger tickets and APC provides the underlying transportation service on domestic routes.

In the domestic passenger market, PAL (including flights operated by APC under the *PAL Express* brand) held approximately 29% market share for January to December 2025, as reported by the CAB. LCCs have been gaining momentum in the Philippines and the broader Asia-Pacific region, exerting continuous downward pressure on yields. With NAIA operating at capacity constraints, however, the domestic competitive landscape has been relatively stable, with limited ability for new market entrants and limited capacity growth by existing competitors. APC generated transportation revenues of ₱7,960.2 million, ₱9,817.4 million and ₱11,738.8 million (U.S.$193.3 million) in the years ended December 31, 2023, 2024 and 2025, respectively, and ₱2,618.6 million and ₱3,099.9 million (U.S.$51.0 million) in the three months ended March 31, 2025 and 2026, respectively, all of which were billed to PAL under the Codeshare Agreement.

In the international passenger market, PAL held 23% market share in 2025 according to the CAB. PAL competes with both full-service carriers and LCCs across its key international destinations, and some competitors may have larger customer bases, greater financial and marketing resources, or may benefit from structural support unavailable to PAL. PAL also faces competition in its cargo business and its Mabuhay Miles loyalty program. For further details, see "*Risk Factors—Risks Relating to Our Business—We operate in a highly competitive industry and actions by our competitors could adversely affect us*."

Changes in Foreign Exchange Rates

PAL's functional currency is the U.S. dollar, and its consolidated financial statements are presented in U.S. dollars. PAL generates revenues and incurs costs and expenses substantially in U.S. dollars, and the pricing of its services is highly influenced by competition and demand in each country where it operates. While a significant portion of PAL's revenues are denominated in U.S. dollars, PAL also generates revenues in Philippine Pesos, Canadian Dollars, Japanese Yen, and a range of other currencies including Euros, Australian Dollars, Singapore Dollars, Chinese Yuan, Thai Baht, Hong Kong Dollars, Saudi Riyals, and Emirati Dirhams.

A significant portion of PAL's revenues and operating expenses are denominated in U.S. dollars and its lease and debt obligations are predominantly denominated in U.S. dollars. For the year ended December 31, 2025, 71.4% of PAL's operating expenses and 96.7% of its debt obligations were denominated in U.S. dollars, including aircraft leases, aircraft fuel, and maintenance costs. PAL manages its foreign exchange exposure by matching its receipts and payments for each individual currency and converting any surplus as soon as practicable. A significant depreciation of the U.S. dollar against the Philippine Peso or other revenue-generating currencies could materially affect PAL's revenues when translated into U.S. dollars, and inflate the U.S. dollar-equivalent value of PAL's Philippine Peso denominated revenues and operating expenses, leading to adverse volatility in equity, cash flows, and profitability.

APC's functional and reporting currency is the Philippine Peso. APC is exposed to foreign exchange fluctuations primarily through U.S. dollar-denominated aircraft lease liabilities. For further details, see "*Risk Factors—Risks Related to the Philippines—Volatility in the value of the Philippine Peso against the U.S. dollar and other currencies as well as in the global financial capital markets could adversely affect our business*."

Labor

Labor costs, including retirement benefits of our staff and crew, represent a significant component of the PAL Group's expenses and are subject to collective bargaining agreements ("**CBAs**") that may limit our flexibility to reduce costs during periods of reduced demand. PAL's personnel costs amounted to U.S.$211.3 million and U.S.$53.9 million in the year ended December 31, 2025 and the three months ended March 31, 2026, respectively. As of December 31, 2025 and March 31, 2026, PAL's accrued employee benefits, including retirement obligations, amounted to U.S.$273.1 million and U.S.$270.7 million, respectively. As of March 31, 2026, PAL had a total workforce of 5,420 employees, comprising 2,017 Philippine-based ground employees, 207 foreign-based ground employees, 851 pilots and 2,345 cabin crew. As of March 31, 2026, APC had a total workforce of 1,468 employees, comprising 445 ground employees, 313 pilots, 501 cabin crew and 209 mechanics.

As of March 31, 2026, PAL had 2,813 union members, representing approximately 51.9% of its workforce covered by CBAs, with union members located in the Philippines, the United States, Singapore and Japan. PAL recognizes two principal domestic unions: the Philippine Airlines Employees' Association ("**PALEA**"), representing rank-and-file ground employees, effective until September 30, 2028, and the Flight Attendants' and Stewards' Association of the Philippines ("**FASAP**"), representing cabin crew, effective until July 15, 2025 with its renewal currently under negotiation. PAL has also entered into CBAs with overseas employees through the International Association of Machinists and Aerospace Workers ("**IAMAW**") in the United States, which expired on June 30, 2025 with its renewal currently under negotiation, the Singapore Manual and Mercantile Workers' Union ("**SMMWU**") in Singapore, and the Airline's Labor Union – Japan, which are both effective until December 31, 2026. APC does not have a formal labor union; however, an Employee-Management Cooperation and Collaboration committee serves as a venue for management and staff to discuss employee concerns.

Our CBAs generally provide for periodic adjustments to wages and benefits, which may increase our labor costs over time. We also face cost pressures from inflation, increases in the Philippine minimum wage, and a competitive labor market for skilled personnel, including pilots and aircraft maintenance technicians. Since 2015, PAL and APC have not experienced any work stoppages or days idle due to labor disputes. However, if we are unable to reach an agreement with any union in current or future negotiations, we may be subject to operational slowdowns or stoppages that could adversely affect our business, results of operations and financial condition. See "*Risk Factors—Risks Relating to Our Business—Increases in labor costs, union disputes, employee strikes and other labor-related disruption may adversely affect our business, results of operations and financial condition*."

Seasonality and Other Drivers of Fluctuations in Our Results

The PAL Group's operating results fluctuate due to seasonality. PAL and APC normally experience peak passenger traffic during the months of January, April, May, June and December, driven by high vacation and leisure demand occurring during the Easter holiday (Holy Week), the summer months (March to May), and the Christmas and New Year holiday season (December and January). The lowest levels of passenger traffic are typically concentrated in the months of August to September, due to the onset of the rainy and typhoon season in the Philippines (generally during the months of June to November) and the resumption of the academic calendar. As a result of these seasonal patterns, our results may vary from quarter to quarter, and our first and fourth quarter results are generally stronger than our second and third quarter results.

Price changes in aircraft fuel, as well as the timing and amount of maintenance and advertising expenditures throughout the year, also impact our operations. Maintenance and advertising expenditures have remained generally consistent relative to total revenues on a year-over-year basis. As a result of these factors, quarter-to-quarter comparisons of our operating results may not be a good indicator of our future performance. See "*Risk Factors—Risks Relating to Our Business—Our results of operations fluctuate due to seasonality and other factors*."

Macroeconomic Factors

The PAL Group's operations, asset quality, and growth prospects are inherently tied to the economic performance of the Philippines. While the domestic economy has demonstrated resilience in recent years evidenced by a steady recovery in GDP growth and consecutive interest rate reductions by the Bangko Sentral ng Pilipinas ("**BSP**"), the macroeconomic environment remains susceptible to significant volatility.

The Philippine economy, and consequently our business, could be adversely affected by several domestic and global factors. These include prolonged inflation or deflation, foreign exchange fluctuations, constrained credit

availability, shifts in government fiscal policies, and potential downgrades to the country's sovereign credit rating. Furthermore, the economy is highly vulnerable to external and systemic shocks, such as severe natural disasters, public health epidemics and escalating geopolitical tensions. Any significant deterioration in the Philippine economic landscape, or a reversal of current growth trajectories, could severely dampen consumer confidence and travel demand, limit our access to favorable financing, and ultimately have a material adverse effect on our business, financial condition, and results of operations.

RELATIONSHIP BETWEEN PAL AND APC

PAL and APC entered into a Codeshare Agreement in 2014 to optimize their combined route network, enhance operational efficiency and maximize revenue opportunities through a unified marketing and booking platform under the Philippine Airlines brand. Under the Codeshare Agreement, PAL markets certain codeshare flights that are operated by APC. PAL and APC operate under separate Air Operator Certificates ("**AOCs**"), one for PAL and one for APC.

For flights operated pursuant to the Codeshare Agreement, PAL acts as principal in the sale of passenger transportation services and accordingly recognizes all passenger, cargo and ancillary revenues generated from such flights. These revenues are included in PAL's operating revenues.

In exchange for the operation of such flights, PAL pays APC transportation fees for services provided under the Codeshare Agreement on a cost-plus-margin basis. These transportation fees are recorded as transportation expenses within flying operations expenses in PAL's statements of comprehensive income.

APC, in turn, recognizes transportation revenue for services provided to PAL under the Codeshare Agreement. Accordingly, APC's results of operations are significantly influenced by transportation revenue earned from PAL, while PAL's results of operations reflect transportation expenses incurred in connection with services provided by APC under the Codeshare Agreement. Under this operating model, APC does not incur material financial indebtedness and earns a cost-plus-margin return on the services it provides to PAL. Both PAL and APC will guarantee the Notes.

PRINCIPAL COMPONENTS OF OUR RESULTS OF OPERATIONS

PAL's and APC's results of operations with respect to the years ended December 31, 2023, 2024 and 2025 and the three months ended March 31, 2025 and 2026 are based on, and should be read in conjunction with, their respective audited financial statements and the unaudited interim financial statements, and related notes thereto, included elsewhere in this Offering Memorandum.

Revenue

Passenger Revenue. This consists of revenue from ticket sales, including base fares, fuel and insurance surcharges, and breakage from unused and expired tickets, and is recognized when the related transportation services are rendered. Mabuhay Miles loyalty revenue is included within passenger revenue, with a portion of passenger revenue attributable to the award of miles deferred and recognized upon redemption, estimated expiration, or breakage (i.e., miles that are not expected to be redeemed). Effective July 1, 2025, PAL reassessed its expected breakage rate and determined that a higher proportion of outstanding miles are expected to expire. Revenue from estimated breakage of Mabuhay Miles amounted to nil, U.S.$22.4 million and U.S.$33.4 million for the years ended December 31, 2023, 2024 and 2025, respectively. As of December 31, 2025, Mabuhay Miles had 6.7 million members, who contributed 29.2% of total passenger revenue. As of March 31, 2026, Mabuhay Miles had 6.8 million members, who contributed 26.2% of total passenger revenue.

Ancillary Revenue. This includes revenue from seat selection and class upgrades, excess and prepaid baggage fees, inflight sales and services, travel insurance, and other travel-related products, recognized when the related services are rendered.

Cargo Revenue. This consists of revenue from the transportation of freight and mail through the belly space of its passenger aircraft, recognized when the related transportation services are rendered.

Other Revenue. This consists of revenue from charter services, lease income, and other transport-related revenue, recognized when the related services are rendered.

The table below summarizes the revenue contribution of each component of PAL's revenue for the years and periods indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(Audited)		(Audited)		(Audited)		(Unaudited)		(Unaudited)	
	(U.S.$ in million or percentage of revenue)									
Revenue										
Passenger	2,870.3	88.3%	2,702.7	86.2%	2,728.1	84.6%	698.6	85.5%	759.6	84.8%
Ancillary	207.6	6.4%	241.2	7.7%	301.2	9.3%	75.1	9.2%	83.6	9.3%
Cargo	142.7	4.4%	159.7	5.1%	165.0	5.1%	35.3	4.3%	43.2	4.8%
Others	29.7	0.9%	30.5	1.0%	30.9	1.0%	7.7	0.9%	9.3	1.0%
Total	**3,250.3**	**100.0%**	**3,134.1**	**100.0%**	**3,225.2**	**100.0%**	**816.7**	**100.0%**	**895.7**	100.0%

APC's revenues consist primarily of transportation revenue billed to PAL under the Codeshare Agreement, recognized when the transportation service is rendered, and other revenue for services rendered outside the Codeshare Agreement, including unit load device and galley trolley repair services.

For the years ended December 31, 2023, 2024 and 2025, APC's transportation revenues were ₱7,960.2 million, ₱9,817.4 million and ₱11,738.8 million (U.S.$193.3 million), respectively, and APC's other revenues were ₱5.5 million, ₱9.7 million and ₱13.2 million (U.S.$0.2 million), respectively. For the three months ended March 31, 2025 and 2026, APC's transportation revenues were ₱2,618.6 million and ₱3,099.9 million (U.S.$51.0 million), respectively, and APC's other revenues were ₱2.0 million and ₱2.9 million (U.S.$0.1 million), respectively.

Expenses

The table below summarizes PAL's expenses for the years and periods indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(Audited)		(Audited)		(Audited)		(Unaudited)		(Unaudited)	
	(U.S.$ in million or percentage of expenses)									
Expenses										
Flying operations	1,544.9	56.2%	1,624.5	57.6%	1,655.0	55.2%	409.6	55.3%	447.1	56.3%
Maintenance	379.9	13.8%	365.3	13.0%	398.1	13.3%	95.5	12.9%	111.5	14.0%
Aircraft and traffic servicing	279.9	10.2%	313.3	11.1%	367.6	12.3%	88.2	11.9%	90.8	11.4%
Passenger service	211.8	7.7%	223.4	7.9%	234.5	7.8%	59.1	8.0%	60.2	7.6%
Reservation and sales	196.6	7.2%	238.8	8.5%	250.6	8.4%	65.2	8.8%	61.4	7.7%
General and administrative	136.1	5.0%	54.5	1.9%	91.4	3.0%	23.7	3.2%	22.8	2.9%
Total	**2,749.2**	**100.0%**	**2,819.8**	**100.0%**	**2,997.2**	**100.0%**	**741.3**	**100.0%**	**793.8**	**100.0%**

Flying Operations. PAL's flying operations expenses represent its largest operating expense category and comprise (i) fuel and oil, (ii) depreciation of aircraft and right-of-use assets, (iii) transportation expenses under the Codeshare Agreement with APC, (iv) personnel costs related to cockpit crew, (v) aircraft lease charges (including short-term leases), and (vi) other flying-related costs. Transportation expenses under the Codeshare Agreement represent amounts paid by PAL to APC for transportation services provided by APC in connection with flights marketed and sold by PAL.

The table below sets out the components of PAL's flying operations expenses for the years and period indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
					(Audited)					
	(U.S.$ in million or percentage of flying operations expenses)									
Flying operations										
Fuel and oil	1,022.6	66.2%	966.5	59.5%	926.7	56.0%	230.4	56.2%	251.6	56.3%
Depreciation	236.5	15.3%	307.9	19.0%	358.2	21.6%	90.0	22.0%	103.5	23.1%
Transportation expense	142.9	9.3%	165.8	10.2%	199.2	12.0%	44.7	10.9%	52.9	11.8%
Personnel cost	91.0	5.9%	82.3	5.1%	90.4	5.5%	22.0	5.4%	23.8	5.3%
Lease charges	26.8	1.7%	76.5	4.7%	51.5	3.1%	15.1	3.7%	8.3	1.9%
Others	25.2	1.6%	25.5	1.6%	29.0	1.8%	7.4	1.8%	7.0	1.6%
	1,544.9	**100.0%**	**1,624.5**	**100.0%**	**1,655.0**	**100.0%**	**409.6**	**100.0%**	**447.1**	**100.0%**

Maintenance. PAL's maintenance expenses comprise (i) the cost of repairs and overhaul of aircraft components, engines and equipment, (ii) expendable parts, and (iii) line and heavy maintenance services. Maintenance costs are generally correlated with aircraft utilization and fleet age and composition. A significant portion of PAL's maintenance is performed by LTP, an entity under the LT Group.

Aircraft and Traffic Servicing. PAL's aircraft and traffic servicing expenses primarily comprise (i) ground handling charges, (ii) landing and take-off fees, and (iii) fees paid to airports and handling agents, as well as related personnel costs. These expenses are correlated with the number of flights operated and the airports served.

Passenger Service. PAL's passenger service expenses primarily comprise (i) in-flight meals, beverages and provisions, (ii) passenger liability insurance, (iii) cabin crew costs, and (iv) other on-board passenger experience expenses. These expenses are correlated with the number of passengers carried and the service level offered.

Reservation and Sales. PAL's reservation and sales expenses primarily comprise (i) Global Distribution System fees, (ii) Passenger Service System fees, (iii) Mabuhay Miles frequent flyer program costs, and (iv) commissions and incentives paid to travel agents and distribution channels. These expenses are correlated with the number of passengers booked and the mix of booking channels.

General and Administrative. PAL's general and administrative expenses primarily comprise (i) personnel costs for administrative staff, (ii) external services (including professional and consulting fees), (iii) taxes, (iv) depreciation on non-aircraft assets, (v) utilities, and (vi) office and facility lease charges. General and administrative expenses also include provision for (or reversal of) expected credit losses ("**ECL**") on trade receivables.

The table below summarizes APC's expenses for the years and periods indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(Audited) (₱ in million or percentage of expenses)									
Flying operations	3,788.8	54.3%	4,459.4	48.4%	4,338.7	42.8%	1,030.1	46.5%	1,244.4	47.7%
Maintenance	1,098.5	15.7%	1,677.4	18.2%	2,342.9	23.1%	504.9	22.6%	590.5	22.6%
Aircraft and traffic servicing	1,049.7	15.0%	1,642.6	17.8%	1,699.3	16.8%	303.3	13.3%	487.9	18.7%
Passenger service	584.2	8.4%	808.6	8.8%	794.1	7.8%	184.2	8.8%	174.2	6.7%
General and administrative	455.7	6.5%	634.1	6.9%	964.1	9.5%	191.3	8.8%	114.0	4.4%
	6,976.9	**100.0%**	**9,222.2**	**100.0%**	**10,139.2**	**100.0%**	**2,213.9**	**100.0%**	**2,611.0**	**100.0%**

Flying Operations. APC's flying operations expenses comprise (i) personnel costs, (ii) depreciation and amortization, (iii) lease charges, and (iv) other flying-related costs. Depreciation and amortization under flying operations includes depreciation arising from back-to-back lease arrangements with PAL, which amounted to ₱941.9 million, ₱907.9 million and ₱920.5 million for the years ended December 31, 2023, 2024 and 2025, respectively, and ₱215.1 million and ₱336.6 million for the three months ended March 31, 2025 and 2026, respectively.

Maintenance. APC's maintenance expenses comprise the cost of repairs and overhaul of aircraft components, engines and equipment, expendable parts, and line maintenance services.

Aircraft and Traffic Servicing. APC's aircraft and traffic servicing expenses comprise (i) personnel costs, (ii) landing and take-off fees, (iii) ground handling charges, and (iv) other related costs.

Passenger Service. APC's passenger service expenses comprise (i) personnel costs, (ii) cabin crew costs, (iii) passenger liability insurance, (iv) passenger food, (v) standard flight provisions, (vi) depreciation, and (vii) other related costs.

General and Administrative. APC's general and administrative expenses comprise (i) personnel costs, (ii) rental, (iii) outside services, professional and consulting fees and taxes, and (iv) other related costs.

Other Income (Charges)

The components of PAL's other income and charges – net are the following:

- *Financing charges.* PAL's financing charges consist of interest expense on lease liabilities accounted for under PFRS 16 and interest expense on long-term debt.

- *Share in net income of an associate.* PAL's share in net income of an associate relates to its 30% retained interest in Fortunate Star Limited ("**FSL**"), which has been accounted for under the equity method since December 31, 2025.

- *Other income (charges) - net.* PAL's other income (charges) - net primarily comprises foreign exchange gains (losses), interest income, provision for contingencies, reversal of impairment losses, income from manufacturers' credits, and other individually immaterial items.

The components of APC's other income or charges - net are the following:

- *Financing income:* This refers to interest income earned from cash and cash equivalents, short-term investments, and accretion income on aircraft security deposits.

- *Financing charges:* This refers to interest expense on lease liabilities accounted for under PFRS 16.

- *Equity in net losses of a subsidiary:* This refers to APC's share in the net losses of its subsidiary, GuidetothePhilippines, Inc ("**GTTP**").

- *Other charges - net:* This refers to foreign exchange losses, loss on property disposal or retirement, and other individually immaterial items.

Income Taxes

PAL's income tax expense comprises current income tax (computed as the higher of regular corporate income tax ("**RCIT**") at 25% on net taxable income or minimum corporate income tax ("**MCIT**") at 2% of gross income) and deferred income tax. PAL is subject to RCIT under Presidential Decree No. 1590. APC is subject to the same Philippine corporate income tax regime.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

PAL

PAL's audited consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards ("**PFRS**") Accounting Standards, which are the Philippine adoption of the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").

Critical accounting policies are those that are both (i) relevant to the presentation of PAL's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgments become even more subjective and complex. In order to provide an understanding of how PAL's management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, we have identified PAL's critical accounting judgments, estimates and assumptions in Note 4 to PAL's consolidated audited financial statements included elsewhere in this Offering Memorandum.

The main items subject to critical accounting estimates and assumptions by PAL's management are in respect of the following:

- Recognition and measurement of passenger and cargo revenue;

- Provision for ECL of trade receivables and contract assets;

- Estimation of useful lives and residual values of property and equipment;

- Impairment of aircraft and related equipment (rotables and reparables);

- Valuation of lease liabilities and right-of-use assets;

- Estimation of retirement and other long-term employee benefits cost;
- Provisions; and
- Recognition of deferred income tax assets.

APC

APC's audited financial statements have been prepared in accordance with PFRS Accounting Standards. Critical accounting policies are those that are both (i) relevant to the presentation of APC's financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments. We have identified APC's critical accounting judgments, estimates and assumptions in Notes 3 and 4 to APC's audited financial statements included elsewhere in this Offering Memorandum.

The main items subject to critical accounting estimates and assumptions by APC's management are in respect of the following:

- Estimation of useful lives and residual values of property and equipment, including right-of-use assets for aircraft leased from PAL
- Provision for ECL of trade receivables;
- Estimation of retirement benefits cost;
- Recognition of deferred income tax assets.

RESULTS OF OPERATIONS

PAL

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

	For the three months ended March 31,		
	2025	2026	% Increase (Decrease)
	(Unaudited)	(Unaudited)	
	(*in million*)		
	U.S.$	U.S.$	
Revenue			
Passenger	698.6	759.6	8.7%
Ancillary	75.1	83.6	11.2%
Cargo	35.3	43.2	22.5%
Others	7.7	9.3	21.0%
	816.7	**895.7**	**9.7%**
Expenses	**741.3**	**793.8**	**7.1%**
	75.4	**101.9**	**35.1%**
Other income (charges) - Net			
Financing charges	(25.7)	(30.9)	20.5%
Share in net income of an associate	-	0.4	NA
Others income (charges) – net	36.9	6.6	(82.1)%
	11.2	(23.9)	NA
Income before income tax	**86.7**	**78.0**	**(10.0)%**
Income tax expense (benefit)	**10.2**	**(0.5)**	**NA**
Net income	**76.5**	**78.5**	**2.6%**

Revenue

Passenger revenue increased by 8.7% to U.S.$759.6 million for the three months ended March 31, 2026, compared to U.S.$698.6 million for the three months ended March 31, 2025, supported by a 6.1% increase in passenger volume to 4.30 million passengers. PAL expanded capacity, measured by ASK, by 7.2% and operated 8.4% more flights. Higher passenger yield, which improved by 2.1%, further contributed to revenue growth, although this was partially offset by a 0.60 percentage point decline in passenger load factor compared to the previous year.

Ancillary revenue increased by 11.2% to U.S.$83.6 million for the three months ended March 31, 2026, compared to U.S.$75.1 million for the three months ended March 31, 2025, primarily due to increased uptake of unbundled ancillary products and services, such as premium seat upgrades and prepaid baggage.

Cargo revenue increased by 22.5% to U.S.$43.2 million for the three months ended March 31, 2026, compared to U.S.$35.3 million for the three months ended March 31, 2025, primarily due to higher cargo yields and elevated air freight rates during the period, which benefited from tighter global belly-hold capacity following disruptions to Middle East airspace, partially offset by lower freight volume.

Other revenue increased by 21.0% to U.S.$9.3 million for the three months ended March 31, 2026, compared to U.S.$7.7 million for the three months ended March 31, 2025, primarily due to recognition of miscellaneous operating revenues in 2026 that had been offset against expenses in the prior year.

Expenses

Our expenses increased by 7.1% to U.S.$793.8 million for the three months ended March 31, 2026, compared to U.S.$741.3 million for the three months ended March 31, 2025, primarily driven by flying operations and maintenance expenses.

	For the three months ended March 31,		
	2025	2026	% Increase (Decrease)
	(Unaudited)	(Unaudited)	
	(*in million*)		
	U.S.$	U.S.$	
Expenses			
Flying operations	409.6	447.1	9.2%
Maintenance	95.5	111.5	16.8%
Aircraft and traffic servicing	88.2	90.8	3.0%
Passenger service	59.1	60.2	1.9%
Reservation and sales	65.2	61.4	(5.8)%
General and administrative	23.7	22.8	(3.9)%
Total	**741.3**	**793.8**	**7.1%**

Flying operations expense increased by 9.2% to U.S.$447.1 million for the three months ended March 31, 2026, compared to U.S.$409.6 million for the three months ended March 31, 2025, primarily due to higher aviation fuel and oil costs and increased depreciation and amortization expense. Fuel costs increased as a result of higher flight activity, with total flights operated increasing by 8.4%, and higher fuel prices following disruptions in the Middle East during the latter part of the quarter. Depreciation and amortization expense also increased due to the expansion of the PAL Group's operating fleet and the capitalization of newly delivered aircraft.

Maintenance expense increased by 16.8% to U.S.$111.5 million for the three months ended March 31, 2026, compared to U.S.$95.5 million for the three months ended March 31, 2025, primarily due to higher aircraft utilization resulting from increased flight frequencies during the quarter.

Aircraft and traffic servicing expense increased by 3.0% to U.S.$90.8 million for the three months ended March 31, 2026, compared to U.S.$88.2 million for the three months ended March 31, 2025, primarily due to higher landing and take-off fees associated with the increase in flights operated during the period.

Passenger service expense increased by 1.9% to U.S.$60.2 million for the three months ended March 31, 2026, compared to U.S.$59.1 million for the three months ended March 31, 2025, primarily due to higher crew costs, inflight entertainment and provisions, and passenger meals expenses associated with the increase in flights operated during the period.

Reservation and sales expense decreased by 5.8% to U.S.$61.4 million for the three months ended March 31, 2026, compared to U.S.$65.2 million for the three months ended March 31, 2025, primarily due to lower Global Distribution System ("**GDS**") fees, partially offset by higher credit card service fees associated with increased direct-channel sales, particularly during the Anniversary Seat Sale in March 2026, and additional NDC-related costs incurred following its implementation in October 2025.

General and administrative expense decreased by 3.9% to U.S.$22.8 million for the three months ended March 31, 2026, compared to U.S.$23.7 million for the three months ended March 31, 2025, primarily due to lower corporate and administrative costs and timing differences in foreign station local tax billings during the period.

Other Income (Charges) – Net

Financing charges increased by 20.5% to U.S.$30.9 million for the three months ended March 31, 2026, compared to U.S.$25.7 million for the three months ended March 31, 2025, primarily due to higher interest expense on lease liabilities associated with right-of-use aircraft assets and interest expenses related to aircraft refinancing transactions.

Share in net income of an associate amounted to U.S.$0.4 million for the three months ended March 31, 2026, related to PAL's 30% equity-accounted interest in FSL.

Other income decreased by 82.1% to U.S.$6.6 million for the three months ended March 31, 2026 from U.S.$36.9 million for the corresponding period of 2025, primarily due to (i) supplier credits recognized in the first quarter of 2025 as special support compensation for grounded aircraft, amounting to U.S.$26.3 million, which did not recur in 2026, and (ii) lower foreign exchange gains, which decreased from U.S.$5.4 million in the first quarter of 2025 to U.S.$1.4 million in the first quarter of 2026.

Income before Income Tax

As a result of the foregoing, our income before income tax decreased by 10.0% to U.S.$78.0 million for the three months ended March 31, 2026, compared to U.S.$86.7 million for the three months ended March 31, 2025.

Income Tax Expense (Benefit)

We recorded an income tax benefit of U.S.$0.5 million for the three months ended March 31, 2026, compared to an income tax expense of U.S.$10.2 million for the three months ended March 31, 2025 primarily due to the recognition of a deferred tax benefit. Our provision for income tax expense (benefit) is broken as follows:

	For the three months ended March 31,		
	2025	**2026**	**% Increase (Decrease)**
	(Unaudited)	**(Unaudited)**	
	(*in million*)		
	U.S.$	**U.S.$**	
Income tax expense (benefit)			
Current income tax	2.1	2.3	6.8%
Deferred income tax	8.0	(2.8)	NA
Total	10.2	(0.5)	NA

Current income tax increased by 6.8% to U.S.$2.3 million for the three months ended March 31, 2026, compared to U.S.$2.1 million for the three months ended March 31, 2025, primarily due to higher taxable income generated from PAL's operations during the period.

Deferred tax benefit amounted to U.S.$2.8 million for the three months ended March 31, 2026, compared to a deferred tax expense of U.S.$8.0 million for the three months ended March 31, 2025, primarily due to movements in deferred tax assets and liabilities arising from deductible temporary differences, in accordance with PAS 12 (Income Taxes). The deferred tax benefit in 2026 was primarily attributable to deferred tax assets recognized in respect of unrealized foreign exchange losses, whereas the deferred tax expense in 2025 was primarily attributable to movements relating to previously recognized net operating loss carry-overs ("**NOLCO**").

Net income

As a result of the foregoing, net income increased by 2.6% to U.S.$78.5 million for the three months ended March 31, 2026, compared to U.S.$76.5 million for the three months ended March 31, 2025.

Year ended December 31, 2025 compared to the year ended December 31, 2024

	For the year ended December 31,		
	2024	2025	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	U.S.$	U.S.$	
Revenue			
Passenger	2,702.7	2,728.1	0.9%
Ancillary	241.2	301.2	24.9%
Cargo	159.7	165.0	3.3%
Others	30.5	30.9	1.1%
	3,134.1	**3,225.2**	**2.9%**
Expenses	**2,819.8**	**2,997.2**	**6.3%**
	314.4	**228.0**	**(27.5)%**
Other income (charges) - Net			
Financing charges	(123.0)	(106.6)	(13.4)%
Others income (charges) – net	(23.8)	58.9	NA
	(146.8)	**(47.6)**	**(67.6)%**
Income before income tax	**167.5**	**180.3**	**7.6%**
Income tax expense	**20.1**	**17.3**	**(14.2)%**
Net income	**147.4**	**163.1**	**10.6%**

Revenue

Passenger revenue increased by 0.9% to U.S.$2,728.1 million for the year ended December 31, 2025, compared to U.S.$2,702.7 million for the year ended December 31, 2024, primarily due to higher passenger traffic. Passenger volume increased by 4.3% to 16.3 million passengers in 2025 from 15.6 million passengers in 2024, supported by a 3.3% increase in capacity, as measured by available seat kilometers, from 44.7 billion to 46.2 billion. The increase in passenger traffic was partially offset by lower passenger yields as industry capacity continued to normalize and passenger load factor declined slightly to 78.7% in 2025 from 79.1% in 2024.

Ancillary revenue increased by 24.9% to U.S.$301.2 million for the year ended December 31, 2025, compared to U.S.$241.2 million for the year ended December 31, 2024, primarily due to increased sales of ancillary products and services, including seat upgrades.

Cargo revenue increased by 3.3% to U.S.$165.0 million for the year ended December 31, 2025, compared to U.S.$159.7 million for the year ended December 31, 2024, primarily due to growth in cargo volume.

Others revenue increased by 1.1% to U.S.$30.9 million for the year ended December 31, 2025, compared to U.S.$30.5 million for the year ended December 31, 2024, primarily due to lease income earned from aircraft operating lease arrangements with an entity under common control.

Expenses

Our expenses increased by 6.3% to U.S.$2,997.2 million for the year ended December 31, 2025, compared to U.S.$2,819.8 million for the year ended December 31, 2024, primarily driven increase in number of flights operated, higher maintenance cost and other rate increases.

	For the year ended December 31,		
	2024	2025	% Increase (Decrease)
	(Unaudited)	(Unaudited)	
	(*in million*)		
	U.S.$	U.S.$	
Expenses			
Flying operations	1,624.5	1,655.0	1.9%
Maintenance	365.3	398.1	9.0%
Aircraft and traffic servicing	313.3	367.6	17.3%
Passenger service	223.4	234.5	4.9%
Reservation and sales	238.8	250.6	4.9%
General and administrative	54.5	91.4	67.8%
Total	**2,819.8**	**2,997.2**	**6.3%**

Flying operations expense increased by 1.9% to U.S.$1,655.0 million for the year ended December 31, 2025, compared to U.S.$1,624.5 million for the year ended December 31, 2024, primarily due to a 16.3% increase in depreciation expenses resulting from new aircraft deliveries, the capitalization of engine repair costs and additional leasehold improvements, as well as higher transportation expenses associated with an increase in flights operated. These increases were partially offset by a 32.8% decline in lease charges following the termination WAMOS Air lease agreement effective January 2025 and the lower fuel and oil costs resulting from lower fuel prices per barrel.

Maintenance expense increased by 9.0% to U.S.$398.1 million for the year ended December 31, 2025, compared to U.S.$365.3 million for the year ended December 31, 2024, primarily due to higher aircraft utilization associated with increased in flight operations.

Aircraft and traffic servicing expense increased by 17.3% to U.S.$367.6 million for the year ended December 31, 2025, compared to U.S.$313.3 million for the year ended December 31, 2024, primarily due to higher landing and take-off charges and ground handling charges resulting from the increase in flights operated and higher airport and ground handling rates in Manila and certain international locations.

Passenger service expense increased by 4.9% to U.S.$234.5 million for the year ended December 31, 2025, compared to U.S.$223.4 million for the year ended December 31, 2024, primarily due to higher passenger traffic, which resulted in increased passenger meal and inflight provision expenses.

Reservation and sales expense increased by 4.9% to U.S.$250.6 million for the year ended December 31, 2025, compared to U.S.$238.8 million for the year ended December 31, 2024, primarily due to higher GDS fees associated with increased booking volumes and higher PSS fees.

General and administrative expense increased by 67.8% to U.S.$91.4 million for the year ended December 31, 2025, compared to U.S.$54.5 million for the year ended December 31, 2024, primarily due to the reversal of ECL provisions in 2024 following a reassessment of receivables, which reduced general and administrative expenses in that year.

Other Income (Charges) – Net

Financing charges decreased by 13.4% to U.S.$106.6 million for the year ended December 31, 2025, compared to U.S.$123.0 million for the year ended December 31, 2024, primarily due to lower interest expense following repayments of outstanding debt and lease obligations.

Other income – net was U.S.$58.9 million for the year ended December 31, 2025, compared to other charge – net of U.S.$23.8 million for the year ended December 31, 2024, primarily due to recognition of manufacturers' credits and the reversal of long-outstanding payables and accruals in 2025.

Income before Income Tax

As a result of the foregoing, our income before income tax increased by 7.6% to U.S.$180.3 million for the year ended December 31, 2025, compared to U.S.$167.5 million for the year ended December 31, 2024.

Income Tax Expense

Our income tax expense decreased by 14.2% to U.S.$17.3 million for the year ended December 31, 2025, compared to U.S.$20.1 million for the year ended December 31, 2024, primarily due a reduction in deferred income tax expense. Our income tax expense is broken as follows:

	For the year ended December 31,		
	2024	2025	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	U.S.$	U.S.$	
Income tax expense			
Current income tax	6.9	6.6	(3.5)%
Deferred income tax	13.2	10.6	(19.7)%
Total	**20.1**	**17.2**	**(14.2)%**

Current income tax decreased by 3.5% to U.S.$6.6 million for the year ended December 31, 2025, compared to U.S.$6.9 million for the year ended December 31, 2024, primarily driven by lower taxable income during the year.

Deferred income tax decreased by 19.7% to U.S.$10.6 million for the year ended December 31, 2025, compared to U.S.$13.2 million for the year ended December 31, 2024, primarily due to changes in deferred tax assets and liabilities arising from temporary differences, in accordance with PAS 12 (Income Taxes). The deferred income tax expense recognized in 2025 primarily reflected the partial utilization and derecognition of NOLCO, which was partially offset by deferred tax assets arising from new aircraft and engine leases. In 2024, deferred income tax expense primarily reflected the utilization of NOLCO and deferred tax liabilities associated with revenue recognized from the breakage of unused passenger tickets.

Net income

As a result of the foregoing, net income increased by 10.6% to U.S.$163.1 million for the year ended December 31, 2025, compared to U.S.$147.4 million for the year ended December 31, 2024.

Year ended December 31, 2024 compared to the year ended December 31, 2023

	For the year ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	U.S.$	U.S.$	
Revenue			
Passenger	2,870.3	2,702.7	(5.8)%
Ancillary	207.6	241.2	16.2%
Cargo	142.7	159.7	11.9%
Others	29.7	30.5	2.6%
	3,250.3	**3,134.1**	**(3.6)%**
Expenses	**2,749.2**	**2,819.8**	**2.6%**
	501.1	**313.4**	**(37.3)%**
Other income (charges) - Net			
Financing charges	(153.8)	(123.0)	(20.0)%
Others income (charges) – net	44.7	(23.8)	N/A
	(109.1)	**(146.8)**	**34.5%**
Income before income tax	**391.9**	**167.5**	**(57.3)%**
Income tax expense	**5.5**	**20.1**	**267.8%**
Net income	**386.5**	**147.4**	**(61.9)%**

Revenue

Passenger revenue decreased by 5.8% to U.S.$2,702.7 million for the year ended December 31, 2024, compared to U.S.$2,870.3 million for the year ended December 31, 2023, as industry capacity continued to recover and

competition increased, resulting in the normalization of airfares following the pandemic. Passenger traffic increased by 6.1% to 15.6 million in 2024; however, the increase in passenger volume was not sufficient to offset the decline in yield. Passenger load factor decreased from 80.8% in 2023 to 79.1% in 2024.

Ancillary revenue increased by 16.2% to U.S.$241.2 million for the year ended December 31, 2024, compared to U.S.$207.6 million for the year ended December 31, 2023, primarily due to higher volumes of seat upgrades and baggage ancillary fees.

Cargo revenue increased by 11.9% to U.S.$159.7 million for the year ended December 31, 2024, compared to U.S.$142.7 million for the year ended December 31, 2023, primarily due to higher cargo volume.

Others revenue increased by 2.6% to U.S.$30.5 million for the year ended December 31, 2024, compared to U.S.$29.7 million for the year ended December 31, 2023, primarily due to lease income generated from aircraft operating lease arrangements with an entity under common control.

Expenses

Our expenses increased by 2.6% to U.S.$2,819.8 million for the year ended December 31, 2024, compared to U.S.$2,749.2 million for the year ended December 31, 2023, primarily driven by the increase in number of flights operated.

	For the year ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	U.S.$	U.S.$	
Expenses			
Flying operations	1,544.8	1,624.5	5.2%
Maintenance	379.9	365.3	(3.8)%
Aircraft and traffic servicing	280.0	313.3	11.9%
Passenger service	211.8	223.4	5.5%
Reservation and sales	196.6	238.8	21.4%
General and administrative	136.1	54.4	(60.0)%
Total	**2,749.2**	**2,819.8**	**2.6%**

Flying operations expense increased by 5.2% to U.S.$1,624.5 million for the year ended December 31, 2024, compared to U.S.$1,544.8 million for the year ended December 31, 2023, primarily due to higher depreciation expense resulting from new aircraft acquisitions, the capitalization of engine repair cost, and leasehold improvements. Lease expenses also increased following the commencement of a short-term lease agreement with WAMOS Air. In addition, increase in flights operated contributed to higher transportation expenses. These increases were partially offset by lower fuel and oil costs resulting from a decline in fuel prices per barrel.

Maintenance expense decreased by 3.8% to U.S.$365.3 million for the year ended December 31, 2024, compared to U.S.$379.9 million for the year ended December 31, 2023, primarily due the capitalization of C-check and auxiliary power unit repair costs in 2024.

Aircraft and traffic servicing expense increased by 11.9% to U.S.$313.3 million for the year ended December 31, 2024, compared to U.S.$280.0 million for the year ended December 31, 2023, primarily due to higher landing and take-off charges resulting from an increase in number of flights operated and higher airport rates in Manila beginning in October 2024.

Passenger service expense increased by 5.5% to U.S.$223.4 million for the year ended December 31, 2024, compared to U.S.$211.8 million for the year ended December 31, 2023, primarily due to higher passenger traffic, which resulted in increased passenger meal and inflight provisions.

Reservation and sales expense increased by 21.4% to U.S.$238.8 million for the year ended December 31, 2024, compared to U.S.$196.6 million for the year ended December 31, 2023, primarily due to higher GDS fees based on the number of bookings and PSS fees.

General and administrative expense decreased by 60.0% to U.S.$54.4 million for the year ended December 31, 2024, compared to U.S.$136.1 million for the year ended December 31, 2023, primarily due to lower ECL provisions following a reassessment of the PAL Group's receivables.

Other Income (Charges) – Net

Financing charges decreased by 20.0% to U.S.$123.0 million for the year ended December 31, 2024, compared to U.S.$153.8 million for the year ended December 31, 2023, primarily due to lower interest expense following principal repayments on outstanding debt.

Other charges – net was U.S.$23.8 million for the year ended December 31, 2024, compared to other income – net of U.S.$44.7 million for the year ended December 31, 2023, primarily due to the recognition of provisions for contingencies and lower interest income from money market placements as a result of lower cash balances in 2024.

Income before Income Tax

As a result of the foregoing, our income before income tax decreased by 57.3% to U.S.$167.5 million for the year ended December 31, 2024, compared to U.S.$391.9 million for the year ended December 31, 2023.

Income Tax Expense (Benefit)

Our income tax expense increased by 267.8% to U.S.$20.1 million for the year ended December 31, 2024, compared to U.S.$5.5 million for the year ended December 31, 2023. Our provision for income tax expense is broken as follows:

	For the year ended December 31,		
	2023	**2024**	**% Increase (Decrease)**
	(Audited)	**(Audited)**	
	(*in million*)		
	U.S.$	**U.S.$**	
Income tax expense (benefit)			
Current income tax	10.4	6.9	(33.9)%
Deferred income tax	(4.9)	13.3	NA
Total	**5.5**	**20.1**	**267.8%**

Current income tax decreased by 33.9% to U.S.$6.9 million for the year ended December 31, 2024, compared to U.S.$10.4 million for the year ended December 31, 2023, primarily due to lower taxable earnings during the period.

Deferred income tax expense amounted to U.S.$13.3 million for the year ended December 31, 2024, compared to a deferred tax benefit of U.S.$(4.9) million for the year ended December 31, 2023, primarily due to changes in deferred tax assets and liabilities arising from temporary differences recognized in accordance with PAS 12 (Income Taxes). The deferred income tax expense recognized in 2024 primarily reflected the utilization of NOLCO and deferred tax liabilities associated with revenue recognized from the breakage of unused passenger tickets. The deferred income tax benefit recognized in 2023 was primarily attributable to the recognition of additional deferred tax assets relating to NOLCO based on management's assessment of future taxable income.

Net income

As a result of the foregoing, net income decreased by 61.9% to U.S.$147.4 million for the year ended December 31, 2024, compared to U.S.$386.5 million for the year ended December 31, 2023.

APC

Three months ended March 31, 2026 compared to the three months ended March 31, 2025

	For the three months ended March 31,			
	2025	2026	2026	% Increase (Decrease)
	(Unaudited)	(Unaudited) (*in million*)	(Unaudited)	
	₱	₱	U.S.$	
Revenue				
Transportation revenue	2,618.6	3,099.9	51.0	18.4%
Others	2.0	2.9	0.05	48.7%
	2,620.5	**3,102.8**	**51.1**	**18.4%**
Expenses	2,213.9	2,611.0	43.0	17.9%
	406.6	**491.8**	**8.1**	**21.0%**
Other income (charges) - Net				
Financing income	5.6	0.5	0.01	(91.5)%
Financing charges	(142.7)	(150.1)	(2.5)	5.2%
Equity in net losses of a subsidiary	0.9	-	-	(100.0)%
Other income (charges) – net	39.4	(301.3)	(5.0)	NA
	(96.9)	**(450.9)**	**(7.4)**	365.6%
Income before income tax	**309.7**	**40.8**	**0.7**	(86.8)%
Provision for income tax	55.7	83.6	1.4	50.1%
Net income (loss)	**254.0**	**(42.8)**	**(0.7)**	**NA**

Revenue

Transportation revenue increased by 18.4% to ₱3,099.9 million (U.S.$51.0 million) for the three months ended March 31, 2026, compared to ₱2,618.6 million for the three months ended March 31, 2025, primarily due to increased operating costs and flight activity associated with transportation services provided under the Code Share Agreement with PAL.

Others revenue increased by 48.7% to ₱2.9 million (U.S.$0.05 million) for the three months ended March 31, 2026, compared to ₱2.0 million for the three months ended March 31, 2025, primarily due to increased personnel costs and third-party service costs associated with the provision of such services.

Expenses

Our expenses increased by 17.9% to ₱2,611.0 million (U.S.$43.0 million) for the three months ended March 31, 2026, compared to ₱2,213.9 million for the three months ended March 31, 2025, primarily due to the addition of three Airbus aircraft to the fleet, higher rental charges, maintenance expenses, crew cost and increase in number of flights operated.

	For the three months ended March 31,			
	2025	2026	2026	% Increase (Decrease)
	(Unaudited)	(Unaudited) (*in million*)	(Unaudited)	
	₱	₱	U.S.$	
Expenses				
Flying operations	1,030.1	1,244.4	20.5	20.8%
Maintenance	504.9	516.8	8.7	2.4%
Aircraft and traffic servicing	303.3	487.9	8.0	60.9%
Passenger service	184.2	174.2	2.9	(5.4)%
General and administrative	191.3	187.7	3.1	(1.9)%
Total	**2,213.9**	**2,611.0**	**43.0**	**17.9%**

Flying operations expense increased by 20.8% to ₱1,244.4 million (U.S.$20.5 million) for the three months ended March 31, 2026, compared to ₱1,030.1 million for the three months ended March 31, 2025, primarily due to higher depreciation expense associated with the addition of three Airbus aircraft, and increase in crew cost resulting from an increase in the number of pilots during the period.

Maintenance expense increased by 2.4% to ₱516.8 million (U.S.$8.5 million) for the three months ended March 31, 2026, compared to ₱504.9 million for the three months ended March 31, 2025, primarily due to costs associated with the Airbus parts pooling program implemented in September 2025.

Aircraft and traffic servicing expense increased by 60.9% to ₱487.9 million (U.S.$8.0 million) for the three months ended March 31, 2026, compared to ₱303.3 million for the three months ended March 31, 2025, primarily due to a 65% discount on domestic landing and take-off fees, reflected in the first quarter of 2025 pursuant to a credit memo issued by NNIC relating to October to December 2024 charges, which did not recur in 2026. The increase was also attributable to higher CAAP rates following the implementation of CAAP Memorandum Circular No. 019-2025 and an increase in the number of flights operated during the period.

Passenger service expense decreased by 5.4% to ₱174.2 million (U.S.$2.9 million) for the three months ended March 31, 2026, compared to ₱184.2 million for the three months ended March 31, 2025, primarily due to lower passenger snack and inflight provision.

General and administrative expense decreased by 1.9% to ₱187.7 million (U.S.$3.1 million) for the three months ended March 31, 2026, compared to ₱191.3 million for the three months ended March 31, 2025, primarily due to lower manpower cost.

Other Income (Charges) – Net

Financing income decreased by 91.5% to ₱0.5 million (U.S.$0.01 million) for the three months ended March 31, 2026, compared to ₱5.6 million for the three months ended March 31, 2025, primarily due to lower money market placements during the period.

Financing charges increased by 5.2% to ₱150.1 million (U.S.$2.5 million) for the three months ended March 31, 2026, compared to ₱142.7 million for the three months ended March 31, 2025, primarily due to higher interest accretion on aircraft lease liabilities following the addition of three Airbus aircraft to the fleet.

Equity in net losses of a subsidiary was nil for the three months ended March 31, 2026, compared to ₱0.9 million for the three months ended March 31, 2025, as the carrying value of the investment had been reduced to zero during the period.

Other charges – net of ₱301.3 million (U.S.$5.0 million) for the three months ended March 31, 2026, compared to other income – net of ₱39.4 million for the three months ended March 31, 2025, primarily due to foreign exchange losses arising from the remeasurement of aircraft lease liabilities following the depreciation of the Philippine Peso.

Income before Income Tax

As a result of the foregoing, our income before income tax decreased by 86.8% to ₱40.8 million (U.S.$0.7 million) for the three months ended March 31, 2026, compared to ₱309.7 million for the three months ended March 31, 2025.

Provision for Income Tax

Our provision for income tax increased by 50.1% to ₱83.6 million (U.S.$1.4 million) for the three months ended March 31, 2026, compared to ₱55.7 million for the three months ended March 31, 2025.

Net income

As a result of the foregoing, APC recorded a net loss of ₱42.8 million (U.S.$0.7 million) for the three months ended March 31, 2026, compared to net income of ₱254.0 million for the three months ended March 31, 2025.

Year ended December 31, 2025 compared to the year ended December 31, 2024

	For the year ended December 31,			
	2024	2025	2025	% Increase (Decrease)
	(Audited)	(Audited)	(Unaudited)	
		(*in million*)		
	₱	₱	U.S.$	
Revenue				
Transportation revenue	9,817.4	11,738.8	193.3	19.6%
Others	9.7	13.2	0.2	36.4%
	9,827.0	**11,752.0**	**193.5**	**19.6%**
Expenses	**9,222.2**	**10,139.2**	**166.9**	**9.9%**
	604.9	**1,612.8**	**26.6**	**166.6%**
Other income (charges) - Net				
Financing income	24.5	19.8	0.3	(19.0)%
Financing charges	(658.8)	(535.2)	(8.8)	(18.8)%
Equity in net losses of a subsidiary	(3.5)	(0.2)	(0.003)	(95.6)%
Others income (charges) – net	(100.6)	(133.4)	(2.2)	32.6%
	(738.4)	**(648.9)**	**(10.7)**	**(12.1)%**
Income before income tax	**(133.5)**	**963.8**	**15.9**	**N/A**
Provision for income tax	**170.7**	**244.2**	**4.0**	**43.1%**
Net income (loss)	**(304.2)**	**719.6**	**11.8**	**N/A**

Revenue

Transportation revenue increased by 19.6% to ₱11,738.8 million (U.S.$193.3 million) for the year ended December 31, 2025, compared to ₱9,817.4 million for the year ended December 31, 2024, primarily due to an increase in the operating costs incurred by APC in connection with flights operated under the Codeshare Agreement with PAL, on which APC's transportation revenue is based.

Others revenue increased by 36.4% to ₱13.2 million (U.S.$0.2 million) for the year ended December 31, 2025, compared to ₱9.7 million for the year ended December 31, 2024, primarily due to higher personnel costs associated with an increase in employee headcount, on which the corresponding revenue for such services is based.

Expenses

Our expenses increased by 9.9% to ₱10,139.2 million (U.S.$166.9 million) for the year ended December 31, 2025, compared to ₱9,222.2 million for the year ended December 31, 2024, primarily driven by higher aircraft maintenance expenses with the addition of two Airbus 320 aircraft to our fleet. Rental charges also increased significantly due to higher monthly rates effective during the year.

	For the year ended December 31,			
	2024	2025	2025	% Increase (Decrease)
	(Audited)	(Audited)	(Unaudited)	
		(*in million*)		
	₱	₱	U.S.$	
Expenses				
Flying operations	4,459.4	4,338.7	71.4	(2.7)%
Maintenance	1,677.4	2,342.9	38.6	39.7%
Aircraft and traffic servicing	1,642.6	1,699.3	28.0	3.5%
Passenger service	808.6	794.1	13.1	(1.8)%
General and administrative	634.1	964.1	15.9	52.0%
Total	**9,222.2**	**10,139.2**	**166.9**	**9.9%**

Flying operations expense decreased by 2.7% to ₱4,338.7 million (U.S.$71.4 million) for the year ended December 31, 2025, compared to ₱4,459.4 million for the year ended December 31, 2024, primarily due to a 13.7% decrease in crew costs following the implementation of APC's new retirement plan in the prior year. This decrease was offset by higher depreciation expense resulting from the capitalization of auxiliary power unit and engine overhaul costs, increased training expenses, higher aircraft lease costs due to increased utilization and higher hull insurance costs.

Maintenance expense increased by 39.7% to ₱2,342.9 million (U.S.$38.6 million) for the year ended December 31, 2025, compared to ₱1,677.4 million for the year ended December 31, 2024, primarily due to higher costs of aircraft repair and maintenance activities.

Aircraft and traffic servicing expense increased by 3.5% to ₱1,699.3 million (U.S.$28.0 million) for the year ended December 31, 2025, compared to ₱1,642.6 million for the year ended December 31, 2024, primarily due to higher ground handling charges associated with increased international flight activity, including the commencement of operations to Cambodia in October 2024.

Passenger service expense decreased by 1.8% to ₱794.1 million (U.S.$13.1 million) for the year ended December 31, 2025, compared to ₱808.6 million for the year ended December 31, 2024, primarily due to lower manpower costs following the implementation of the APC's new retirement plan in the prior year. The decrease was partially offset by higher depreciation expense relating to aircraft and passenger service equipment.

General and administrative expense increased by 52.0% to ₱964.1 million (U.S.$15.9 million) for the year ended December 31, 2025, compared to ₱634.1 million for the year ended December 31, 2024, primarily due to higher rental expenses resulting from increased monthly rates in 2025.

Other Income (Charges) – Net

Financing income decreased by 19.0% to ₱19.8 million (U.S.$0.3 million) for the year ended December 31, 2025, compared to ₱24.5 million for the year ended December 31, 2024, primarily due to lower interest rates earned on short-term money market placements.

Financing charges decreased by 18.8% to ₱535.2 million (U.S.$8.8 million) for the year ended December 31, 2025, compared to ₱658.8 million for the year ended December 31, 2024, primarily due to lower interest expense on aircraft lease liabilities, partially offset by higher financing charges associated with aircraft lease extensions in 2025.

Equity in net losses of a subsidiary decreased by 95.6% to ₱0.2 million (U.S.$0.003 million) for the year ended December 31, 2025, compared to ₱3.5 million for the year ended December 31, 2024, primarily due to the recognition of additional equity losses which was discontinued after the carrying value of the investment was reduced to zero.

Other charges – net increased by 32.6% to ₱133.4 million (U.S.$2.2 million) for the year ended December 31, 2025, compared to ₱100.6 million for the year ended December 31, 2024, primarily due to higher foreign exchange losses on aircraft lease liabilities resulting from the depreciation of the Philippine Peso, partially offset by unrealized foreign exchange gains arising from lower lease liability balances.

Income before Income Tax

As a result of the foregoing, our income before income tax swung to a profit of ₱963.8 million (U.S.$15.9 million) for the year ended December 31, 2025, compared to a loss of ₱133.5 million for the year ended December 31, 2024.

Provision for Income Tax

Our provision for income tax increased by 43.1% to ₱244.2 million (U.S.$4.0 million) for the year ended December 31, 2025, compared to ₱170.7 million for the year ended December 31, 2024.

Net income

As a result of the foregoing, net income swung to a profit of ₱719.6 million (U.S.$11.8 million) for the year ended December 31, 2025, compared to a loss of ₱304.2 million for the year ended December 31, 2024.

Year ended December 31, 2024 compared to the year ended December 31, 2023

	For the year ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	₱	₱	
Revenue			
Transportation revenue	7,960.2	9,817.4	23.3%
Others	5.5	9.7	77.2%
	7,965.6	**9,827.0**	**23.4%**
Expenses	**6,976.9**	**9,222.2**	**32.2%**
	988.7	**604.9**	**(38.8)%**
Other income (charges) - Net			
Financing income	13.7	24.5	79.5%
Financing charges	(608.8)	(658.8)	8.2%
Equity in net losses of a subsidiary	(10.3)	(3.5)	(66.0)%
Others income (charges) – net	(241.3)	(100.6)	(58.3)%
	(846.8)	**(738.4)**	**(12.8)%**
Income before income tax	**141.9**	**(133.5)**	**NA**
Provision for income tax	**178.6**	**170.7**	**(4.4)%**
Net income (loss)	**(36.7)**	**(304.2)**	**(728.9)%**

Revenue

Transportation revenue increased by 23.3% to ₱9,817.4 million for the year ended December 31, 2024, compared to ₱7,960.2 million for the year ended December 31, 2023, primarily due to increased flight activity and higher operating costs incurred in providing transportation services under the Code Share Agreement with PAL.

Others revenue increased by 77.2% to ₱9.7 million for the year ended December 31, 2024, compared to ₱5.5 million for the year ended December 31, 2023, primarily due to higher personnel costs and third-party service costs incurred in providing the related services, on which the corresponding revenue is based.

Expenses

Our expenses increased by 32.2% to ₱9,222.2 million for the year ended December 31, 2024, compared to ₱6,976.9 million for the year ended December 31, 2023, primarily due to increase in number of flights operated and higher fixed operating costs.

	For the year ended December 31,		
	2023	2024	% Increase (Decrease)
	(Audited)	(Audited)	
	(*in million*)		
	₱	₱	
Expenses			
Flying operations	3,788.8	4,459.4	17.7%
Maintenance	1,098.5	1,677.4	52.7%
Aircraft and traffic servicing	1,049.7	1,642.6	56.5%
Passenger service	584.2	808.6	38.4%
General and administrative	455.7	634.1	39.2%
Total	**6,976.9**	**9,222.2**	**32.2%**

Flying operations expense increased by 17.7% to ₱4,459.4 million for the year ended December 31, 2024, compared to ₱3,788.8 million for the year ended December 31, 2023, primarily due to a 48.7% increase in crew costs associated with the implementation of the APC's new retirement plan. Lease expenses also increased due to higher aircraft utilization. These increases were partially offset by lower depreciation of rotables, reparables and right-of-use assets resulting from lease term extensions.

Maintenance expense increased by 52.7% to ₱1,677.4 million for the year ended December 31, 2024, compared to ₱1,098.5 million for the year ended December 31, 2023, primarily due to higher aircraft utilization associated with increased flight operations during the year.

Aircraft and traffic servicing expense increased by 56.5% to ₱1,642.6 million for the year ended December 31, 2024, compared to ₱1,049.7 million for the year ended December 31, 2023, primarily due to higher landing and take-off charges resulting from an increase in flights operated and higher airport rates in Manila and Cebu.

Passenger service expense increased by 38.4% to ₱808.6 million for the year ended December 31, 2024, compared to ₱584.2 million for the year ended December 31, 2023, primarily due to a 78.7% increase in manpower costs associated with the implementation of the Company's new retirement plan. Higher passenger snack and inflight provision costs resulting from increased passenger traffic also contributed to the increase.

General and administrative expense increased by 39.2% to ₱634.1 million for the year ended December 31, 2024, compared to ₱455.7 million for the year ended December 31, 2023, primarily due to higher manpower costs associated with the implementation of the APC's new retirement plan.

Other Income (Charges) – Net

Financing income increased by 79.5% to ₱24.5 million for the year ended December 31, 2024, compared to ₱13.7 million for the year ended December 31, 2023, primarily due to higher interest rates earned on short-term money market placements.

Financing charges increased by 8.2% to ₱658.8 million for the year ended December 31, 2024, compared to ₱608.8 million for the year ended December 31, 2023, primarily due to the addition of one Q400NG aircraft and the extension of lease terms for four aircraft during 2024.

Equity in net losses of a subsidiary decreased by 66.0% to ₱3.5 million for the year ended December 31, 2024, compared to ₱10.3 million for the year ended December 31, 2023, primarily due to lower net losses in APC's subsidiary, GTTP.

Other income (charges) – net decreased by 58.3% to ₱100.6 million for the year ended December 31, 2024, compared to ₱241.3 million for the year ended December 31, 2023, primarily due to a lower impact from foreign currency-denominated transactions following the settlement of long-outstanding receivables in 2023.

Income before Income Tax

As a result of the foregoing, we recorded a loss before income tax of ₱133.5 million for the year ended December 31, 2024, compared to income before income tax of ₱141.9 million for the year ended December 31, 2023.

Provision for Income Tax

Our provision for income tax decreased by 4.4% to ₱170.7 million for the year ended December 31, 2024, compared to ₱178.6 million for the year ended December 31, 2023.

Net loss

Consequently, net loss increased to ₱304.2 million for the year ended December 31, 2024, compared to a net loss of ₱36.7 million for the year ended December 31, 2023.

LIQUIDITY AND CAPITAL RESOURCES

Overview

PAL

PAL's cash requirements primarily relate to operating cash requirements, capital expenditures for fleet modernization and expansion, aircraft lease and finance payments, and debt service and repayments. PAL's operating cash requirements are primarily to fund aircraft fuel costs, maintenance expenses, personnel costs, aircraft and traffic servicing, passenger service costs, and other operating expenses, as well as income tax payments. PAL's objective to manage its liquidity profile includes maintaining a minimum cash balance

representing 15% of revenues and to be able to access funding when needed at least possible cost and ensure adequate funding at all times.

PAL's primary sources of funding are cash from operating activities, bank loans, asset-backed securities, aircraft sale and leaseback transactions, and equity capital infusion. As of March 31, 2026, PAL's total long-term obligations amounted to U.S.$1.8 billion, comprising U.S.$0.3 billion of long-term debt and U.S.$1.5 billion of lease liabilities.

The availability of funding from external sources and the cost of such funding is subject to a number of factors that are beyond PAL's control, including general economic and capital market conditions, interest rates, availability of credit from banks, lessors and other lenders, lender and/or investor confidence in PAL, tax and securities laws that may be applicable to PAL, and political and economic conditions in the markets in which PAL operates and internationally.

PAL may from time to time incur additional indebtedness to finance its future capital expenditures, including its aircraft orders expected to be delivered between 2026 and 2029. PAL's ability to obtain such borrowings will be affected primarily by limitations on incurring additional indebtedness under its existing loan agreements, the liquidity of the financial markets and governmental policies in effect in the relevant jurisdiction at the time and other factors.

PAL believes that its available cash, cash equivalents, short-term investments and cash from operations will be sufficient to satisfy its capital expenditure requirements, rental payments on its lease agreements, as well as principal and interest on its long-term debt (including current portion) for the next 12 months. For further details, see "*Risk Factors—Risks Relating to Our Business—We rely on external financing to fund our aircraft purchases, maintenance, and other capital expenditure requirements*."

APC

APC's cash requirements primarily relate to operating cash requirements and aircraft lease payments. APC's operating cash requirements are primarily to fund aircraft fuel costs, maintenance expenses, personnel costs, aircraft and traffic servicing, and other operating expenses.

APC's primary sources of funding are cash from operating activities and funding support from PAL, its significant related party customer under the Codeshare Agreement. APC has no long-term debt obligations and its financing requirements are met primarily through lease arrangements with PAL and cash flows from operations. APC's total lease liabilities amounted to ₱8,015.7 million (U.S.$132.0 million) as of March 31, 2026, relating to aircraft leases under operating lease arrangements with PAL and back-to-back lease arrangements with PAL's lessors.

APC's operations are heavily dependent on PAL, and the availability of funding from PAL is subject to PAL's financial condition and results of operations.

APC believes that its available cash, cash equivalents, short-term investments and cash from operations, together with continued funding support from PAL, will be sufficient to satisfy its operating requirements and rental payments on its lease agreements for the next 12 months.

Cash Flows

PAL

The following discussion of PAL's cash flows for the years ended December 31, 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026 should be read in conjunction with its statements of cash flows included in the consolidated audited financial statements.

	For the years ended December 31,			For the three months ended March 31,	
	2023	2024	2025	2025	2026
			(*in million*)		
	U.S.$	U.S.$	U.S.$	U.S.$	U.S.$
Net cash from (used in) operating activities	883.4	493.0	573.7	169.1	277.0
Net cash from (used in) investing activities	(279.6)	(75.2)	(447.5)	(118.2)	(40.0)
Net cash from (used in) financing activities	(501.0)	(448.1)	(83.8)	(26.2)	(49.2)
Net increase (decrease) in cash and cash equivalents	100.6	(36.8)	44.4	26.8	183.3
Cash and cash equivalents at the beginning of year/period	323.3	423.9	387.0	387.0	431.4
Cash and cash equivalents at the end of year/period	423.9	387.0	431.4	413.8	614.8

Net cash from (used in) operating activities

PAL's net cash from or used in operating activities is primarily affected by revenues and expenses related to its air transportation operations, as adjusted by non-cash items, primarily depreciation and amortization of aircraft and other property and equipment, financing charges, interest income, manufacturers' credits, unrealized foreign exchange gains or losses, and movements in accrued employee benefits. PAL's cash flows from operating activities are also affected by working capital changes such as changes in receivables, expendable parts, fuel, materials and supplies, other current assets, accounts payable and accrued expenses, and unearned transportation revenue.

Net cash flows from operating activities were U.S.$277.0 million in the three months ended March 31, 2026. The cash inflow from operations was primarily driven by operating income before working capital changes of U.S.$220.7 million and increases in accounts payable and accrued expenses of U.S.$117.8 million and unearned transportation revenue of U.S.$81.0 million, partially offset by increases in receivables of U.S.$79.5 million and other current assets of U.S.$30.9 million, as well as financing charges and income taxes paid of U.S.$24.2 million and U.S.$5.4 million, respectively.

Net cash flows from operating activities were U.S.$573.7 million in the year ended December 31, 2025. The cash inflow from operations was primarily driven by operating income before working capital changes of U.S.$633.4 million and decreases in receivables of U.S.$93.7 million and other current assets of U.S.$27.6 million, partially offset by decreases in accounts payable and accrued expenses of U.S.$18.5 million and unearned transportation revenue of U.S.$84.3 million, as well as financing charges and income taxes paid of U.S.$68.9 million and U.S.$13.6 million, respectively.

Net cash flows from operating activities were U.S.$493.0 million in the year ended December 31, 2024. The cash inflow from operations was operating income before working capital changes of U.S.$637.2 million and a decrease in receivables of U.S.$146.0 million, partially offset by a decrease in accounts payable and accrued expenses of U.S.$199.3 million, as well as financing charges and income taxes paid of U.S.$81.1 million and U.S.$10.2 million, respectively.

Net cash flows from operating activities were U.S.$883.4 million in the year ended December 31, 2023. The cash inflow from operations was primarily driven by operating income before working capital changes of U.S.$789.1 million, increases in unearned transportation revenue of U.S.$131.9 million and accounts payable and accrued expenses of U.S.$22.6 million, and a decrease in receivables of U.S.$39.9 million, partially offset by financing charges paid of U.S.$110.1 million.

Net cash from (used in) investing activities

Net cash flows used in investing activities were U.S.$40.0 million in the three months ended March 31, 2026. The cash outflow consisted of the acquisition of property and equipment.

Net cash flows used in investing activities were U.S.$447.5 million in the year ended December 31, 2025. The cash outflow primarily consisted of acquisitions of property and equipment of U.S.$498.1 million and additions to security deposits of U.S.$41.7 million, partially offset by the return of aircraft pre-delivery payments of U.S.$47.1 million and the return of various deposits of U.S.$45.3 million.

Net cash flows used in investing activities were U.S.$75.2 million in the year ended December 31, 2024. The cash outflow primarily consisted of acquisitions of property and equipment of U.S.$383.7 million, partially offset by proceeds from money market placements of U.S.$307.1 million.

Net cash flows used in investing activities were U.S.$279.6 million in the year ended December 31, 2023. The cash outflow primarily consisted of acquisitions of property and equipment of U.S.$166.7 million and investments in money market placements of U.S.$109.3 million.

Net cash flow from (used in) financing activities

Net cash flows used in financing activities were U.S.$49.2 million in the three months ended March 31, 2026. The cash outflow primarily consisted of repayments of long-term obligations of U.S.$125.9 million, partially offset by proceeds from long-term borrowings of U.S.$76.7 million.

Net cash flows used in financing activities were U.S.$83.8 million in the year ended December 31, 2025. The cash outflow primarily consisted of repayments of long-term obligations of U.S.$501.8 million, partially offset by proceeds from long-term borrowings of U.S.$418.0 million.

Net cash flows used in financing activities were U.S.$448.1 million in the year ended December 31, 2024. The cash outflow primarily consisted of repayments of long-term obligations of U.S.$538.1 million, partially offset by proceeds from long-term borrowings of U.S.$90.0 million.

Net cash flows used in financing activities were U.S.$501.0 million in the year ended December 31, 2023. The cash outflow primarily consisted of repayments of long-term obligations of U.S.$562.3 million, partially offset by proceeds from long-term borrowings of U.S.$61.3 million.

APC

The following discussion of APC's cash flows for the years ended December 31, 2023, 2024 and 2025, and for the three months ended March 31, 2025 and 2026 should be read in conjunction with its statements of cash flows included in the consolidated audited financial statements.

	For the years ended December 31,				For the three months ended March 31,		
	2023	2024	2025	2025	2025	2026	2026
				(*in million*)			
	₱	₱	₱	U.S.$	₱	₱	U.S.$
Net cash from (used in) operating activities	2,735.8	2,855.4	3,163.9	52.1	729.8	753.0	12.4
Net cash from (used in) investing activities	(11.7)	(317.2)	(1,052.8)	(17.3)	(108.8)	(146.0)	(2.4)
Net cash from (used in) financing activities	(2,247.2)	(2,431.0)	(2,377.3)	(39.1)	(594.9)	(695.2)	(11.4)
Net increase (decrease) in cash and cash equivalents	460.9	118.2	(261.4)	(4.3)	23.9	(98.7)	(1.6)
Cash and cash equivalents at the beginning of year/period	243.5	704.4	822.6	13.5	822.6	561.2	9.2
Cash and cash equivalents at the end of year/period	704.4	822.6	561.2	9.2	846.5	462.5	7.6

Net cash from (used in) operating activities

APC's net cash from or used in operating activities is primarily affected by revenues and expenses related to its air transportation operations, as adjusted by non-cash items, primarily depreciation and amortization, financing

charges, financing income, equity in net losses of a subsidiary, unrealized foreign exchange gains or losses, and movements in accrued employee benefits. APC's cash flows from operating activities are also affected by working capital changes such as changes in receivables, expendable parts, materials and supplies, other current assets, other noncurrent assets, and accounts payable and accrued expenses.

Net cash flows from operating activities were ₱753.0 million (U.S.$12.4 million) in the three months ended March 31, 2026. The cash inflow from operations was primarily driven by operating income before working capital changes of ₱1,161.3 million and an increase in accounts payable and accrued expenses of ₱274.3 million, partially offset by increases in receivables of ₱345.3 million, expendable parts, materials and supplies of ₱233.2 million, other current assets of ₱37.9 million and other noncurrent assets of ₱7.6 million, as well as income taxes paid of ₱59.0 million.

Net cash flows from operating activities were ₱3,163.9 million (U.S.$52.1 million) in the year ended December 31, 2025, compared to ₱2,855.4 million in the year ended December 31, 2024. The cash inflow from operations was primarily driven by operating income before working capital changes of ₱3,429.0 million, an increase in accounts payable and accrued expenses of ₱303.8 million, a decrease in other noncurrent assets of ₱56.5 million and interest received of ₱20.2 million, partially offset by increases in receivables of ₱126.0 million, expendable parts, materials and supplies of ₱270.7 million, other current assets of ₱26.9 million and income taxes paid of ₱221.9 million.

Net cash flows from operating activities were ₱2,855.4 million in the year ended December 31, 2024, compared to ₱2,735.8 million in the year ended December 31, 2023. The cash inflow from operations was primarily driven by operating income before working capital changes of ₱3,229.7 million, a decrease in receivables of ₱323.8 million, an increase in accounts payable and accrued expenses of ₱124.2 million and interest received of ₱23.3 million, partially offset by increases in expendable parts, materials and supplies of ₱358.3 million, other current assets of ₱254.6 million, other noncurrent assets of ₱34.5 million and income taxes paid of ₱198.3 million.

Net cash flows from operating activities were ₱2,735.8 million in the year ended December 31, 2023. The cash inflow from operations was primarily driven by operating income before working capital changes of ₱3,245.5 million, a decrease in receivables of ₱73.2 million, a decrease in other noncurrent assets of ₱68.4 million and interest received of ₱11.9 million, partially offset by increases in expendable parts, materials and supplies of ₱165.3 million, other current assets of ₱123.1 million and income taxes paid of ₱205.4 million.

Net cash from (used in) investing activities

Net cash used in investing activities was ₱146.0 million (U.S.$2.4 million) for the three months ended March 31, 2026. The cash outflow primarily consisted of acquisitions of property and equipment of ₱92.5 million and additions to short-term investments of ₱53.6 million.

Net cash used in investing activities was ₱1,052.8 million (U.S.$17.3 million) for the year ended December 31, 2025. The cash outflow primarily consisted of acquisitions of property and equipment of ₱1,011.2 million and additions to short-term investments of ₱41.5 million.

Net cash used in investing activities was ₱317.2 million for the year ended December 31, 2024. The cash outflow primarily consisted of acquisitions of property and equipment.

Net cash used in investing activities was ₱11.7 million for the year ended December 31, 2023. The cash outflow primarily consisted of acquisitions of property and equipment of ₱119.5 million, partially offset by refunds of aircraft security deposits of ₱107.8 million.

Net cash flow from (used in) financing activities

Net cash used in financing activities was ₱695.2 million (U.S.$11.4 million) for the three months ended March 31, 2026. The cash outflow primarily consisted of payments of lease liabilities.

Net cash used in financing activities was ₱2,377.3 million (U.S.$39.1 million) for the year ended December 31, 2025. The cash outflow primarily consisted of payments of lease liabilities.

Net cash used in financing activities was ₱2,431.0 million for the year ended December 31, 2024. The cash outflow primarily consisted of payments of lease liabilities.

Net cash used in financing activities was ₱2,247.2 million for the year ended December 31, 2023. The cash outflow primarily consisted of payments of lease liabilities.

Contractual Obligations and Commitments

The following table summarizes PAL's contractual obligations and commitments as of March 31, 2026:

	Total	Less than 1 Year	1-5 Years	Over 5 Years
		(*in millions*)		
	U.S.$	U.S.$	U.S.$	U.S.$
Accounts payable and accrued expenses ...	571.8	571.8	0	0
Lease liabilities	1,851.9	370.8	964.5	516.6
Long-term debt	340.7	208.6	132.1	0
**Total ..... **	**2,764.4**	**1,151.2**	**1,096.6**	**516.6**

The following table summarizes APC's contractual obligations and commitments as of March 31, 2026:

	Total	Less than 1 Year	1-5 Years	Over 5 Years
		(*in millions*)		
	₱	₱	₱	₱
Accounts payable and accrued expenses ...	1,601.3	1,601.3	-	-
Lease liabilities	9,471.4	2,586.3	6,363.6	521.5
**Total ..... **	**11,072.7**	**4,187.6**	**6,363.6**	**521.5**

As of March 31, 2026, there is no known event that will trigger a direct or contingent financial obligation that is material to PAL and APC, including any default or acceleration of an obligation.

Capital Expenditures

The PAL Group requires significant capital expenditures to maintain and grow its fleet and operations. PAL and APC expect to fund their capital expenditure programs with a combination of cash flows from operations and additional financing; however, there is no assurance that either PAL or APC will generate sufficient cash flow from operations, or that they will have access to external financing sources, to adequately fund such or any future capital expenditures.

PAL

PAL's capital expenditures relate primarily to predelivery payments for aircraft and engine acquisitions, purchases of spare parts and equipment, maintenance overhauls, aircraft modifications and corporate projects. Capital expenditures in 2023, 2024 and 2025 amounted to U.S.$166.7 million, U.S.$383.7 million and U.S.$498.1 million, respectively, and U.S.$118.2 million and U.S.$39.3 million in the three months ended March 31, 2025 and 2026, respectively.

As of March 31, 2026, PAL had total outstanding predelivery payments and deposits of U.S.$104.5 million relating to firm aircraft and engine orders. PAL plans to finance these commitments with cash from operating activities and/or financing from financial institutions and aircraft leasing companies. For further details, see "*Business—Our Fleet*."

APC

APC does not have any direct aircraft purchase agreements; APC's fleet expansion is dependent on lease arrangements with PAL. Capital expenditures for APC amounted to ₱119.5 million, ₱317.2 million and ₱1,011.2 million (U.S.$16.6 million) in the years ended December 31, 2023, 2024 and 2025, respectively, and ₱108.8 million and ₱92.5 million (U.S.$1.5 million) in the three months ended March 31, 2025 and 2026, respectively. These capital expenditures related primarily to acquisition of flight equipment and ground property and equipment. For further details, see "*Business—Our Fleet*."

Indebtedness

PAL

PAL had outstanding long-term debt of U.S.$320.4 million as of March 31, 2026. PAL's long-term debt consists principally of the following:

- U.S. dollar asset-backed securities totaling U.S.$735.0 million, secured by current and future collections from passenger sales in the United States through designated credit card companies, with an outstanding balance of U.S.$144.1 million as of March 31, 2026;
- Japanese Yen asset-backed securities totaling U.S.$450.0 million, secured by current and future passenger and cargo receivables denominated in Japanese Yen, with an outstanding balance of U.S.$60.1 million as of March 31, 2026;
- a U.S.$250.0 million unsecured loan facility with an outstanding balance of U.S.$11.7 million as of March 31, 2026; and
- a U.S.$177.7 million pre-delivery payment financing facility for PAL's Airbus A350-1000 aircraft order, with an outstanding balance of U.S.$104.5 million as of March 31, 2026.

As of March 31, 2026, PAL was compliant with all financial and non-financial covenants associated with its financial indebtedness instruments. See Note 13 to PAL's consolidated audited financial statements and to the consolidated audited interim financial statements included elsewhere in this Offering Memorandum and "*Description of Other Indebtedness*" for more details.

PAL had total lease liabilities for the lease of aircraft and engines of U.S.$1,161.7 million, U.S.$963.1 million and U.S.$1,295.4 million as of December 31, 2023, 2024 and 2025, respectively, and U.S.$1,429.0 million as of March 31, 2026. As of March 31, 2026, PAL's fleet comprised 83 aircraft, of which 81 were leased, comprising 36 aircraft under finance lease and 45 under operating lease. PAL also had lease liabilities - ground property amounting to U.S.$30.4 million U.S.$14.1 million and U.S.$70.6 million as of December 31, 2023, 2024 and 2025, respectively, and U.S.$71.1 million as of March 31, 2026. PAL's minimum lease commitments as of March 31, 2026 was U.S.$1,851.9 million, with U.S.$370.8 million due within one year, U.S.$964.5 million due within one to five years and U.S.$516.6 million due in more than five years. See Note 13 to PAL's consolidated audited financial statements and to the consolidated audited interim financial statements included elsewhere in this Offering Memorandum for more details.

APC

As of March 31, 2026, APC did not have any external financial indebtedness. APC's liabilities consisted primarily of lease liabilities related to aircraft leased from PAL and accounts payable and accrued expenses arising from its operations.

APC had total lease liabilities of ₱6,234.0 million, ₱6,327.0 million and ₱6,531.2 million (U.S.$107.5 million) as of December 31, 2023, 2024 and 2025, respectively, and ₱5,827.7 million and ₱8,015.7 million (U.S.$132.0 million) as of March 31, 2025 and 2026, respectively. APC leases all of its aircraft from PAL under operating lease arrangements. APC's minimum lease commitments as of March 31, 2026 was ₱8,015.7 million (U.S.$132.0 million). See Note 20 to APC's audited financial statements included elsewhere in this Offering Memorandum for further details.

Off-Balance Sheet Arrangements

As of March 31, 2026, there were no off-balance sheet arrangements or contingent obligations that are likely to have a current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The PAL Group is subject to market risks in the ordinary course of its business. These risks include fuel price risk, foreign currency risk and interest rate risk. The adverse effects of changes in these market variables could pose a potential loss as discussed below. The sensitivity analyses provided do not consider the effects that such

adverse changes may have on overall economic activity, nor do they consider additional actions we may take to mitigate our exposure to such changes. Actual results may differ. For further discussion of our exposure to these risks, see Note 24 to PAL's consolidated audited financial statements, Note 22 to APC's audited financial statements, and the notes to the consolidated audited interim financial statements included elsewhere in this Offering Memorandum.

PAL

Fuel price risk

PAL is exposed to price risk on aircraft fuel purchases. PAL's fuel prices are based on the MOPS benchmark and comprise both variable and fixed components. As of March 31, 2026, PAL had no outstanding fuel derivatives. Prior to the onset of the Middle East conflict, PAL's average fuel cost was approximately U.S.$102 per barrel. As of May 2026, PAL's average fuel cost had increased to approximately U.S.$210 per barrel. PAL is permitted to impose passenger fuel surcharges in accordance with regulations issued by the CAB. Prior to the onset of the Middle East conflict, fuel surcharges covered approximately 40% of fuel costs and were adjusted on a monthly basis. As a result of the crisis, CAB has adopted a 15-day monitoring and implementation cycle for fuel surcharges to allow faster response to market changes. The shorter cycle will remain in place until the current situation stabilizes. For a discussion of the factors affecting fuel prices and PAL's fuel cost management strategies, see "—*Factors Affecting Our Financial Condition and Results of Operations—Aircraft Fuel Prices*."

Foreign currency risk

PAL's functional currency is the U.S. dollar. While a significant portion of PAL's revenues and operating expenses are denominated in U.S. dollars, PAL also generates revenues and incurs costs in Philippine Pesos, Canadian Dollars, Japanese Yen and a range of other currencies.

PAL manages its foreign exchange exposure by matching its receipts and payments for each individual currency and converting any surplus as soon as practicable. PAL recognized a net foreign exchange gain of U.S.$11.2 million, a net foreign exchange loss of U.S.$30.7 million and a net foreign exchange gain of U.S.$4.5 million in the years ended December 31, 2025, 2024 and 2023, respectively, and a net foreign exchange gain of U.S.$1.4 million and U.S.$5.4 million in the three months ended March 31, 2026 and 2025, respectively.

Interest rate risk

The PAL Group's exposure to cash flow interest rate risk arises from the regular repricing of interest on its floating-rate loans. The PAL Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates. The ratio of floating-rate long-term loans to the total borrowings is 0.87:1 and 0.83:1 as of March 31, 2026 and December 31, 2025.

Income before income tax in March 31, 2026 and December 31, 2025 would either decrease by U.S.$1.8 million, U.S.$4.1 million or increase by U.S.$1.8 million and U.S.$4.1 million, respectively, if the U.S. dollar interest rate for the periods had been higher or lower by 25 basis points and 70 basis points, respectively. There is no other impact on the Group's equity other than those already affecting profit or loss. The PAL Group assumes concurrent movements in interest rates and parallel shifts in the yield curves.

APC

Fuel price risk

APC does not directly incur fuel costs as it operates under the Codeshare Agreement with PAL, under which PAL is responsible for fuel procurement for APC-operated flights. Accordingly, APC is not directly exposed to fuel price risk.

Foreign currency risk

APC's functional and reporting currency is the Philippine Peso. APC is exposed to foreign exchange fluctuations primarily through U.S. dollar-denominated aircraft lease liabilities owed to PAL. APC recognized net foreign exchange losses of ₱282.9 million (U.S.$4.7 million), ₱81.1 million (U.S.$1.3 million) and ₱127.5 million (U.S.$2.1 million) in the years ended December 31, 2023, 2024 and 2025, respectively, and net foreign exchange gain of ₱39.7 million (U.S.$0.7 million) and net foreign exchange losses of ₱296.2 million (U.S.$4.9 million) in the three months ended March 31, 2025 and 2026, respectively.

As of March 31, 2026, APC had net foreign currency-denominated financial liabilities of ₱8,018.5 million (U.S.$132.0 million), driven primarily by U.S. dollar-denominated lease liabilities of ₱8,015.7 million (U.S.$132.0 million). A reasonably possible change of 5.52% in the exchange rate of the U.S. dollar against the Philippine Peso as of March 31, 2026 would have decreased APC's income before income tax by ₱446.7 million (U.S.$7.4 million), with all other variables held constant.

Interest rate risk

APC does not have any external financial indebtedness. APC's exposure to interest rate risk is limited to its lease liabilities, which are measured at a fixed discount rate and are not subject to variable interest rate repricing.

SEASONALITY

The PAL Group's operating results fluctuate due to seasonality. PAL and APC normally experience peak passenger traffic during the months of January, April, May, June and December, and the lowest levels of passenger traffic during the months of August to September. As a result, our first and fourth quarter results are generally stronger than our second and third quarter results. For a further discussion, see "*—Factors Affecting Our Financial Condition and Results of Operations—Seasonality and Other Drivers of Fluctuations in Our Results.*"

THE ISSUER

The Issuer is a wholly-owned subsidiary of one of the Guarantors, PAL, and was incorporated as an exempted company incorporated with limited liability under the laws of the Cayman Islands on June 12, 2026. The Issuer has its registered office in the Cayman Islands, and has been registered with Cayman Islands Companies Registrar with incorporation number 436030. The registered office of the Issuer is at PO Box 309, Ugland House, Grand Cayman, KY1-1102 Cayman Islands.

The Issuer is a special purpose vehicle established for the purpose of issuing securities, among other things, and has been authorized to issue the Notes and enter into the Indenture governing the Notes and any other transaction documents to which it is or will be a party. The issuance of the Notes was approved by the board of directors on behalf of the Issuer on July 3, 2026.

The directors of the Issuer are:

- Lucio C. Tan III
- Richard T. Nuttal
- Carlos Luis D. Fernandez
- Alvin Kendrich O. Limqueco
- Anna Isabel V. Bengzon

The authorized share capital of the Issuer is US$50,000 ordinary shares of US$1.00 each. The issued share capital of the Issuer amounts to U.S.$250, consisting of 250 ordinary shares with a nominal value of $1.00 each.

Restrictions on the Offer of the Notes

No invitation whether directly or indirectly may be made to the public in the Cayman Islands to subscribe for the Notes unless the Issuer is listed on the Cayman Islands Stock Exchange.

Financial Statements

Since the date of incorporation, no financial statements for the Issuer have been prepared. The Issuer is not required under Cayman Islands law, and does not intend to publish audited financial statements. No financial statements for the Issuer are included in this Offering Memorandum, and the Issuer will not publish financial statements as the Issuer's obligations under the Notes will be guaranteed on a senior basis by the Guarantors. In addition, the Issuer does not intend to furnish to the Trustee or the holders of the Notes financial statements of, or other reports relating to, the Issuer.

BUSINESS

OVERVIEW

We are the national flag carrier of the Philippines and Asia's oldest commercial airline, providing passenger air travel, cargo and loyalty services across domestic and international markets. Philippine Airlines, Inc. ("**PAL**") has been in operation for over 85 years. With Air Philippines Corporation ("**APC**", operating as "**PAL Express**", and together with PAL, the "**PAL Group**"), we serve both full-service and value-oriented market segments. As of May 31, 2026, the PAL Group operated a combined fleet of 84 aircraft, serving 70 destinations across 88 routes. Our domestic network serves 30 cities and towns throughout the Philippine archipelago, and we have an international network that spanned 40 destinations in 16 countries across North America, the Middle East, Asia and Oceania.

We operate from our principal hub at Ninoy Aquino International Airport ("**NAIA**") in Manila, with a secondary hub at Mactan-Cebu International Airport. We also operate domestic leisure routes from Clark International Airport in Pampanga, which provides an alternative gateway for passengers from the northern Luzon region. In North America and Micronesia, we operate non-stop flights between Manila and 10 destinations: Los Angeles, San Francisco, Seattle (launched October 2024), New York, Honolulu, Guam, Saipan, Palau, Vancouver and Toronto. We plan to commence service to Chicago in November 2026. We maintain strong flight frequencies to key Asian markets, including Japan (Tokyo-Narita, Tokyo-Haneda, Osaka, Nagoya, Fukuoka, Sapporo), Southeast Asia (Singapore, Bangkok, Kuala Lumpur, Ho Chi Minh City, Hanoi, Da Nang, Jakarta, Bali, and Phnom Penh), Greater China (Hong Kong, Shanghai, Taipei, Xiamen, Jinjiang, and Beijing), Korea (Seoul-Incheon and Busan), Middle East (Riyadh, Doha, and Dubai) and Australasia (Sydney, Melbourne, Brisbane, Perth, and Port Moresby). In 2023, 2024 and 2025, we transported approximately 14.7 million, 15.6 million and 16.3 million passengers, respectively. In the first quarter of 2026, we transported approximately 4.3 million passengers. We maintain codeshare arrangements with leading global carriers, including ANA (which holds a 4.1% equity stake in PAL Holdings, Inc.), American Airlines, Cathay Pacific, and Singapore Airlines, enhancing network connectivity for our passengers. See "*—Strategic Partnerships*."

We provide multiple classes of service, including Business Class, Premium Economy, Comfort Class and Economy Class. Our brand promise, "*Care That Comes from the Heart*," reflects our commitment to delivering service excellence with Filipino hospitality. See "*—Our Vision and Mission*."

We also operate complementary businesses which we believe provide further scale and enhance our overall value proposition. Our Mabuhay Miles frequent flyer program had 6.9 million members as of May 31, 2026. The program has commercial partnerships with leading financial institutions, including the Philippine National Bank through co-branded Mabuhay Miles credit card portfolio. See "*—Our Services—Mabuhay Miles Frequent Flyer Program*." We believe that our cargo operation is among the largest in the Philippines, and maintains a leading market position at our Manila hub. Cargo is transported through the belly space of our passenger aircraft, maximizing network efficiency with minimal incremental capital requirements.

Following the impact of the COVID-19 pandemic on airline travel, PAL successfully emerged from Chapter 11 restructuring within approximately four months of its filing in September 2021 with strong support from our controlling shareholder, reducing its debt and lease obligations. Since emerging from restructuring, PAL has remained profitable, reflecting the benefits of our transformed business model with a right-sized fleet, streamlined cost structure and a focus on profitable routes.

For the years ended December 31, 2023, 2024 and 2025, PAL had consolidated revenue of U.S.$3,250.3 million, U.S.$3,134.1 million and U.S.$3,225.2 million, respectively, and net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million, respectively. For the three months ended March 31, 2025 and 2026, PAL had consolidated revenue of U.S.$816.7 million and U.S.$895.7 million, respectively, and net income of U.S.$76.5 million and U.S.$78.5 million, respectively. As of December 31, 2025 and March 31, 2026, PAL had total assets of U.S.$3,884.1 million and U.S.$4,263.3 million, respectively.

For the years ended December 31, 2023, 2024 and 2025, APC had total revenues of ₱7,965.6 million, ₱9,827.0 million and ₱11,752.0 million (U.S.$193.5 million), respectively, and net income (loss) of ₱(36.7) million, ₱(304.2) million and ₱719.6 million (U.S.$11.8 million), respectively. For the three months ended March 31, 2025 and 2026, APC had total revenues of ₱2,620.5 million and ₱3,102.8 million (U.S.$51.1 million), respectively, and net income (loss) of ₱254.0 million and ₱(42.8) million (U.S.$(0.7) million), respectively. As of December 31, 2025 and March 31, 2026, APC had total assets of ₱11,585.7 million and ₱13,449.1 million (U.S.$221.4 million), respectively.

COMPETITIVE STRENGTHS

Our home base, the Philippines, represents a large and attractive aviation duopoly market with significant growth potential.

The Philippines is a large aviation market supported by its archipelagic geography that relies heavily on air transportation to connect major population centers and economic regions. This market is further supported by the Philippines' macroeconomic fundamentals, including an estimated 2026 population of over 115.3 million and a nominal GDP of approximately $512.2 billion according to the International Monetary Fund ("**IMF**"). IMF projects the GDP per capita of the Philippines from 2026 to 2031 to grow at an average of 7.6% per annum, underscoring the country's position as one of the fastest-growing economies in the region. Air travel plays an important role in facilitating domestic connectivity across the country, as well as international travel between the Philippines and key overseas markets. See "*—Our Route Network*."

Demand for air travel is supported by a number of factors, including inbound and outbound tourism, OFW travel, visiting friends and relatives ("**VFR**") travel and business activity. The Philippines also benefits from a large overseas Filipino diaspora, with substantial number living in the North America, which represents an important long-haul and higher-yield market for the PAL Group In 2023, 2024 and 2025, the PAL Group transported approximately 14.7 million, 15.6 million and 16.3 million passengers. For the three months ended March 31, 2026, the PAL Group transported approximately 4.3 million passengers, representing a 6.1% increase from approximately 4.1 million passengers in the corresponding period of 2025. See *"—Our Passengers*."

The Philippine aviation industry is characterized by a relatively concentrated market structure. According to the CAB, PAL, the Cebu Pacific Group and Philippines AirAsia accounted for the substantial majority of domestic passenger traffic in the Philippines during the period from January to December 2025. PAL has maintained a consistent domestic market share at around 30% over the last decade, with 29% market share in 2015 and 30% market share in 2025 as reported by the CAB. In the international market, PAL held a market share of approximately 23% for the year ended December 31, 2025 and approximately 23% for the three months ended March 31, 2026 as reported by the CAB. See *"—Competition*."

In addition, capacity constraints at NAIA, the principal gateway for international air travel to and from the Philippines, limit the ability of competitors to rapidly add capacity and create barriers to entry for new market participants. In September 2024, NAIA was privatized and operations were transferred to NNIC, which is expected to continue investing in airport infrastructure and capacity enhancements. We believe these developments may support future growth in domestic and international air travel in the Philippines.

We are the Philippines' national flag carrier and only full-service airline. We benefit from strong brand value, customer loyalty and operational reliability.

PAL is the national flag carrier of the Philippines and Asia's first and oldest airline, with over 85 years of operating history. As the Philippines' only full-service carrier, we offer a differentiated product compared with low-cost carriers, with premium cabins including Business Class with lie-flat seats, Premium Economy and Comfort Class, supported by Mabuhay Lounges at key airports. Our brand promise, "*Care That Comes from the Heart*," reflects our commitment to delivering service excellence with Filipino hospitality. See "*—Our Services*" and *"—Our Vision and Mission*." As recognized by Brand Finance, the brand value of PAL was U.S$275 million, U.S$287 million and U.S$442 million for 2023, 2024 and 2025, respectively. In 2026, Brand Finance recognized PAL's brand value at U.S$501 million.

Our operational performance has improved in recent years. In 2025, PAL was recognized by Cirium as Asia Pacific's Most Punctual Airline with its on-time performance improving from 77.5% in 2023 to 83.1% in 2025. In addition, our Net Promoter Score improved from +35 in 2023 to +48 in 2025, which we believe reflects the improvements on our operational reliability and customer experience. See "*—Marketing and Customer Experience*."

We distribute our products through direct channels, including our website, mobile app, 24/7 call centers and ticket offices, as well as indirect channels, including travel agencies, corporate travel agents and online travel agencies. Distribution to indirect channels is facilitated through GDS, including both traditional EDIFACT and NDC. We also maintain codeshare agreements with leading global carriers, including ANA, American Airlines, WestJet, Malaysia Airlines, Alaska Airlines, Cathay Pacific and Qatar Airways, extending our network reach and providing passengers with seamless connectivity. See "*—Sales and Distribution*" and "*—Strategic Partnerships*."

Our Mabuhay Miles loyalty program supports customer retention and generates ancillary revenue. As of May 31, 2026, Mabuhay Miles had approximately 6.9 million members, with active members growing at a compound annual growth rate ("**CAGR**") of 22% from 2023 to 2025. Active members fly approximately three times more frequently than non-members and accounted for 29.2% of passenger revenues in 2025, representing U.S.$713.0 million of member flown revenue. In the three months ended March 31, 2026, Mabuhay Miles members contributed U.S.$185.0 million of member flown revenue. The program generated U.S.$72.2 million of revenue in 2025 primarily through the sale of miles to banking and commercial partners, flight redemptions and breakage. See "*—Mabuhay Miles Frequent Flyer Program*."

We are the Philippines' leading international airline, with an unrivaled non-stop North America franchise.

PAL operates the most extensive international network of any Philippine carrier, serving 40 destinations in 16 countries across North America, Micronesia, the Middle East, Asia and Oceania. For the year ended December 31, 2025 and the three months ended March 31, 2026, PAL held approximately 23% and 23%, respectively, of international passenger traffic in the Philippines as reported by the CAB. See "*—Our Route Network*."

Our international franchise extends beyond North America, with strong flight frequencies to key markets across Asia, including four cities in Japan, multiple destinations in Southeast Asia, six cities in Greater China and two cities in Korea, as well as service to the Middle East (Riyadh, Doha and Dubai) and Australasia. Across this network, PAL's route system includes access to 28 Level 3 airports, which are airports where capacity providers have not developed sufficient infrastructure, or where governments have imposed conditions, that make it difficult to meet demand. These include key airports in major international markets such as Suvarnabhumi Airport in Thailand; Soekarno-Hatta International Airport and Ngurah Rai International Airport in Indonesia; Indira Gandhi International Airport in India; Dubai International Airport and Riyadh International Airport in the Middle East; Noi Bai International Airport and Tan Son Nhat International Airport in Vietnam; Narita Airport, Haneda Airport, Kansai International Airport, Chubu Centrair International Airport and Fukuoka Airport in Japan; Incheon Airport and Gimhae International Airport in South Korea; John F. Kennedy International Airport in the United States; Kuala Lumpur International Airport in Malaysia; Melbourne Airport, Perth Airport, Sydney Airport and Brisbane Airport in Australia; Beijing Capital International Airport, Shanghai Pudong International Airport, Xiamen Gaoqi International Airport, Hong Kong International Airport and Taiwan Taoyuan International Airport in Greater China; Singapore Changi Airport in Singapore; and Vancouver International Airport and Goose Bay Airport in Canada.

We believe access to these capacity-constrained airports enhances the strategic value of our network and supports our ability to serve high-demand international routes including our long-haul international routes, particularly to North America, which represent our highest-yield markets. See "*—Our Route Network*" and *"—Competition*."

We have a structurally lower cost base relative to global long-haul competitors.

Following our restructuring in 2021, PAL has maintained a disciplined approach to cost management while continuing to invest in its network, fleet and customer offering. Since emerging from restructuring, PAL has reported consecutive years of net profitability, with net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million for the years ended December 31, 2023, 2024 and 2025, respectively.

For the year ended December 31, 2025, our cost per available seat kilometer ("**CASK**") was 6.48 U.S. cents and our CASK excluding fuel was 4.48 U.S. cents, while our revenue per available seat kilometer ("**RASK**") was 6.98 U.S. cents, resulting in a positive RASK-CASK spread of 0.49 U.S. cents. For the three months ended March 31, 2026, our RASK was 7.51 U.S. cents and our CASK was 6.66 U.S. cents, resulting in a RASK-CASK spread of 0.85 U.S. cents. Our Combined EBITDAR Margin was 22% for the year ended December 31, 2025 and 26% for the three months ended March 31, 2026. See "*Selected Financial Information and Operating Data—Other Financial Data*."

Our cost structure compares favorably with our principal competitors. For the year ended December 31, 2025, our CASK excluding fuel was broadly in line with other Southeast Asian full-service carriers and materially below the comparable unit costs of the North American carriers with which we compete on our core trans-Pacific routes. We believe this cost advantage underpins our pricing flexibility and supports our ability to protect market share and profitability on our long-haul routes.

We believe our focus on cost discipline, fleet utilization and capacity deployment supports sustainable profitability and cash generation. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Our international network has also helped us compete with domestic carriers by allowing us to tap into connecting traffic flows via Manila. In particular, we are able to capture inbound and outbound traffic between Southeast Asia and North America, leveraging our long-haul network to feed regional and domestic segments. This has enabled greater pricing and capacity flexibility for us relative to low-cost carrier competitors who do not yet have a similar presence on these routes.

We have established an extensive network of strategic partnerships to better serve key domestic and international destinations.

PAL maintains a broad network of airline partnerships that extend our network reach and provide passengers with access to destinations beyond our operated route network. Through codeshare agreements and other commercial arrangements, we are able to offer additional travel options and connectivity across key international markets without directly operating service on every route. See "*—Strategic Partnerships*."

As of May 31, 2026, we maintained codeshare agreements with Alaska Airlines, ANA, American Airlines, WestJet, Cathay Pacific and Malaysia Airlines. These partnerships provide connectivity across North America, Japan, Greater China and Southeast Asia and enable passengers to travel on connecting itineraries under a single ticket. Our partnerships with American Airlines, Alaska Airlines and WestJet are particularly important in extending our reach throughout the United States and Canada.

We continue to expand our partnership network. Effective June 1, 2026, PAL expanded its codeshare partnership with Qatar Airways, providing additional connectivity through Doha and reciprocal earning and redemption opportunities between Mabuhay Miles and Qatar Airways' Privilege Club loyalty program. In May 2026, PAL also expanded its frequent flyer partnerships to include a reciprocal arrangement with Qantas Airways, allowing members of Mabuhay Miles to earn and redeem points across both airline networks. See "*—Mabuhay Miles Frequent Flyer Program*."

In June 2026, PAL was invited to join the OneWorld alliance. We are expected to achieve full integration as the 16th member no later than December 31, 2027, subject to completion of applicable requirements and integration processes, a milestone that ends decades of alliance independence and represents a significant development to the PAL Group's long-term corporate strategy. Joining oneworld is expected to expand our global footprint without the level of investment typically associated with organic route expansion. By integrating into a unified ecosystem alongside partners like American Airlines, Cathay Pacific, Qatar Airways, and Qantas, we expect to connect our passengers to nearly 1,000 destinations across over 170 territories. PAL's network is also expected to enhance the alliance's connectivity in the Philippines through access to 31 destinations served by PAL, including domestic destinations across the Philippines.

We have a right-sized, diversified fleet and orderbook to support disciplined growth and product enhancement. Further, our structure of leases and ownership give us flexibility to adjust our capacity.

As of March 31, 2026, the PAL Group operated a combined fleet of 83 aircraft, with an average age of approximately 11.4 years. PAL's fleet of 51 aircraft includes 25 widebody aircraft (Boeing 777-300ER, Airbus A350-900, Airbus A350-1000 and Airbus A330-300) for long-haul and medium-haul international routes and 26 narrowbody aircraft (Airbus A321NEO, A321CEO and A320-200) for regional routes. PAL Express operates 33 aircraft, including 22 narrowbody aircraft and 11 turboprop aircraft for domestic operations. See *"—Our Fleet*."

Our widebody fleet supports long-haul operations to North America, the Middle East, Australasia and key Asian destinations, while our narrowbody and turboprop aircraft provide connectivity across regional and domestic markets. This fleet mix enables us to match aircraft size and operating economics to the requirements of different routes and customer segments, optimizing fleet utilization and operating efficiency. Following our restructuring, we have maintained a disciplined approach to fleet planning and capacity deployment, focusing on aligning fleet composition with network requirements and growth opportunities.

As of May 31, 2026, we had a orderbook comprising 13 Airbus A321NEO aircraft (deliveries 2026-2029) and seven Airbus A350-1000 aircraft (deliveries 2026-2028). The A350-1000 and A321NEO are expected to enhance

fuel efficiency, operating economics and passenger amenities. We believe this orderbook supports fleet renewal, enhances operating efficiency and provides capacity to support disciplined growth across our network.

We have adopted a measured approach to fleet growth that is intended to support anticipated long-term demand while maintaining financial and operational flexibility. Our committed aircraft orderbook is phased over several years, allowing us to align fleet expansion with market conditions and our disciplined growth strategy.

In addition, a number of our widebody aircraft, including certain Boeing 777-300ER and Airbus A330-300 aircraft, are subject to operating leases that are scheduled to mature over the next several years. Depending on market conditions, demand and other operational considerations, we have the flexibility to extend these leases, replace such aircraft with new deliveries or allow the leased aircraft to be returned upon lease expiry. Together with our mix of owned, finance leased and operating leased aircraft, this provides us with flexibility to manage fleet capacity, capital commitments and financing requirements in response to changing market conditions.

We have demonstrated financial resilience, liquidity discipline and shareholder support through industry cycles and have transformed our cost structure to support sustainable future profitability.

PAL has successfully navigated periods of significant industry disruption, including the COVID-19 pandemic and subsequent restructuring of its balance sheet. In 2021, PAL completed a Chapter 11 restructuring that eliminated over U.S.$2.1 billion in aircraft-related obligations and enhanced financial flexibility. PAL benefits from a financial and strategic support of its ultimate parent and majority shareholder, the Lucio Tan Family. This support has provided PAL with a stable equity base and access to additional sources of liquidity during periods of industry disruption and economic uncertainty. During PAL's Chapter 11 restructuring process in 2021, its shareholder provided U.S.$255 million in equity contributions and a U.S.$250 million debtor-in-possession financing facility.

Following the restructuring, PAL has reported consecutive years of operating and net profitability, with net income of U.S.$386.5 million, U.S.$147.4 million and U.S.$163.1 million for the years ended December 31, 2023, 2024 and 2025, respectively. For the three months ended March 31, 2026, revenues increased 9.7% to U.S.$895.7 million from U.S.$816.7 million in the corresponding period of 2025, while net income increased to U.S.$78.5 million from U.S.$76.5 million. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations*."

We maintain a disciplined approach to liquidity management and access a range of financing sources. PAL's primary sources of funding are cash from operating activities, bank loans, asset-backed securities, aircraft sale and leaseback transactions, and equity capital infusion. As of March 31, 2026, PAL's total long-term obligations amounted to U.S.$1.8 billion, comprising U.S.$0.3 billion of long-term debt and U.S.$1.5 billion of lease liabilities. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources*."

PAL benefits from established, long-standing relationships with aircraft lessors and financing providers, which have been key to managing the long-term partnership over aircraft lease terms and deliveries, and which support fleet renewal and future growth initiatives. PAL has access to other financing alternatives, including bank loans secured by real estate properties. Our shareholders have demonstrated support through industry cycles, including through equity contributions in connection with the 2021 restructuring.

We seek to mitigate the impact of fuel price volatility through a combination of CAB-approved fuel surcharges (covering approximately 40% of fuel costs, as may be adjusted), pricing adjustments and operational fuel-efficiency initiatives. Our relatively short booking curve, approximately 30 days for domestic flights and 60 days for international flights, provides flexibility to adjust pricing in response to changing market conditions and fuel costs. During periods of disruption, we have demonstrated the ability to optimize routes and prioritize long-haul services to protect profitability.

We have an experienced management team composed of global aviation veterans and seasoned executives with proven track record in executing growth and turnaround initiatives

PAL is led by an experienced executive management team comprising aviation professionals and executives with backgrounds in change management and operational improvement. Our President, Richard T. Nuttall, brings several years of international airline experience, including roles senior commercial positions at various airline companies. Members of the management team played key roles in the execution of PAL's 2021 restructuring and subsequent financial recovery efforts.

We believe the management team's experience and industry knowledge support the PAL Group's ability to execute its long-term strategic priorities, including disciplined growth, operational efficiency initiatives and continued enhancement of the customer experience. A majority of PAL's Board of Directors are independent directors, reflecting PAL's commitment to strong corporate governance practices.

BUSINESS STRATEGIES

Capitalize on the structurally attractive Philippine aviation market

We intend to continue growing our passenger traffic and revenues by leveraging our position as the national flag carrier of the Philippines, our domestic and international route network and our full-service offering. We seek to capture growing demand for air travel across both domestic and international markets through disciplined capacity deployment, network optimization and the selective expansion of services in markets where we identify attractive demand and profitability characteristics.

We intend to continue strengthening connectivity across our network by leveraging our principal hub at NAIA, together with our operations at Mactan-Cebu International Airport. We believe our network footprint and hub structure position us to capture passenger traffic growth across key domestic markets, as well as international travel demand to and from the Philippines. Our strategy is to maintain leading market share of approximately 30% in the domestic market and be at least 50% of the market share of our major competitor.

We also intend to benefit from planned investments in airport infrastructure and capacity enhancements at NAIA following its privatization in September 2024 and transfer of operations to NNIC. We believe these developments may support future growth in passenger traffic and provide opportunities to further develop our domestic and international route network.

In pursuing growth opportunities, we intend to maintain a disciplined approach to capacity additions and route deployment, focusing on markets that we believe offer attractive demand, competitive dynamics and profitability.

Maintain leadership in international markets, with a focus on North America

We intend to maintain and strengthen our position in international markets, with a particular focus on protecting and expanding our non-stop North America network. For the year ended December 31, 2025 and the three months ended March 31, 2026, PAL held approximately 23% and 23%, respectively, of international passenger traffic in the Philippines as reported by the CAB. We believe that we hold leading market shares of between 30% to 60% of traffic between the Philippines and major destinations within the U.S. and Canada; a market share which we believe is even more significant when calculated exclusively for direct flights. Our trans-pacific flights from Manila to North America contributed approximately 35% of our revenue in 2025. Our international network strategy focuses on markets where we believe PAL can leverage its non-stop connectivity, brand recognition and full-service offering to serve both business and leisure travelers.

Our North America network remains a key strategic priority. We intend to continue strengthening our presence in North America through disciplined route development, capacity deployment and network optimization. We plan to commence service to Chicago in November 2026, further expanding our North America network. We believe our non-stop services differentiate our offering from carriers that primarily serve these markets through intermediate hubs.

Beyond North America, we intend to pursue disciplined expansion across Asia, Australasia, Micronesia and the Middle East. We will continue to evaluate opportunities to expand our international network in markets where we identify attractive demand characteristics, competitive dynamics and profitability. We intend to pursue this growth while maintaining a disciplined approach to capacity deployment and route development.

Pursue disciplined capacity growth focused on profitable routes

We intend to continue growing our network through a disciplined approach to capacity deployment, focusing on routes and markets that we believe offer attractive demand characteristics, yield performance and profitability. Since emerging from Chapter 11 in December 2021, we have expanded ASKs from 43,734 million in 2023 to

44,737 million in 2024 and 46,234 million in 2025, while maintaining a focus on profitability and capital discipline.

We intend to continue optimizing our domestic and international route network through selective frequency increases, capacity optimization and targeted route expansion. As of May 31, 2026, our domestic network served 30 cities and towns across the Philippines, while our international network spans North America, Asia, the Middle East and Oceania. We seek to align capacity additions with demonstrated demand and operating performance while maintaining flexibility to respond to changing market conditions.

We will continue to prioritize capacity additions on routes demonstrating strong yield and load factor performance, while selectively expanding into new markets where we identify favorable demand and competitive dynamics. Our launch of Seattle service in October 2024 and planned commencement of Chicago service in November 2026 reflect this approach, focusing on markets where we believe we can leverage our network, brand and existing commercial relationships to support sustainable growth.

Modernize and simplify the fleet to improve operational efficiency and customer experience

We are executing a multi-year fleet modernization strategy designed to improve fuel efficiency, simplify fleet operations, enhance customer experience and support profitable growth. Our aircraft deliveries between 2026 and 2029 will support fleet renewal and capacity growth, while we continue to evaluate longer-term fleet replacement options, including the replacement of our wide-body fleet beginning in 2031.

The Airbus A321NEO and Airbus A350-1000 represent the next generation of aircraft within our fleet and provide improved fuel efficiency, operating economics and passenger amenities compared to older aircraft types. As these aircraft are introduced into service, we intend to continue renewing our fleet, progressively increase the proportion of newer-generation aircraft operating across our network, and evaluate options for the next phase of wide-body fleet renewal.

We also expect fleet renewal to contribute to a more streamlined fleet structure over time, supporting operating efficiency, maintenance planning and aircraft utilization. We believe our fleet modernization program will enhance our ability to compete in both domestic and international markets while supporting long-term profitability and customer experience initiatives.

Enhance premium offering and optimize fleet configuration to support profitable growth

We intend to continue enhancing our premium passenger offering through investments in cabin products and customer experience initiatives. As a full-service carrier, we offer differentiated products across our premium cabins and seek to attract both business and leisure travelers on domestic and international routes. Our fleet modernization program includes cabin enhancements, such as the relaunching of our Premium Economy product on the Airbus A350-1000 and the retrofit of certain aircraft to improve passenger amenities and consistency across the fleet. We are also enhancing our Mabuhay Lounge facilities to provide an improved premium experience for eligible passengers.

We also continue to evaluate opportunities to optimize aircraft configurations across our fleet, including adjustments to seating layouts and greater harmonization of cabin configurations. We believe these initiatives may increase capacity on selected routes, improve fleet utilization and support operating efficiency while maintaining our customer service standards.

Deepen customer loyalty and diversify revenue streams

We are focused on deepening customer engagement through our Mabuhay Miles loyalty program and expanding ancillary and non-ticket revenue streams to enhance earnings diversification and strengthen customer retention. Mabuhay Miles had approximately 6.9 million members as of May 31, 2026, with total membership growing at a compound annual growth rate of 8.4% from 2023 to 2025 and active members growing at a CAGR of 22% over the same period. Active members fly approximately three times more frequently than non-members and accounted for 29.2% of passenger revenues in 2025, demonstrating the importance of the program in driving repeat travel and revenue generation from our most engaged customers. See "—*Mabuhay Miles Frequent Flyer Program*."

The Mabuhay Miles program generated U.S.$72.2 million of revenue in 2025 and U.S.$12.7 million of revenue in the three months ended March 31, 2026. We believe the Mabuhay Miles program has significant embedded value, driven by its growing membership base, strong member engagement and favorable working capital

dynamics, as the program receives cash inflows from the sale of miles to partner banks and commercial partners in advance of the cash outflows corresponding to redemption. We continue to expand the program's partnership ecosystem, including our principal banking relationship with Philippine National Bank through the PNB Mabuhay Miles Cobrand credit card portfolio, as well as partnerships with retail, hospitality, transportation and other commercial partners in the Philippines and overseas. In May 2026, we expanded our frequent flyer partnerships to include reciprocal arrangements with Qatar Airways and Qantas Airways , enabling reciprocal earning and redemption opportunities and broadening the program's relevance for international travelers. In 2025, 66% of earned miles were redeemed by members, representing a 23% increase year-on-year, reflecting strong member engagement and utilization. See "*—Strategic Partnerships*."

As part of PAL's invitation to become a future member of the oneworld Alliance, we expect to further integrate the Mabuhay Miles program with the broader oneworld network. Passengers are expected to benefit from reciprocal earning and redemption opportunities across oneworld member airlines. In addition, eligible elite-status members and premium-cabin passengers are expected to receive alliance benefits, including priority check-in, baggage handling services and access to airport lounges across the oneworld network, enhancing PAL's customer offering and loyalty proposition.

We also intend to continue expanding our ancillary revenue platform. Ancillary revenue totaled U.S.$301.2 million in 2025, representing a 24.9% increase from U.S.$241.2 million in 2024 and 9.3% of total operating revenue. Our ancillary product offering includes seat selection, class upgrades, excess and prepaid baggage, travel insurance and other passenger services. We continue to identify opportunities to increase ancillary revenue per passenger through enhanced digital merchandising, dynamic pricing, expanded product availability and the introduction of new products and services, including our *FurPAL* in-cabin pet travel service launched in 2026. See "*—Passenger Operations*."

Maintain financial discipline and balance sheet resilience

We intend to maintain a disciplined financial framework that supports profitability, liquidity and long-term financial flexibility. Following our Chapter 11 restructuring in 2021, we have focused on maintaining a sustainable capital structure, disciplined capacity growth and prudent capital allocation.

A key component of our financial strategy is to maintain healthy capital ratios and strong liquidity. In line with this objective, the PAL Group is targeting to keep its Debt to EBITDA ratio to not more than 3.5:1 as well as a liquidity target of a minimum cash balance equal to 15% of revenues, providing flexibility to manage industry cyclicality and unexpected disruptions. As of March 31, 2026, APC and PAL's Combined Net Debt-to-EBITDAR was 1.5x and PAL had cash and cash equivalents of U.S.$614.8 million. We also maintain access to multiple financing channels, including aircraft financing, asset-backed securities, bank facilities and leasing markets. As of May 31, 2026, our cash and cash equivalents, together with available committed facilities, represented approximately 20% of revenues, in excess of our internal minimum liquidity target of 15% of revenues.

We intend to continue prioritizing reinvestment of operating cash flows into fleet renewal, network development and customer experience initiatives while maintaining a disciplined approach to capital allocation. Our aircraft orderbook provides visibility into future capital requirements, while our mix of owned and leased aircraft provides flexibility in financing and capital deployment. We believe these investments will enhance operating efficiency, strengthen our competitive position and support long-term growth. Our current business plan does not anticipate any mergers or acquisitions. No dividends have been paid out historically, as our primary objective is to reinvest excess cash flow in the business and de-lever, while maintaining sufficient liquidity.

OUR VISION AND MISSION

The *Philippine Airlines* brand represents the PAL Group's commitment to providing world-class service with the warmth and care of the Filipino heart. Our brand promise, "*Care That Comes from the Heart*," reflects our belief that genuine care, not just service, is at the core of everything we do. This commitment is underpinned by a focus on operational excellence, sustainable profitability, and long-term value creation for all stakeholders, and is guided by our vision and mission as set out below.

Vision

"To be a globally-recognized airline, trusted for our world-class excellence and customer experience, remembered for our heartfelt care, and loved for bringing Filipino hospitality to every journey."

Mission

"To provide seamless connections throughout the nation and across the world, with the warmth and care of the Filipino heart, showcasing the best of the Philippines and delivering service excellence. To generate sustainable profits and shareholder value, allowing us to invest in the future. To embrace our responsibilities to employees, the environment and the communities PAL serve, ensuring a positive and lasting impact for generations to come."

HISTORY

PAL

PAL was incorporated on February 25, 1941, making it Asia's first airline. PAL commenced operations on March 15, 1941, with a single Beech Model 18 aircraft, flying domestically between Manila and Baguio. The airline has since grown to become the national flag carrier of the Philippines with over 85 years of operating history . PAL operates under a franchise granted by the Philippine Government under Presidential Decree No. 1590, which extends up to the year 2034.

In 1992, the Philippine Government sold a 67% stake in PAL to PR Holdings, Inc. ("**PR Holdings**") led by Dr. Lucio Tan, who became Chairman and Chief Executive Officer. Following the privatization, PAL undertook a major modernization and re-fleeting program. PAL faced significant challenges during the 1998 Asian financial crisis, which led to court-supervised rehabilitation, from which it exited in 2007. In the same year, PAL Holdings, Inc. ("**PHI**"), a holding company within the Lucio Tan Group of Companies ("**LT Group**"), acquired controlling stakes in both PAL and PR Holdings. In 2012, San Miguel Corporation acquired a 49% stake in PAL, funding fleet expansion, before Dr. Lucio Tan regained full management control by buying back San Miguel Corporation's stake in 2014.

As the COVID-19 pandemic severely impacted PAL's operations, it filed for voluntary relief in September 2021 under Chapter 11 of the U.S. Bankruptcy Code. PAL emerged from Chapter 11 proceedings within approximately four months of filing. In 2022, the restructuring receiving the "*Asia Pacific Restructuring Deal of the Year*" award from *Airline Economics* and the "*Asia-Pacific Deal of the Year*" award from *AirFinance Journal*. Since emerging from restructuring, PAL has reported consecutive years of operating and net profitability.

APC

Air Philippines Corporation was incorporated in the Philippines on February 13, 1995, as a passenger and cargo air carrier. APC operates under a franchise for a term of 25 years from August 8, 1997, under Republic Act No. 8339, which was renewed for another 25 years under Republic Act No. 11682 when it lapsed into law on April 11, 2022. In 1999, the LT Group acquired a controlling stake in APC and took over its management. In 2008, APC began operating as "*PAL Express*" under a cooperation agreement with PAL. In 2014, PAL and APC entered into the Codeshare Agreement, under which PAL markets the codeshare flights while APC operates the flights, and PAL recognizes all passenger, cargo and ancillary revenues. APC also maintains a CAAP-Approved Maintenance Organization ("**AMO**") accreditation for its line maintenance operations.

In December 2017, PHI acquired a 51% stake in Zuma Holdings and Management Corporation ("**ZUMA**"), an LT Group company and the holding company of APC, through a share-swap transaction. As a result, APC came under the common control of PHI, alongside PAL.

CORPORATE MILESTONES

The table below sets out our key milestones.

Year	Milestones
1941	• PAL was incorporated on February 25, 1941 and commenced operations on March 15, 1941.
1978	• PAL was granted a franchise by the Government under Presidential Decree No. 1590, extending to 2034.

Year	Milestones
1992	• The Government sold 67% of PAL to PR Holdings led by Dr. Lucio Tan, who became Chairman and Chief Executive Officer and major modernization and re-fleeting program launched.
1995	• APC was incorporated on February 13, 1995.
1996	• PAL became privately and beneficially owned by Dr. Lucio Tan.
1997	• APC was granted a franchise for 25 years under Republic Act No. 8339, effective August 8, 1997.
1998	• PAL filed for receivership and entered court-supervised rehabilitation following the Asian financial crisis which caused PAL's largest loss.
1999	• The LT Group acquired a controlling stake in APC and took over its management.
2007	• PHI acquired a controlling stake in PAL and PR Holdings. • PAL exited from rehabilitation.
2008	• PAL Express launched with operations transferred to APC under a cooperation agreement.
2012	• San Miguel Corporation acquired 49% of PAL, funding its fleet expansion.
2014	• Dr. Lucio Tan regained management control, buying back San Miguel Corporation's 49% stake in PAL. • PAL entered into the Codeshare Agreement with APC.
2017	• PHI acquired 51% of ZUMA, an LT Group company and the holding company of APC, through a share-swap transaction, bringing APC under the common control of PHI, alongside PAL.
2021	• PAL filed for and successfully emerged from Chapter 11 restructuring in approximately four months, eliminating over U.S.$2.1 billion in aircraft-related obligations.
2022	• APC's franchise was renewed for 25 years under Republic Act No. 11682.
2023	• PAL entered into an agreement with Airbus for nine A350-1000 widebody aircraft, with deliveries from 2025 to 2027, financed through a combination of operating leases and other financing arrangements. PAL was the first airline in members of the Association of Southeast Asian Nations to obtain the A350-1000 aircraft.
2024	• PHI's ownership in PAL increased from 79.49% to 97.89% following the issuance of new shares to PAL's supporting creditors under the 2021 restructuring plan.
2025	• As part of its post-restructuring fleet optimization, PAL purchased nine aircraft from FSL, a related-party aircraft leasing entity, and refinanced them through third-party sale-leaseback arrangements. The refinancing proceeds were applied against PAL's aircraft-related obligations to FSL, reducing PAL's ownership in FSL from 65% to 30%. • PAL registered its first two A350-1000 widebody aircraft purchased from Airbus with the Philippine Board of Investments ("**BOI**") under the 2022 Strategic Investment Priority Plan ("**SIPP**"), qualifying for fiscal incentives including a two-year income tax holiday, a 10-year enhanced deductions regime, and duty exemption.

Year	Milestones
2026	• PAL registered with the Philippine Economic Zone Authority ("**PEZA**") as an Ecozone Developer of the MacroAsia Special Economic Zone, and APC registered as an Ecozone Locator for maintenance, repair and overhaul ("**MRO**") activities. • PAL was invited to join oneworld, a global airline alliance comprising leading international carriers, which is expected to enhance network connectivity and loyalty program opportunities.

RECENT DEVELOPMENTS

Impact of the Middle East Conflict

Beginning February 28, 2026, the conflict in the Middle East resulted in widespread airspace closures across multiple countries in the region, causing significant disruptions to global aviation. PAL suspended all scheduled commercial flights to its three Middle East destinations (Dubai, Doha, and Riyadh) effective on the same date. Flights to these destinations accounted for approximately 8% of PAL's revenue and 11% of PAL's total capacity for the year ended December 31, 2025. During the suspension, PAL conducted government-sponsored repatriation flights for OFWs stranded in the region. PAL resumed commercial flights to Riyadh on April 10, 2026, while operations to Dubai and Doha remain under review.

The conflict has introduced significant volatility into global energy markets and contributed to increases in jet fuel prices. As fuel is one of PAL's largest operating expenses, these price fluctuations may impact PAL's margins. In addition, the conflict may also result in shortage of jet fuel supply, alter travel demand, drive inflation and cause other disruptions. See "*Risk Factors—Volatility in fuel costs, disruptions in fuel supply and geopolitical conflicts could adversely affect our business, results of operations and financial condition*."

In order to mitigate the impact of the conflict to PAL's operations and financial results, PAL has implemented the following:

- We have diversified fuel sourcing and have been able to secure fuel supply based on our regular monthly fuel procurement cycle for our domestic and international operations through August 2026.

- We have implemented structural fare increases of about 20% to 25% and fuel surcharges to partially cover fuel cost surge. While the fare increases were immediately implemented in March, the actual impact on overall average fare increase was lower at 10% due to the significant forward bookings especially on our regional and long haul routes. During the period March to May 2026, our revenues increased by 9% over the same period in 2025. In response to the current conflict, the CAB adopted a 15-day monitoring and implementation cycle for fuel surcharges, replacing the previous one-month cycle, to allow faster response to market changes which took effect on April 1, 2026.

- We have implemented capacity reductions to align with the demand environment. From March 2026 to the end of May 2026, we have reduced our capacity by approximately 9% from our published schedules principally arising from suspensions in our Middle East flights, reduced flights to and from Australia and suspension and/or reduction of various domestic routes outside Manila, including consolidation of flights with multiple daily frequencies. Our North American capacity has largely been unchanged.

	March-to-May 2026 vs Schedule			
	Flight Count	% Var	ASK (m)	% Var
North America	0	0%	16	0.3%
North Asia	(66)	(1.6%)	91	4.8%
ASEAN+Micronesia	(76)	(2.5%)	75	5.2%
Australasia	(39)	(5.9%)	(51)	(5.7%)
Middle East	(458)	(84.8%)	(1,187)	(83.7%)
Domestic	(1,170)	(5.3%)	(87)	(4.3%)
Total	**(1.809)**	**(5.7%)**	**(1.143)**	**(9.3%)**

- We have also put in place various cost control measures across the organization while continuing to uphold safety and operational reliability. Over the period of March to June 2026, we are expecting to deliver operating cost savings of approximately U.S.$57 million from reduced fuel consumption and other direct variable costs, reduced general and administrative expenses and manpower cost savings driven by the implementation of hiring freeze and deferral of promotions and salary adjustments as well as non-essential training.

- We have deferred capital expenditures of about U.S.$89 million in 2026 from reduced fleet maintenance capex aligned with the lower flying activities and a de-prioritization of non-critical projects, IT investments and facility improvements.

- We have secured an incremental U.S.$200 million top up on our existing U.S. dollar asset-backed securities facility from a counterparty bank. This facility will be secured by current and future collections from passenger sales made in the United States through designated credit card companies As of May 31, 2026, we have not drawn on this facility and it will be available for us to augment our liquidity. In addition, we have undrawn committed PDP facilities amounting to U.S.$81 million and an unsecured U.S.$35 million working capital facility as of May 31, 2026.

Lease with New NAIA Infra Corp.

On April 1, 2026, PAL entered into a long-term lease with NNIC, a consortium led by San Miguel Corporation, for property located within the MacroAsia Special Economic Zone in Villamor Airbase, Pasay City. The property, which comprises approximately 99,362 square meters, will primarily be used for APC's line maintenance activities. The long-term ground property lease agreement with related right-of-use assets and lease liabilities amounting to U.S.$138.2 million will be reflected in PAL's balance sheet beginning April 1, 2026. See "*Risk Factors—We are highly dependent on our hub at NAIA in Manila, and we confront particular structural challenges at NAIA due to infrastructure limitations and ongoing privatization*."

Inaugural Credit Ratings

In March and May 2026 Moody's and Fitch assigned first-time credit ratings of Ba2 and BB, respectively, to PAL, both with a "Stable" outlook. Key factors cited by the rating agencies in support of the ratings included PAL's position as the Philippines' national flag carrier with steady domestic and international market share, PAL's stable competitive position in a largely duopolistic Philippine aviation market, favorable demand fundamentals for air transport in the Philippines, sustained improvement in cost and capital structure following PAL's 2021 restructuring, prudent approach towards fleet expansion by an experienced management team, and the support of PAL's shareholder.

Invitation to Join oneworld Alliance

In June 2026, PAL received an invitation to join oneworld, a global airline alliance comprising leading international carriers. PAL is expected to become the alliance's 16th member, subject to the completion of applicable membership requirements and integration processes no later than December 31, 2027.

Upon completion of the integration process, PAL's customers are expected to benefit from reciprocal loyalty program arrangements, access to alliance-wide customer benefits and enhanced connectivity through the networks of oneworld member airlines. In addition, oneworld status holders and business class passengers of other oneworld airlines are expected to have access to PAL lounges. The invitation to join oneworld is also expected to expand PAL's participation in alliance-based commercial and customer initiatives with existing and future alliance partners.

PAL has commenced preparations for integration into the alliance and expects to continue working with oneworld and its member airlines in connection with the membership process.

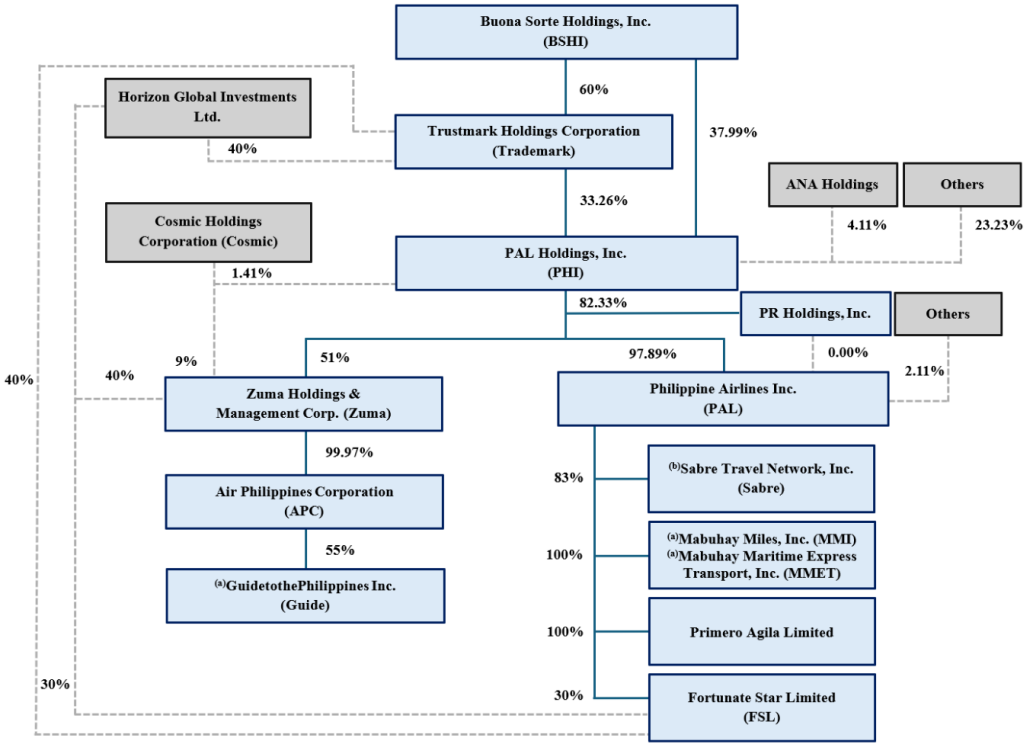
Independent Appraisal of Route System

mba Aviation, an independent aviation appraisal and consulting firm, completed an appraisal of PAL's route system, concluding a value of approximately U.S.$3.73 billion as of June 24, 2026 and delivered a report summarizing their appraisal dated June 29, 2026. The report summarizing the appraisal is annexed to this Offering Memorandum as Appendix I and is subject to the statement of assumptions and limiting conditions set out therein. The appraisal was prepared on an "Owner's Value" standard of value and a "Going Concern" premise, using a discounted cash flow analysis under the income approach. The appraisal reflects the operational route authorities, including the takeoff and landing slots and other licenses owned by us that are required to operate those route authorities. The route system does not form part of the Collateral securing the Notes and any proceeds, if any, will, upon liquidation or other disposition, not be available exclusively to Holders of the Notes.

The appraisal is only an estimate of value and is not a guarantee of present or future value; it does not necessarily indicate the price at which the appraised assets could be purchased or sold in the market if at all. The transfer or other disposition of any or all routes may be subject to approval of governmental and/or airport authorities, and it may not be possible to transfer or otherwise dispose of any or all of the route system. As such, the appraisal may not be meaningful in a realization scenario. In addition, one appraiser may reach a conclusion materially different from that of another appraiser with respect to the same assets. The valuation was prepared on a going concern basis and is highly dependent on numerous assumptions, including as to macroeconomic, regulatory, political, competitive and industry conditions, fuel prices, and projected passenger traffic and yields, as well as on historical and forecast financial and operating data provided by us, which mba Aviation accepted without independent verification and in respect of which it expressed no assurance. The valuation was developed assuming that key factors affecting the route system, such as the economic, regulatory, competitive and political environments, and general airline industry conditions, including demand and capacity for international air travel, the impact of open skies agreements and similar bilateral agreements, airport and terminal expansions and other governmental actions, do not materially change. If any of these assumptions proves inaccurate, or if any such key factors change, the value of the route system could differ materially from the appraised value. As a result of the foregoing, you should give due consideration to risks described herein in evaluating, and should not unduly rely upon, the valuation ascribed by the appraisal to the route system in determining whether to invest in the Notes. For more information, see the report summarizing the appraisal annexed to this Offering Memorandum as Appendix I.

CORPORATE STRUCTURE

The chart below sets out our corporate structure as of the date of this Offering Memorandum.



Notes:
(a) GuidetothePhilippines, Inc., MMI, and MMET are non-operational companies as of the date of this Offering Memorandum.
(b) For the year ended December 31, 2025, Sabre's revenues of U.S.$1.7 million and net income of U.S.$0.7 million accounted for 0.1% and 0.4% of PAL's revenues and net income, respectively. As of December 31, 2025, Sabre's total assets of U.S.$4.5 million represented 0.12% of PAL's total assets.

KEY OPERATING METRICS

The following key operating metrics are used by management to assess PAL's operations:

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2023	2024	2025	2025	2026
Operating Statistics					
Available Seat Kilometer[1] (millions)	43,734	44,737	46,234	11,115	11,920
Revenue Passenger Kilometer[2] (millions)	35,338	35,376	36,364	8,998	9,579
Passenger Load Factor[3] (%)	80.8%	79.1%	78.7%	81.0%	80.4%
Number of Passengers (millions)	14.7	15.6	16.3	4.1	4.3
Number of Roundtrips	52,647	55,434	57,504	14,007	15,177
Aircraft Utilization[4] (hours/day)	12.9	12.7	12.4	12.6	11.9
Operating Fleet Size	78	79	82	79	83
Average Age of Fleet (years)	9.2	10.2	11.1	10.6	11.4
Revenue Tonne Kilometer[5] (millions)	3,936	3,992	4,002	998	1,062
Unit Cost and Revenue Metrics					
RASK[6] (US¢/ASK)	7.43	7.01	6.98	7.35	7.51
CASK[7] (US¢/ASK)	6.29	6.30	6.48	6.67	6.66

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2023	2024	2025	2025	2026
CASK (ex-fuel)[8] (US¢/ASK)	3.95	4.14	4.48	4.60	4.55
RASK-CASK Spread (US¢)	1.15	0.70	0.49	0.68	0.85
Customer Metrics					
Net Promoter Score[9]	+35	+43	+48	+47	+44
On-Time Performance[10] (%)	77.5%	76.1%	83.1%	78.2%	82.8%

Notes:

*(1) Available Seat Kilometers ("**ASK**") represents the number of seats available for passengers multiplied by the number of kilometers flown.*

*(2) Revenue Passenger Kilometers ("**RPK**") represents the number of revenue-paying passengers carried multiplied by the number of kilometers flown.*

(3) Passenger Load Factor represents RPK divided by ASK.

(4) Aircraft Utilization represents the average number of daily block hours operated per aircraft.

*(5) Revenue Tonne Kilometers ("**RTK**") represents revenue-generating payload, measured in tonnes, multiplied by the number of kilometers flown.*

*(6) Revenue per Available Seat Kilometer ("**RASK**") represents operating revenue divided by ASK.*

*(7) Cost per Available Seat Kilometer ("**CASK**") represents operating expenses divided by ASK.*

*(8) Cost per Available Seat Kilometer ex-fuel ("**CASK ex-fuel**") represents operating expenses less fuel expense, divided by ASK.*

*(9) Net Promoter Score ("**NPS**") is a customer loyalty and satisfaction metric based on customer survey responses.*

(10) On-Time Performance represents the percentage of flights departing within 15 minutes of their scheduled arrival time.

OUR SERVICES

Passenger Operations

PAL provides full-service carrier serving both leisure and business travelers. As of May 31, 2026, PAL's fleet comprised 51 aircraft, including 25 widebody aircraft (Boeing 777-300ER, Airbus A350-900, Airbus A350-1000, and Airbus A330-300) for long-haul and medium-haul international routes, and 26 narrowbody aircraft (Airbus A321NEO, A321CEO, and A320-200) for regional and medium-haul routes. PAL operates from its principal hubs at NAIA in Manila and Mactan-Cebu International Airport, serving 40 destinations in 16 countries across North America, the Middle East, Asia and Oceania. See "*—Our Fleet*" for further details.

APC operates primarily from Manila and Cebu, providing connectivity to 30 domestic destinations throughout the Philippines. As of May 31, 2026, APC's fleet comprised 33 aircraft, including 22 narrowbody aircraft (Airbus A321-231CEO) and 11 turboprop aircraft (DHC 8-400NG). See "*—Our Fleet*" for further details. In the three months ended March 31, 2026, APC operated 9,761 domestic roundtrip flights and generated transport revenues of ₱3,099.9 million (U.S.$51.0 million). Under the Codeshare Agreement, PAL markets all flights, including those operated by APC under the *PAL Express* brand.

PAL generates ancillary revenue from non-ticket services, including seat selection and class upgrades, excess and prepaid baggage fees, inflight sales and services, travel insurance, and other travel-related products. PAL seeks to grow ancillary revenue through personalization and upselling capabilities available through its website and mobile app, which enable passengers to purchase relevant upgrades during the booking process tailored to their travel preferences.

For the year ended December 31, 2025, PAL's passenger revenue was U.S.$2,728 million, cargo revenue was U.S.$165.0 million and ancillary revenue was U.S.$301.2 million, representing 84.6%, 5.1% and 9.3% of total operating revenue, respectively. APC generated transportation revenue of ₱11,738.8 million (U.S.$193.3 million) for the year ended December 31, 2025, representing billings to PAL under the Codeshare Agreement.

For the three months ended March 31, 2026, PAL's passenger revenue was U.S.$759.6 million, cargo revenue was U.S.$43.2 million and ancillary revenue was U.S.$83.6 million, representing 85.7%, 4.9% and 9.4% of total operating revenue, respectively. APC generated transportation revenue of ₱3,099.9 million (U.S.$51.0 million) in the three months ended March 31, 2026, which pertains to billings to PAL under the Codeshare Agreement.

Cargo Operations

As of May 31, 2026, PAL's cargo operations held a 15.4% market share at its Manila hub and 40.5% overall domestic market share, according to the CAB. PAL transports cargo through the belly space of its passenger aircraft to maximize network efficiency, serving destinations across the Philippines, North America, Asia, the Middle East and Australia.

PAL carries cargo for a variety of customers, including freight-forwarding companies, import/export-oriented companies, individual consumers and other international carriers. For the three months ended March 31, 2026, PAL's cargo revenues were U.S.$43.2 million and total tonnage was 51 tons. PAL operates a dedicated cargo terminal (PAL Cargo Terminal) near the NAIA Terminal 3 that supports both domestic and international cargo operations and sales offices. While APC does not conduct separate cargo operations, cargo carried on PAL Express flights is managed and marketed by PAL under the Codeshare Agreement.

The following table sets forth certain of our cargo operating statistics for the years and periods indicated:

	As of or for the year ended December 31,			As of or for the three months ended March 31,	
	2023	2024	2025	2025	2026
Total Cargo Revenue (U.S.$ in millions).....	142.7	159.7	165.0	35.3	43.2
Freight Volume (millions of kilograms)	179	195	207	47	51
Revenue Tonne Kilometers (millions)	3,936	3,992	4,002	998	1,062
Cargo Revenue Growth (%)	N.A.	11.9%	3.3%	N.A.	22.4%

For the years ended December 31, 2023, 2024 and 2025, PAL's cargo revenue was U.S.$142.7 million, U.S.$159.7 million and U.S.$165.0 million, respectively, representing 4.4%, 5.1% and 5.1% of total operating revenue, respectively. For the three months ended March 31, 2025 and 2026, PAL's cargo revenue was U.S.$35.3 million, and U.S.$43.2 million, respectively, representing 4.3% and 4.8% of total operating revenue, respectively.

Ground Handling and Airport Facilities

We utilize third-party ground handling providers across our domestic and international network for passenger and cargo operations. At NAIA, we operate a dedicated cargo terminal supporting cargo handling, warehousing and documentation activities. We also maintain dedicated passenger facilities at NAIA and Mactan-Cebu International Airport, including Mabuhay Lounges for eligible passengers.

Fare Classes and Service Offerings

We offer multiple fare classes and cabin products designed to serve the needs of different types of travelers, from price-conscious passengers to premium business travelers. Our service offerings vary by aircraft type and route. Carry-on and checked baggage allowances are also subject to variation based on region, route, and fare type. The following describe the fare classes that are available on PAL and PAL Express flights:

- *Business Class* is our premium cabin offering on select narrowbody aircraft and all widebody aircraft, featuring lie-flat seats on long-haul international flights to North America, the Middle East, Australia and select Asian destinations. It is divided into progressive subclasses, namely Business Value and Business Flex. Business Class passengers receive priority check-in at dedicated counters, access to Mabuhay Lounges worldwide, premium dining with turndown service, priority boarding, baggage benefits depending on the fare type and route, baggage delivery and complimentary Wi-Fi where available.

- *Premium Economy* is available on our new A350-1000 aircraft, as well as on the A350-900s and select A330-300s. Premium Economy passengers enjoy a dedicated cabin section with enhanced legroom and recline, priority check-in and boarding, premium meal service, priority baggage delivery, an amenity kit, in-seat power outlets, enhanced Mabuhay Miles accrual, baggage benefits depending on the fare type and route, and complimentary Wi-Fi where available.

- *Comfort Class* is available on select domestic routes and provides an enhanced experience for premium domestic travelers. Comfort Class passengers receive priority check-in and boarding, enhanced legroom seating, access to Mabuhay Lounges, baggage benefits depending on the fare type and route, and complimentary meals and beverages.

- *Economy Class* is our standard cabin offering, available on all flights, and is divided into progressive fare subclasses, namely Supersaver, Saver, Value and Flex. Economy Class passengers enjoy convenient check-in options through online and mobile app platforms, baggage benefits depending on the fare type and route, and standard seat selection. On international routes, Economy Class passengers also receive complimentary meals and beverages.

In addition to our cabin offerings, PAL launched *FurPAL* in 2026, an in-cabin pet travel service available on all domestic routes, allowing passengers to travel with small pets in the cabin.

Our Route Network

As of May 31, 2026, the PAL Group's combined route network covered 70 destinations across 88 routes.

Our international network, operated by PAL, spans 40 destinations across North America (Los Angeles, San Francisco, Seattle, New York, Honolulu, Guam, Saipan, Palau, Vancouver, and Toronto), the Middle East (Dubai, Doha and Riyadh), Northeast Asia, Greater China, Southeast Asia and Australasia. Our key international markets include Japan, Korea, Hong Kong, Singapore, Bangkok and Australia.



International Route Map as of May 2026

As of May 31, 2026, our domestic network served 30 cities and towns throughout the Philippine archipelago, operated under both PAL and PAL Express. Key domestic destinations include major cities such as Cebu, Davao, Iloilo, Bacolod, Cagayan de Oro, and General Santos, as well as popular leisure destinations including Puerto Princesa, Panglao, Busuanga, Siargao, and Boracay (via Caticlan).



Domestic Route Map as of May 2026

The PAL Group operates from the following hubs:

NAIA

Our primary hub is NAIA in Manila, where we operate from both Terminal 1 (international flights) and Terminal 2 (domestic flights). NAIA is the busiest airport in the Philippines and serves as the principal gateway for international visitors to the country. We maintain a dominant presence at NAIA with strong schedule positions and comprehensive domestic and international connectivity.

In September 2024, NAIA was privatized and is being operated by NNIC. The privatization is expected to result in significant infrastructure investments, modernization of terminal facilities and expansion of airport capacity. PAL maintains a long-term land lease agreement for 8.1 hectares of aircraft parking facilities at NAIA, effective until 2038. In June 2025, PAL entered into a long-term lease agreement with the Manila International Airport Authority for administrative and training facilities. In April 2026, PAL entered into a long-term lease with NNIC for property within the MacroAsia Special Economic Zone, which will primarily be used for APC's line maintenance activities. See "*Recent Developments—Lease with New NAIA Infra Corp.*"

Mactan-Cebu International Airport

Our secondary hub at the Mactan-Cebu International Airport serves as a gateway to the Visayas region and provides connectivity for passengers traveling to and from popular tourist destinations in central Philippines. From Cebu, we operate flights to 17 domestic destinations throughout the Philippines as well as international destinations including Tokyo-Narita, Osaka, Ho Chi Minh City, and Guam as of March 31, 2026.

Clark International Airport

Clark International Airport in Pampanga serves as an additional hub, primarily for domestic leisure routes. Following the discontinuation of PAL turboprop operations at NAIA effective March 29, 2026 pursuant to the timelines set under the Manila Slot Coordination Committee (MSCC Resolution 2025-02), Clark has become an

increasingly important gateway for PAL's turboprop services, including flights to destinations such as Basco, Busuanga and Siargao. Clark International Airport also provides an alternative gateway to Manila for passengers from the northern Luzon region.

Mabuhay Miles Frequent Flyer Program

Mabuhay Miles is our frequent flyer program designed to enhance customer loyalty and generate ancillary revenue through the sale and redemption of miles. As of May 31, 2026, Mabuhay Miles had approximately 6.9 million members, with total membership growing at a CAGR of 8.4% from 2023 to 2025. The program is structured around four membership tiers (Classic, Elite, Premier Elite, and Million Miler), with higher tiers providing enhanced benefits such as priority check-in, additional baggage allowances, lounge access, and mileage bonuses, which we believe incentivizes member engagement and premium travel. Active members, defined as members who have taken a PAL or codeshare flight, converted bank points into Mabuhay Miles, earned miles through partner programs or redeemed miles during the relevant year or period, grew at a CAGR of 22% over the same period.

The program generates revenue through two primary channels: (i) the sale of miles to partner banks and commercial partners, and (ii) recognition of revenue upon redemption or expiration of miles earned by members on PAL flights. Our principal banking partner is Philippine National Bank, with whom we maintain the PNB Mabuhay Miles Cobrand credit card portfolio, offering card products, ranging from Prepaid to World Elite Mastercard. We have expanded our partner ecosystem to include retail, hospitality, lifestyle, transportation and other commercial partners in the Philippines and internationally. We have also entered into partnerships in new categories, including ride-hailing, food delivery, travel, dining and rewards platforms, providing members with additional opportunities to earn and redeem Mabuhay Miles.

Mabuhay Miles members may earn miles by flying on PAL or partner airlines, through co-branded credit cards, or through purchases from our commercial partners, including SM Advantage Card, The Rockwellist, Hertz and other retail, hospitality, travel and lifestyle partners. Members can redeem miles for award travel on PAL or partner airlines, flight upgrades, miles-plus-cash bookings on eligible routes, as well as for hotel stays, car rentals, and merchandise through PAL's rewards catalog. In 2025, 66.4% of earned miles were redeemed by members. Revenue from miles is recognized when miles are redeemed or expire. A portion of passenger revenue attributable to the award of frequent flyer miles is deferred until utilized, with deferred revenue of $148.1 million as of March 31, 2026.

In May 2026, PAL expanded its frequent flyer partnerships, including a reciprocal partnership with Qatar Airways and Qantas Airways, allowing members of Mabuhay Miles to earn and redeem points across both airline networks. PAL has also partnered with Taekus, a San Francisco-based invite-only credit card program, to offer conversion to Mabuhay Miles. Additionally, effective July 15, 2026, points earned through the PNB co-brand credit card portfolio will automatically convert to Mabuhay Miles.

Active Mabuhay Miles members are typically highly-engaged travelers, who fly approximately three times more frequently than non-members, accounting for 29.2% of passenger revenues in 2025. Beyond driving core passenger volume, the program also generates cash flow through the sale of miles to commercial partners such as banks, credit card issuers, hotels, and other third-party affinity partners in advance of the redemption of such miles by the members. Gross sales of miles to these third-party program partners generated U.S.$32.3 million in 2025 and continued their string momentum into the first quarter of 2026, contributing U.S.$11.6 million.

Under our revenue recognition policy, a portion of the program's obligations is recorded as deferred revenue until the related miles are redeemed or expire. In 2025, members redeemed miles valued at U.S.$31.9 million and U.S.$10.9 million during the first quarter of 2026. The program benefits from minimal capital expenditure requirements and favorable working capital dynamics, receiving cash inflows from the sale of miles in advance of the cash outflows corresponding to redemption.

We operate Mabuhay Lounges at key airports, including Manila (NAIA Terminals 1 and 2) and Cebu (Mactan-Cebu International Airport), as well as partner lounge arrangements at other domestic and international stations. Lounge access is provided to Business Class passengers and eligible elite members, offering amenities such as complimentary food and beverages, Wi-Fi, and dedicated work and relaxation areas. Lounge access forms part of the benefits available to eligible premium passengers and loyalty program members.

The following table sets forth certain operating statistics for Mabuhay Miles:

	As of December 31,			As of March 31,	
	2023	2024	2025	2025	2026
Active members[1] (millions)	0.9	1.1	1.4	1.3	1.5
Total members (millions)	5.7	6.2	6.7	6.3	6.8

Note:

(1) Active members are members who have taken a PAL or codeshare flight, converted bank points into Mabuhay Miles, earned miles through partner programs or redeemed miles during the relevant year or period.

OUR FLEET

Our fleet comprises a mix of widebody, narrowbody and turboprop aircraft optimized for different route types and passenger requirements. As of May 31, 2026, our fleet comprised 84 aircraft, comprising 51 aircraft operated by PAL and 33 aircraft operated by PAL Express. PAL's fleet includes narrowbody and widebody aircraft, while PAL Express operates narrowbody aircraft and turboprop aircraft for domestic operations. The average age of our operating fleet is approximately 11.4 years.

Based on our current fleet plan and existing orderbook, and subject to aircraft deliveries and prevailing market conditions, we expect our operating fleet to grow over the medium term as we take delivery of our ordered A321NEO and A350-1000 aircraft and manage the retirement and refurbishment of older aircraft. Our fleet plan is designed to support our objective of maintaining our market position while preserving flexibility between finance and operating leases depending on the impact on our credit metrics, leverage and liquidity.

The following table sets forth the composition of our fleet as of March 31, 2026:

	As of March 31, 2026[1]					
	Total	Owned	Leased	Operating Fleet[2]	Operating Fleet Average (years)	Number of seats
Widebody						
Boeing 777-300ER	10	3	7	10	12.1	370 – 393
Airbus A350-900	2	-	2	2	7.4	295
Airbus A330-300	11	5	6	11	12.0	309 – 363
Airbus A350-1000	1	-	1	1	0.3	382
Narrowbody						
Airbus A321NEO	8	6	2	8	7.3	168 – 195
Airbus A321CEO	22	10	12	22	11.3	194 –199
Airbus A320-200	18	9	9	18	15.8	180
Turboprop						
DHC 8-400NG	11	5	6	11	7.8	86
TOTAL	**83**	**38**	**45**	**83**	**11.4**	**-**

Notes:

(1) Subsequent to March 31, 2026, PAL took delivery of one leased Airbus A320-200 aircraft. As of May 31, 2026, the PAL Group fleet comprised 84 aircraft.

(2) Operating fleet means those aircraft in our fleet that are active, capable of operating, and in operation as of March 31, 2026.

A majority of our operating fleet is subject to lease arrangements, including both finance leases and operating leases. We are generally responsible for the maintenance, servicing, insurance, repair and overhaul of our leased aircraft.

As of May 31, 2026, we have an orderbook, including 13 Airbus A321NEO aircraft (deliveries 2026-2029) and seven Airbus A350-1000 aircraft (deliveries 2026-2028), which we believe will support our fleet modernization and network growth objectives. We believe that our orderbook enhances the predictability of our fleet renewal plans and provides flexibility to capture growing demand. We are also evaluating options for the replacement of our widebody aircraft fleet for delivery beginning in 2031.

Maintenance

Aircraft maintenance, repair and overhaul are critical to the safety and comfort of our customers and the optimization of our fleet utilization. PAL's Technical Operations Department undertakes planning, monitoring

and control of all maintenance activities and technical compliance of aircraft, engines and accessories with airworthiness requirements and industry accepted standards for safety, reliability and customer acceptability.

PAL subcontracts the maintenance of its commercial fleet to competent AMOs. Our primary maintenance provider is Lufthansa Technik Philippines ("**LTP**") in Manila for line and base maintenance. We also utilize maintenance providers in Xiamen, Clark in Pampanga, Jakarta, Kuala Lumpur, Hanoi and Amman for various maintenance services. PAL's fleet is maintained in accordance with standards mandated by applicable aviation authorities including the CAAP, the U.S. Federal Aviation Authority, and the European Aviation Safety Agency.

We provide line maintenance services at most of our stations in the Philippines and at certain international stations where we operate. Heavy maintenance comprises more complex inspections and checks, as well as aircraft servicing that cannot be completed overnight. Maintenance checks are performed in accordance with requirements prescribed by aircraft manufacturers and approved by applicable aviation authorities. These checks are scheduled based on flight hours, flight cycles (takeoffs and landings) or calendar intervals. Effective August 1, 2026, line maintenance activities supporting PAL are expected to transition from LTP to an expanded in-house line maintenance function operated by APC as part of PAL Group operational integration initiatives.

We expect the transition of line maintenance to an expanded in-house function operated by APC to generate meaningful annual line-maintenance cost savings and to enhance our control over operational reliability. APC, PAL and LTP are coordinating the transition, including the hiring by APC of experienced mechanics and support personnel familiar with our existing maintenance environment, and LTP will remain a key partner for base and heavy maintenance.

All major engine repairs and overhauls are conducted by certified third-party maintenance providers. We utilize a range of engine maintenance providers, including original equipment manufacturers and approved maintenance organizations. Shop maintenance and overhaul services for auxiliary power units are provided by third-party service providers. Component pooling and repair services are provided by a number of approved maintenance providers and aircraft manufacturers.

Each of our certified maintenance professionals is trained in maintenance procedures and is licensed by the CAAP.

Fuel

Aviation fuel is one of our largest operating expenses. Our fuel prices are based on the MOPS benchmark and comprise both variable and fixed components. Our Fuel Management Department is responsible for the development and implementation of our fuel procurement strategies, including fuel price management, and evaluates various hedging strategies to manage price levels within acceptable parameters. As of May 31, 2026, we did not have any outstanding fuel hedging derivatives. We are permitted under regulations issued by the CAB to pass on a fuel surcharge to passengers, which covers approximately 40% of our fuel costs. The CAB currently applies an interim 15-day monitoring and implementation cycle for passenger and cargo fuel surcharges in response to recent fuel price volatility. See "*Recent Developments—Impact of the Middle East Conflict*" for further discussion. We may also adjust base fares in response to changes in fuel prices, subject to competitive conditions.

The following table set forth certain information regarding our fuel consumption for the years and periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2023	**2024**	**2025**	**2025**	**2026**
Total fuel cost (U.S.$ in millions)	1,022.6	966.5	926.7	230.4	251.6
Total fuel consumption (thousand barrels)	8,585.3	8,855.2	9,220.4	2,207.7	2,346.1
Fuel cost as percentage of operating expenses (%)	37.2%	34.3%	30.9%	31.1%	31.7%

STRATEGIC PARTNERSHIPS

We have established strategic partnerships that allow us to improve our overall network, expand our international connectivity, offer more attractive benefits to our Mabuhay Miles members, enhance our brand and build customer loyalty and revenue. These strategic partnerships provide for commercial cooperation agreements, codeshare and

interline arrangements, as well as marketing initiatives, loyalty program reciprocity and enhanced service levels at airports.

ANA Holdings, Inc. acquired a 9.5% equity stake in PHI in February 2019. Following PHI's issuance of new shares in connection with PAL's 2021 financial restructuring, ANA's equity stake decreased to 4.11%. Our partnership with ANA provides connectivity to numerous destinations in Japan and beyond through coordinated schedules and mutual frequent flyer program benefits. ANA is one of Japan's largest airlines and a member of Star Alliance.

Our codeshare partnerships are an important component of our network strategy, allowing us to serve markets beyond our own operated routes without the capital investment required to deploy our own aircraft. As of March 31, 2026, we maintain codeshare agreements with leading global carriers including Alaska Airlines, ANA, American Airlines, WestJet, Cathay Pacific, and Malaysia Airlines. These codeshare agreements allow us to sell seats on partner airlines' flights under our flight code or vice versa, providing passengers with seamless connections on a single ticket with baggage checked through to final destinations. In particular, our partnerships with American Airlines, Alaska Airlines and WestJet provide significant connectivity to destinations throughout the United States and Canada.

Effective June 1, 2026, PAL expanded its codeshare partnership with Qatar Airways. Under the agreement, PAL places its "PR" designator code on Qatar Airways flights operating from Manila, Cebu, Clark, and Davao to Doha, providing passenger access to European destinations via Hamad International Airport. Reciprocally, Qatar Airways places its "QR" code on select PAL domestic flights. The partnership also includes reciprocal earning and redemption between the Mabuhay Miles and Privilege Club loyalty programs.

Effective May 28, 2026, PAL and Qantas Airways expanded their frequent flyer partnership, enabling members of the Mabuhay Miles and Qantas Frequent Flyer programs to redeem points across both airlines' respective networks. The expanded partnership broadens the range of destinations available to Mabuhay Miles members through the Qantas network, including destinations in Australia such as Adelaide, Hobart, Byron Bay and Cairns, while also providing Qantas Frequent Flyer members with access to PAL's network across the Philippines and Southeast Asia.

In June 2026, PAL was invited to join oneworld, a global airline alliance comprising leading international carriers, with integration expected to be completed no later than December 31, 2027. PAL's participation in oneworld remains subject to the completion of applicable requirements and integration processes. Upon completion, PAL would become part of an alliance network providing access to destinations served by oneworld member airlines.

OUR PASSENGERS

PAL has a large network of customers all over the world and is not dependent on one or a few major customers. Our passengers span a broad range from price-sensitive to premium travelers. International and domestic passengers travel primarily for vacation/leisure, business/work, visiting family/friends, and other purposes including OFW travel.

The following table sets forth information regarding the number of passengers we carried for the years and periods indicated:

	For the years ended December 31,						For the three months ended March 31,			
	2023		2024		2025		2025		2026	
	(*in millions, unless otherwise indicated*)									
International	6.2	42.2%	6.4	41.0%	6.6	40.5%	1.6	40.0%	1.8	41.9%
Domestic	8.5	57.8%	9.2	59.0%	9.7	59.5%	2.4	60.0%	2.5	58.1%
Total	**14.7**	**100.0%**	**15.6**	**100.0%**	**16.3**	**100.0%**	**4.0**	**100.0%**	**4.3**	**100.0%**

MARKETING AND CUSTOMER EXPERIENCE

The *Philippine Airlines* brand and our brand promise, "*Care That Comes from the Heart*," reflect our commitment to providing world-class service with the warmth and care of the Filipino heart. See "*—Our Vision and Mission*."

Customer satisfaction is important to us. Based on our internal customer satisfaction surveys, our customer satisfaction score was 71% and our Net Promoter Score was +45.3 as of May 31, 2026. We continually monitor customer feedback through post-trip surveys and have implemented strategic initiatives focused on improving on-time performance, frontline training, and digital enhancements, including improvements to our website and PAL mobile app.

In 2025, PAL continued to optimize its digital infrastructure to support evolving passenger expectations and future ancillary monetization, including upgrading satellite-based Wi-Fi on select Airbus A350-900 and Airbus A321NEO LR aircraft with complimentary connectivity on enabled aircraft, and transitioning to a new content service provider to expand curated inflight entertainment content across the network.

PAL was recognized as Asia-Pacific's Most Punctual Airline by Cirium in 2025, with an on-time performance of 83.12%. PAL has also been recognized as an APEX Four Star Major Airline. These achievements reflect our commitment to operational excellence and customer service.

PRICING AND REVENUE MANAGEMENT

PAL's pricing strategy is designed to maximize revenue across its network by balancing passenger demand with competitive market conditions. PAL aims to offer competitive fares with regular benchmarking against both non-stop and one-stop carriers. PAL's pricing strategy is designed to serve a diverse customer base, including Visiting Friends and Relatives ("**VFR**") travelers, OFWs, business travelers and leisure travelers, through a range of product offerings and fare options.

The key elements of PAL's pricing and revenue management approach include:

- *Fare Class Segmentation*: Multiple fare classes across Economy, Premium Economy, and Business Class cabins, each with different price points, booking restrictions, and service levels; and

- *Yield Management:* Demand forecasting, seat inventory optimization, and real-time adjustments to fares and seat availability based on market conditions. PAL uses an industry-standard revenue management system to forecast demand and optimize pricing and seat availability across its network. The system enables demand analysis at the origin-destination and point-of-sale level, allowing for granular pricing and inventory control across different markets.

For domestic and international routes originating in the Philippines, PAL files fares with and seeks approval from the CAB. The CAB also regulates the level of fuel surcharges applicable to ticket sales in the Philippines.

In addition to passenger ticket revenue, PAL generates ancillary revenue from optional passenger services, including checked baggage, cabin upgrades, seat selection, lounge access, meals and travel insurance. PAL works with internal teams and third-party providers to optimize the pricing, distribution and uptake of these ancillary products and services.

PAL's revenue management function works closely with its network planning, sales and marketing teams to align pricing strategies with capacity deployment, demand trends and broader commercial objectives.

SALES AND DISTRIBUTION

We strive to maintain a sophisticated sales process and a multi-channel distribution strategy with broad customer reach. We distribute our products through both direct and indirect channels. Our direct channels include our website, mobile applications, ticket offices, sales agents and call center, while our indirect channels include traditional travel agencies, online travel agencies and other distribution partners. Direct online bookings through our website and mobile application represent our lowest-cost distribution channel. We continue to invest in our digital platforms to enhance the customer booking experience and increase the proportion of direct sales.

We utilize Amadeus as our primary provider of airline reservation, ticketing, passenger processing and distribution technology systems. Amadeus' Altea Passenger Service System supports our reservations, ticketing, check-in and passenger processing functions and enables real-time accrual and redemption of miles under our Mabuhay Miles loyalty program. We also utilize Sabre Travel Network (Philippines), Inc. ("**Sabre**") for certain domestic ticketing services.

In June 2025, we implemented NDC, an airline distribution standard developed by the IATA. NDC enables airlines to distribute personalized offers and ancillary products directly to travel sellers through real-time system integration. Through NDC, we seek to strengthen connectivity with our distribution partners, improve distribution efficiency and expand revenue opportunities across our business-to-business sales channels.

COMPETITION

We face competition in our domestic and international routes, including with respect to our Mabuhay Miles frequent flyer program, from competing airlines, charter airlines and potential new entrants. Airlines compete mainly in the areas of pricing, scheduling (frequency and flight times), on-time performance, onboard experience, frequent flyer programs and other services.

The airline industry is highly sensitive to price discounting and the use of aggressive pricing policies. Other factors, such as flight frequency, schedule availability, brand recognition and quality of offered services (such as loyalty programs, VIP airport lounges, inflight entertainment and other amenities) also have a significant impact on airline competitiveness.

Low-cost carriers have been gaining market share in the Philippines and the broader Asia-Pacific region. The growth of Cebu Pacific, Philippines AirAsia and other regional low-cost carriers reflects this trend. With Manila's NAIA operating at capacity constraints, the competitive landscape has become more stable, with limited ability for new market entrants or significant capacity growth by existing competitors.

The Philippines is one of the fastest-growing economies in the region. As an archipelago of more than 7,000 islands with limited land-based transport alternatives, the Philippines relies heavily on air travel for inter-island connectivity, which we believe supports structural demand for domestic air travel over the long term.

In the Philippine domestic passenger market, we compete primarily with the Cebu Pacific Group (which holds approximately 56% domestic market share) and Philippines AirAsia (approximately 14% domestic market share). We held approximately 29% domestic market share in 2025, and 28% domestic market share for January to March 2026 as reported by the CAB.

In the international passenger market, we compete with a number of airlines including both full-service carriers and low-cost carriers. In the U.S. and Canada, our competitive advantage is our non-stop flights between Manila and 10 North American destinations. For North America, we compete with United Airlines and Air Canada that offer direct flights between Manila and San Francisco and between Manila and Vancouver, respectively. Recently, Delta Airlines announced that they will mount direct flights between Manila and Los Angeles starting 2027. We also compete with EVA Air, Korean Air, Cathay Pacific, China Airlines, All Nippon Airways, Japan Airlines, and Singapore Airlines that offer one-stop flights from Manila to North America. In the Middle East, we face competition from Cebu Pacific, Emirates, Etihad, Gulf Air, Qatar Airways, Saudia and Singapore Airlines. In Asia and Australia, we compete with a number of airlines, including All Nippon Airways, AirAsia, Cathay Pacific, Cebu Pacific, Japan Airlines, Thai Airways, Vietnam Airlines, Korean Air, Qantas and Singapore Airlines. In the international market, we held a 23% market share in 2025, and 23% market share for January to March 2026 as reported by the CAB.

Mabuhay Miles' direct competitors in the Philippines and Southeast Asia include other loyalty programs in the travel, banking and retail sectors. Each of the airlines with a significant presence in our markets has a frequent flyer program that competes with Mabuhay Miles. Our main competitors include the loyalty programs of Cebu Pacific (GetGo), Singapore Airlines (KrisFlyer), Cathay Pacific (Asia Miles), and major U.S. airlines such as American Airlines, Delta Air Lines and United.

SAFETY AND SECURITY

We are committed to the safety and security of our passengers and employees and are subject to the safety and security regulations of the CAAP and each of the countries in which we operate. We maintain comprehensive safety measures including aircraft security and surveillance, positive bag matching procedures, enhanced passenger and baggage screening and securing of cockpit doors. We strive to comply with or exceed health and safety regulation standards and maintain an active aviation safety program.

The effectiveness and relevance of our Safety Management System ("**SMS**") has been validated by the CAAP and industry organizations including IATA. We implement SMS through our S.A.F.E.R. ID (Stop, Assess, Filter, Execute, Report) QR code reporting system, which promotes a proactive safety culture and encourages safety

reporting throughout the organization. In 2025, we have seen a 10.5% increase in operational safety hazard reports compared to the previous year, reflecting improved ability to capture and address safety concerns and incident precursors.

PAL and PAL Express are certified by IOSA (IATA Operational Safety Audit), an internationally recognized evaluation system intended to assess the safety and operational management of airlines. PAL achieved its tenth IOSA renewal in 2024 with a "Leading" maturity assessment, while PAL Express achieved its sixth IOSA renewal with a "Mature" maturity assessment. As of March 31, 2026, we had no fatal accidents and hull losses.

The Philippines has an IASA Category 1 rating from the FAA, which means the Philippines' oversight of its air carriers through the CAAP complies with safety standards established by the ICAO. Category 1 status is based upon the FAA's review of various safety standards with respect to regulations, licensing of personnel, condition of aircraft, airline monitoring, pilot training, maintenance, repair and overhaul facilities and aeronautical organizations. This Category 1 status allows PAL to operate flights to the United States without restrictions.

We are an active member of industry safety organizations and maintain comprehensive safety training programs. In 2025, we had 1,887 active enrollments in SMS training courses, with SMS Level 1 training provided to pilots, cabin crew, ground personnel, and service providers, and SMS Levels 2 and 3 training for executives. We also conduct emergency response and crisis management training, first aid training in partnership with the Philippine Red Cross, Basic Occupational Safety and Health Training conducted by the Philippine Department of Labor and Employment, and Cabin Fire Simulator training. Our ongoing focus on safety relies on training our employees to proper standards and providing them with the tools and equipment they require to perform their job functions safely and efficiently.

Our pilots, cabin crew and ground personnel undergo continuous training to ensure safe and efficient flight operations. All cabin crew receive annual training in compliance with CAAP, ICAO and IOSA requirements. In 2025, we significantly increased the frequency of Cabin Fire Simulator Training, with 1,606 PAL and PAL Express crew members completing the course. We also conducted turbulence awareness and safety seminars featuring industry experts to ensure trained first responders are available on all flights.

We also maintain rigorous ground safety standards across our operations. In 2025, our safety department conducted 239 ground safety inspections, including 122 ramp safety inspections, 28 facility safety inspections, five maintenance safety inspections, 12 airport safety inspections, and 72 radiation safety surveys. Safety, Health, and Environment Committees were formed at each of our five main office locations and convene monthly to discuss and mitigate safety and health hazards, in compliance with Philippine Department of Labor and Employment requirements. We recorded zero work-related fatalities in 2025.

Our security operations comply with requirements of the CAAP and the Philippine Office for Transportation Security ("**OTS**"). In 2025, PAL Cargo passed external audits and inspections conducted by the OTS. We have also incorporated training on wildlife trafficking prevention for ground handlers, cargo acceptance staff, baggage and cargo screeners, cabin crew, and pilots, with established reporting procedures and communication channels with the Bureau of Customs and the DENR-Wildlife Trafficking and Monitoring Unit.

HUMAN CAPITAL RESOURCES

As of March 31, 2026, the PAL Group employed 6,888 personnel across its global operations, comprising 5,420 employees at PAL and 1,468 employees at APC. The majority of our workforce is based in the Philippines, with additional personnel at international stations. As of May 31, 2026, the PAL Group employed 6,984 personnel.

In 2025, the PAL Group recorded a hiring rate of 7.41% and a voluntary attrition rate of 3.13%. We seek to attract, develop and retain qualified personnel to support our operational requirements and long-term business objectives.

Our workforce comprises employees across operational, technical, maintenance, administrative and customer service functions. We believe this workforce profile supports the operation of our network and our focus on safety, operational reliability and customer service.

The table below sets forth the breakdown of PAL's and APC's employees by function as of March 31, 2026.

As of March 31, 2026

Types of Employees	Number of Employees
PAL	
Ground Employees	
Administration - Philippine-based	1,563
Administration - Foreign-based	75
General - Philippine-based	447
General - Foreign-based	132
Expatriates on Foreign Assignment	7
Flight Crew	
Pilots	851
Cabin Crew	2,345
Total PAL	**5,420**
APC	
Ground Employees	
Administration	216
General	229
Mechanics	209
Flight Crew	
Pilots	313
Cabin Crew	501
Total APC	**1,468**
Total PAL Group	**6,888**

Talent Development and Training

We invest in employee training and development to support operational performance, safety, regulatory compliance and workforce capability. In 2023, we launched PAL Multiversity, an internal learning platform that provides employees with access to training and development programs across a range of professional, technical and leadership disciplines.

PAL Multiversity utilizes instructor-led, virtual and self-paced learning formats and supports training and development initiatives across various business functions. We also maintain function-specific training programs to support workforce development and knowledge sharing across the organization.

Leadership Development

PAL maintains leadership development and succession planning programs designed to support management continuity and talent development. In 2025, PAL launched the Young Leaders' Development Program, which seeks to identify and develop high-potential employees through structured training, career development and leadership opportunities. The program forms part of PAL's broader succession planning and leadership development efforts.

Compensation and Benefits

We provide compensation and benefits programs designed to support employee recruitment and retention. Benefits include government-mandated coverage (SSS, PhilHealth and Pag-IBIG), medical benefits, retirement plans and travel privileges that extend to qualified dependents. These programs are designed to comply with applicable labor and employment laws and regulations.

Labor Relations

As of March 31, 2026, 51.9% of PAL employees were represented by labor unions and covered by collective bargaining agreements ("**CBAs**"). PAL's unionized employees are represented by a number of labor organizations, including:

- Flight Attendants and Stewards Association of the Philippines ("**FASAP**"), representing cabin crew;
- PAL Employees Association ("**PALEA**"), representing ground employees;

- International Association of Machinists and Aerospace Workers ("**IAMAW**"), representing certain employees in the United States
- Singapore Manual and Mercantile Workers' Union ("**SMMWU**"), representing certain employees in Singapore; and
- Labor organizations representing certain employees in Japan and other international locations.

PAL's CBAs govern various terms and conditions of employment, including compensation and benefits, working conditions and dispute resolution procedures. Significant CBAs include the PAL-PALEA CBA covering the period from 2023 to 2028 and the PAL-FASAP CBA executed in November 2024.

There is no employee union at APC; however, an Employee-Management Cooperation and Collaboration committee exists as a venue for management and staff to discuss employee concerns.

PAL and APC have not experienced any work stoppages or lost man-days resulting from labor disputes since 2015. Compensation and benefits for PAL's unionized employees are governed by applicable CBAs, which are periodically renegotiated upon expiration.

Workforce Health and Safety

The PAL Group maintains employee health and safety programs, including medical services, preventive care initiatives and workplace safety programs. Safety, Health and Environment Committees ("**SHECs**") operate across the PAL Group's principal facilities and meet regularly to review workplace health and safety matters. In 2025, a total of 60 SHEC meetings were held across the PAL Group's five principal offices.

In 2025, PAL recorded 5,617,249 man-hours worked, with zero disabling injuries, 56 non-disabling injuries and no fatalities. During the same period, APC recorded 3,198,720 man-hours worked, with 111 disabling injuries, three non-disabling injuries and no fatalities. Disabling injuries refer to work-related injuries resulting in lost work time beyond the day of the incident, while non-disabling injuries refer to work-related injuries that do not result in lost work time beyond the day of the incident.

In addition, the PAL Group conducts regular emergency preparedness and safety drills to support operational readiness and employee preparedness for emergency situations.

INSURANCE

We have insurance policies in place covering aviation risks (hull, third party liability, passenger/baggage/cargo liability, war and allied perils, deductible), financial risks (directors and officers liability, cyber, property damage, dishonesty, disappearance and destruction), surety risks (customs bonds, and general transport bonds), and employee benefits (health, life, and accidents). We have obtained the insurance coverage required by the terms of our leasing and financing agreements, and our policies meet the expected standard in terms of insured values, insurers, terms and conditions. These policies have also been approved by the CAAP and other civil aviation authorities in countries where we operate.

As of March 31, 2026, the total amount covered under these insurances policies was U.S.$2.0 billion, which we believe is sufficient to compensate for costs associated with our operations in case of total loss.

SUPPLIERS

The PAL Group relies on third-party suppliers and service providers for key aspects of its operations, including jet fuel, aircraft maintenance, aircraft parts and equipment, inflight catering, ground handling and other operational support services. Inflight catering at our Manila hub is primarily provided by MacroAsia SATS Inflight Services Corporation. The PAL Group seeks to maintain relationships with multiple suppliers and service providers in order to support operational continuity and procurement flexibility.

We enter into supply contracts with various third parties for specialized aircraft equipment, maintenance parts, ground handling, security and other operational services. Vendors undergo a vetting process to ensure they meet our qualification standards.

PAL subcontracts aircraft maintenance to AMOs, with LTP as our primary provider. In 2025, LTP-related maintenance costs amounted to U.S.$225.3 million and for the three months ended March 31, 2026, LTP-related

maintenance costs amounted to U.S.$49.2 million. For further details on our maintenance arrangements, see "—*Maintenance*."

Maintenance parts are sourced primarily from original equipment manufacturers and approved maintenance parts suppliers. Ground handling services are provided by MacroAsia Airport Services Corporation (MASC) for PAL and APC.

We have cultivated relationships with multiple vendors across input categories and are not dependent on any single supplier.

INTELLECTUAL PROPERTY

We believe that the Philippine Airlines and PAL Express brands are well-recognized in the Philippines and among the Filipino diaspora worldwide. PAL owns the trademarks associated with Philippine Airlines and PAL, including related design marks and logos. We use various trademarks to identify our material services and programs, including our "*Mabuhay Miles*" loyalty program and "*Mabuhay Lounge*" airport lounges.

For more information on our intellectual property, see "*Risk Factors—Risks Related to Our Business and Industry—If we are unable to protect our intellectual property rights or maintain our technology license agreements, our business, results of operations and financial condition could be adversely affected*."

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The PAL Group is committed to operating sustainably while maintaining financial discipline. Our sustainability strategy focuses on initiatives that reduce operating costs, improve efficiency and create long-term value for stakeholders. We have established a Sustainability Office to oversee the execution and effectiveness of our sustainability programs, with direction and support from our management team.

Environmental

Fly Net Zero and Fuel Efficiency

The PAL Group has committed to achieving net zero carbon emissions by 2050, in line with the global "Fly Net Zero" initiative. Fuel is our largest operating cost, and our fuel efficiency initiatives deliver both environmental and financial benefits. In 2024, PAL became the first Asian airline to adopt a digital cockpit solution that delivers real-time fuel-saving recommendations to pilots. In 2025, PAL achieved total fuel savings of U.S.$11.13 million, a reduction of 40.46K tonnes of CO2e, and total fuel reduction of 12.85 tonnes. For the three months ended March 31, 2026, PAL achieved total fuel savings of U.S.$4.1 million, a reduction of 11,642 tonnes of CO2e, and total fuel reduction of 3,684 tonnes.

Fleet Modernization

Our fleet modernization program directly supports our emissions reduction goals. As of May 31, 2026, our orderbook includes 13 Airbus A321NEO aircraft and seven Airbus A350-1000 aircraft and for delivery between 2026 and 2029. These new-generation aircraft offer significantly improved fuel efficiency and lower CO2 emissions compared to the aircraft they will replace. In 2025, PAL took delivery of its first A350-1000 aircraft. These new-generation aircraft will progressively replace older, less efficient aircraft in our fleet, reducing our emissions intensity while improving operating economics.

CORSIA Compliance

As an ICAO member state, the Philippines participates in CORSIA (Carbon Offsetting and Reduction Scheme for International Aviation), the global carbon offset scheme for international aviation. PAL and PAL Express have monitored and reported CO2 emissions from international flights to the CAAP since January 2019. The scheme becomes mandatory for all countries by 2027. We are exploring sustainable aviation fuel ("**SAF**") sourcing to meet future offsetting requirements.

Environmental Performance

In 2025, our Scope 1 greenhouse gas emissions totaled 3.58 million tonnes of CO2 equivalent, with an emissions intensity of 0.0894 tCO2e per 100 Revenue Ton Kilometers. The increase in absolute emissions reflects our operational growth, with a 4% increase in flights operated in 2025. On a per-unit basis, our fuel efficiency

initiatives continue to reduce emissions intensity. Our Scope 2 emissions from purchased electricity totaled 8,827 tonnes of CO2e in 2025. In September 2025, our major offices transitioned to 100% geothermal power, contributing to emissions reduction. We have achieved 93% LED lighting across offices and have invested in a solar facility at our headquarters, Lucio K. Tan Jr. (LKTJ) Building that generated 93.1 MWh in 2025.

All of the PAL Group's fleet meets the noise limits of ICAO Annex 16, Chapter 4. We recorded zero noise-related complaints or regulatory fines in 2025.

We are in compliance with Philippine environmental regulations, including the Extended Producer Responsibility Act. We have implemented waste diversion programs, including refuse-derived fuel initiatives, and have transitioned a significant portion of passenger-facing plastic packaging to paper alternatives.

Social Responsibility

Our People

We prioritize the development and well-being of our employees. Women comprise approximately 50% of our workforce and hold 26% of senior management positions. As of March 31, 2026, we recorded zero work-related fatalities and maintain rigorous safety training programs across all operations. For further details, see "*—Safety and Security*" and "*— Human Capital Resources*."

Community Investment

The Philippine Airlines (PAL) Foundation, Inc. ("**PAL Foundation**") is our corporate social responsibility arm, which supports disaster response, humanitarian assistance and community development programs across the Philippines. In 2024, the PAL Foundation provided assistance to communities affected by natural disasters including the El Niño drought and multiple typhoons, and facilitated medical travel grants for indigent patients requiring treatment in Manila. The PAL Foundation's Humanitarian Cargo Grant program transported mobility aids for veterans and persons with disabilities. In 2025, the PAL Foundation implemented approximately 100 disaster response and humanitarian aid initiatives and dedicated 363 hours to CSR efforts. These programs are funded through Mabuhay Miles member donations, cargo space allocations, and event proceeds, requiring minimal incremental cash outlay from operations.

Governance

The PAL Group maintains strong corporate governance practices. As of March 31, 2026, we reported zero monetary losses from anti-competitive behavior proceedings, zero cases of bribery or corruption, and zero whistleblowing reports through established channels. PAL is committed to preventing wildlife trafficking and has integrated wildlife trafficking awareness training into programs for ground handlers, cargo staff, cabin crew and pilots, with established reporting protocols to relevant government agencies.

Our sustainability initiatives are designed to create value while requiring minimal incremental capital expenditure. Fuel efficiency programs are embedded in standard operating procedures, fleet modernization is funded through existing aircraft financing arrangements, and community programs are substantially funded through non-cash contributions. We believe our sustainability strategy supports long-term operational efficiency and positions PAL favorably as environmental standards continue to evolve across the aviation industry.

DIGITAL TRANSFORMATION AND TECHNOLOGY

We leverage data analytics and artificial intelligence ("**AI**") to support customer experience management and customer support operations. These tools help us analyze customer feedback and service trends, identify operational issues, improve disruption management and support customer communications.

We also use AI-enabled chat and voice support technologies to assist in managing customer inquiries, improving response times and providing self-service options. Live agents remain involved in the process to address more complex or sensitive customer concerns.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

We have in the past been, are currently and may in the future become, involved in various legal proceedings relating to matters incidental to the ordinary course of our business, including breach of contract, commercial,

employment, and other litigation and claims, and governmental and other regulatory investigations and proceedings.

We currently believe that the ultimate resolution of such lawsuits, proceedings and reviews will not, individually or in the aggregate, have a material adverse effect on our financial position, liquidity or results of operations. It is not possible to predict the outcome of the pending actions, and, as with any litigation, it is possible that some of these actions could be decided unfavorably. We periodically review the status of each significant matter and assess potential financial exposure with the assistance of legal counsel. We recognize provisions for pending litigation claims when we determine that an unfavorable outcome is probable, and the amount of loss can be reasonably estimated. Due to the inherently uncertain nature of litigation, the ultimate outcome or actual cost of settlement may materially vary from estimates.

Tax Proceedings and Assessments

PAL

PAL is a petitioner in various cases pending before the Court of Tax Appeals of the Philippines ("**CTA**") seeking the refund of excise taxes paid under protest in connection with the following:

- importation of commissary items in the aggregate amount of ₱169.5 million, of which tax refunds amounting to ₱95.5 million have been granted and affirmed by the CTA and the Supreme Court of the Philippines; and

- importation of aviation fuel in the aggregate amount of approximately ₱3.3 billion, of which tax refunds totaling approximately ₱3.2 billion have been finally granted and affirmed by the Supreme Court of the Philippines.

In connection with PAL's exemption from excise tax on aviation fuel importation for its domestic operations under its legislative franchise, the Department of Energy issued a certification in 2022 (the "**2002 Certification**") relating to the applicability of such exemption. The Regional Trial Court enjoined the implementation of the 2002 Certification, which was affirmed by the Court of Appeals in 2017. In January 2024, the Supreme Court of the Philippines ruled on procedural grounds that the relevant Regional Trial Court lacked jurisdiction over the case and did not rule on the merits of any tax liability that may arise in connection with the 2002 Certification. Nevertheless, the Supreme Court expressly stated that its decision would not affect any pending or previously granted tax refunds and as discussed above, PAL has obtained favorable decisions from the Supreme Court and the CTA confirming its entitlement to excise tax exemptions under its legislative franchise.

In addition, PAL is contesting a tax assessment issued by the U.S. Internal Revenue Service in the amount of approximately U.S.$9 million relating to the 2019 and 2020 tax years. The matter is currently pending before the U.S. Tax Court.

APC

APC has ongoing claims for refund before the CTA relating to excise taxes on the importation of aviation fuel for domestic operations amounting to ₱709.2 million, of which the CTA has granted tax refunds amounting to ₱697.4 million.

In addition, APC has a pending appeal before the CTA involving a tax penalty assessment of ₱129.2 million relating to the alleged delay or failure to deliver or present tax exemption certificate endorsements.

RELATED PARTY TRANSACTIONS

In the course of their ordinary business activities, PAL and APC enter into transactions with related parties, including entities under common control, entities under significant shareholder groups, and parent companies. These transactions include the Codeshare Agreement between PAL and APC, aircraft leasing arrangements, maintenance and repair services, ground handling and catering services, banking and treasury services, and other operational support services.

PAL and APC believe that all transactions with affiliated companies are negotiated and conducted on a basis equivalent to those that would have been achievable on an arm's-length basis, and that the terms of these transactions are comparable to those currently contracted with unrelated third-party suppliers, manufacturers and service providers.

See Note 16 to PAL's audited consolidated financial statements as of and for the year ended December 31, 2025, Note 16 to APC's audited financial statements as of and for the year ended December 31, 2025 included in this Offering Memorandum for further information.

PAL, APC, their respective subsidiaries, shareholders and associates, in the ordinary course of business, have entered into transactions with affiliates and other related parties, principally consisting of aircraft leases, code share agreements, maintenance services, ground handling, catering, and cash placements.

PAL

PAL and its subsidiaries have contractual arrangements and transactions with its associate companies and other related parties. The significant related party transactions are as follows:

Codeshare Agreement. Under the Codeshare Agreement between PAL and APC, entities that are under common control, PAL markets and sells passenger tickets while APC operates flights based on agreed rates.

Aircraft Leases. PAL has existing lease agreements with APC (as lessor) covering various aircraft, including Airbus A320-200, Airbus A321-231, and Bombardier DHC 8-400 NG aircraft. Lease income is earned from these sublease arrangements based on fixed and variable rates.

Maintenance Services. PAL has transactions with LTP, an entity under the same shareholder group, for aircraft maintenance and technical management services, including line maintenance, component maintenance, and other support services.

Ground Handling and Catering. PAL has ground handling and catering agreements with MacroAsia Airport Services Corporation and MacroAsia SATS Inflight Services Corporation, entities under a common shareholder group.

Cash Placements and Loans. PAL maintains bank accounts and cash placements with a bank under significant shareholder group. These accounts earn interest at prevailing market rates. PAL also has loan facilities from ultimate parent entities.

Retirement Plan Assets. The retirement plan assets of PAL are managed by a bank under common control.

Others. PAL, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and generally settled in cash or on a net basis.

APC

APC has transactions with related parties such as PAL, Zuma Holdings and Management Corporation (parent company), and banks under common control. These transactions generally comprise transportation revenue, aircraft leases, cash placements, and management services.

Transportation Revenue (Codeshare Agreement). APC earns transportation revenue from PAL under the Codeshare Agreement whereby PAL markets and sells passenger tickets while APC operates flights based on agreed rates.

Aircraft Leases. APC has lease agreements with PAL (as lessee) for various Airbus and Bombardier aircraft units.

Cash Placements. APC maintains interest-bearing cash deposits, short-term placements and short-term investments with a bank under common control. These accounts earn interest at prevailing market rates.

Management Services. APC engages a related party for regulatory affairs, tasks management, and document management services. Key management personnel are provided by PAL by virtue of a management agreement.

Others. APC, in the normal course of business, has outstanding receivables from and payables to related companies which are unsecured and settled on a net basis.

Receivables from related parties of PAL totaled U.S.$59.2 million as of March 31, 2026 and receivables from related parties of APC totaled ₱1,331.5 million (U.S.$21.9 million) as of March 31, 2026.

MANAGEMENT

Directors and Key Management

Our management and day-to-day operations are carried out by our executive officers under the supervision of our Board of Directors ("**Board**"), the members of whom are appointed through a general meeting of shareholders. The rights and obligations of each member of our Board of Directors are regulated in PAL's amended by-laws and by the decisions of our shareholders in a general meeting.

None of our directors or key management personnel have been convicted of fraudulent offenses, been associated with any bankruptcies, receiverships or liquidations while acting in their respective capacities, had been the subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of our Board or in the management or conduct of our affairs.

Board of Directors

The below table sets forth certain information on our Board as of the date of this Offering Memorandum:

Name	Position	Age
Lucio C. Tan	Chairman and Chief Executive Officer	91
Carmen K. Tan	Vice Chairman	85
Richard T. Nuttall	President	60
Rowena T. Chua	Director	65
Tadashi Matsushita	Director	58
Sheila T. Pascual	Director	63
Lucio C. Tan III	Director	33
Vivienne K. Tan	Director	58
Leonardo B. Alejandrino	Independent Director	77
Edgar O. Chua	Independent Director	69
Johnip G. Cua	Independent Director	69
Capt. Izham Ismail	Independent Director	64
David U. Ong	Independent Director	57
Jerome S. Tan	Independent Director	64
Gregorio T. Yu	Independent Director	67

The official address of each of our directors is the company's principal office address, which is currently located at Executive Floor, LKTJ Center, PAL Gate 5, Andrews Avenue, Pasay City.

Lucio C. Tan was first appointed Chairman and Chief Executive Officer on March 31, 1993. He holds a Doctor of Philosophy degree, Major in Commerce, from the University of Sto. Tomas – Manila and a BS Chemical Engineering degree from Far Eastern University. He is also the Chairman of Absolut Distillers, Inc., Alliedbankers Insurance Corporation, Allianz PNB Life Insurance, Air Philippines Corporation, Asia Brewery, Inc., Asian Alcohol Corporation, Basic Holdings Corporation, Buona Sorte Holdings, Inc., Eton Properties Philippines, Inc., Fortune Tobacco Corporation, Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., LT Group, Inc. MacroAsia Corporation, Philippine Airlines, Inc., PMFTC Inc., PNB Holdings, Inc., Progressive Farms, Inc., Tanduay Distillers, Inc., Tanduay Brands International, Inc., Tangent Holdings Corporation, The Charter House, Inc., Trustmark Holdings Corporation, University of the East, Zuma Holdings and Management Corporation. He is also the Chairman Emeritus of Philippine National Bank and Federation of Filipino-Chinese Chambers of Commerce and Industry Inc. He is Chairman and President of Tan Yan Kee Foundation Inc., and Founder and Chairman of Foundation of Upgrading the Standard of Education Inc. (FUSE). He is President of Zuma Holdings and Management Corporation.

Carmen K. Tan was appointed Director on October 23, 2014 and Vice Chairman on May 26, 2022. She attended Paco Citizen Foundation (Formerly Paco Chinese School) and University of the East. She is the Vice Chairman of LT Group, Inc; Director of Air Philippines Corporation, Asia Brewery, Inc., Buona Sorte Holdings, Inc., Foremost Farms, Inc., Dynamic Holdings, Ltd, Eton City, Inc., Fortune Tobacco Corporation, Himmel Industries, Inc., MacroAsia Corporation, PMFTC Inc., Progressive Farms, Inc., Tanduay Distillers, Inc., Manufacturing Services and Trade Corporation, Sipalay Trading Corporation, Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation and Zuma Holdings and Management Corporation. She is also a Member of the Board of Advisors of Philippine National Bank. She also serves as member of Board of Trustees in Tan Yan Kee Foundation.

Richard T. Nuttall was appointed Director and President on May 29, 2025. He holds an MSc in Sloan Masters from London Business School and a Master of Arts in Mathematics from Oxford University. Mr. Nuttall is a former Chief Executive Officer of Sri Lankan Airlines (since April 2022 until 2025 (Acting CEO from January 2022 until March 2022)), Senior Advisor of Alvarez & Marsal (since April 2021 until November 2021), Vice President for Product & Marketing (since 2019 until November 2020), Vice President for Sales (since November 2016 until November 2020) and Vice President for Commercial Transformation (since July 2016 until October 2016) of Saudia Airlines. He was formerly Executive Board Member of Skyteam (since March 2017 until 2020), Chief Commercial & Strategy Officer of Royal Jordanian Airlines (since December 2013 until December 2015), Chief Executive Officer (December 2011 until February 2013) and Director Commercial Operations of Bahrain Air, Commercial Director of Kenya Airways Ltd. (since 2008 until 2009); Vice President for Sales & Marketing of Polar Air Cargo (since 2003 until 2007). Mr. Nuttall was formerly Director of RPX of Lenton Group (since 2000 until 2001). He was formerly Senior Commercial Advisor/Acting Commercial Director (1999) of Philippine Airlines, Inc. and have various Managerial Roles in John Swire & Sons (HK) ltd.

Rowena T. Chua was appointed Director on May 31, 2018. She holds a Bachelor of Science in Finance from the University of San Francisco. She is likewise a member of the Budget Committee of the company (May 31, 2018). She also serves as an Adviser to the Chairman of the Board of the Lucio Tan Group of Companies on Strategic Investment and Partnership (since August 2020). Among her current business affiliations are: as Director (since 2015) and Executive Vice President (since 2017) of Allied Bankers Insurance Corporation; and Board Advisor of Tanduay Distillers, Inc. (since 2017) and Director of PNB General Insurers Co., Inc. (since 2018), and President of Commlinked, Inc. (since 2016). She also served as Director of Nexus Petroleum Inc. (since 1997 until 2003) and PNB Life (since 2009 until 2015); She has been President of Nexus Petroleum, Inc. (since 2003 until 2005) and served as Treasurer of J.F. Rubber Philippines (since 1998 until 2010). Among others: she also worked on the following companies: Treasury Department - Fortune Tobacco Corporation (since 1982 to 1983); Accounting Section – American Bakery, Guam (since 1984 to 1988); Administration Department – TOPPY Furniture, Guam (since 1984 to 1988).

Tadashi Matsushita was appointed Director on April 01, 2026. He holds a B.A. in Economics from Kobe University and an MBA from the School of Management at Northwestern University. Mr. Tadashi Matsushita serves as a Member of the Board of Directors and Executive Vice President for Alliances & International Affairs at ANA. In this role, he oversees the company's global alliances strategy, including ANA's participation in Star Alliance, joint ventures with United Airlines, Lufthansa, and Singapore Airlines, as well as broad portfolio of bilateral airline partnership. He also leads ANA's international affairs, managing aviation policy and government relations worldwide. Mr. Matsushita has held a series of senior leadership positions throughout his career at ANA. Most recently, he served as Executive Vice President of NA Group Strategy – Airline Management and Okinawa Region at ANA Holdings, where he led airline portfolio optimization, managed domestic and international partnership, and oversaw regulatory, policy, and decarbonization initiatives as well as stakeholders engagement in Okinawa. Earlier roles include Vice President of Alliances & International Affairs, Vice President of Strategic Planning, The Americas, and Director of International Government Affairs. He also contributed to ANA expansion in Asia and the launch of Peach Aviation, Japan's first low-cost carrier.

Sheila T. Pascual was appointed Director on May 26, 2022. She holds a BS Business Management degree from Ateneo de Manila University. She is also a Director of Allied Commercial Bank – Xiamen, Buona Sorte Holdings, Inc., Philippine National Bank, Saturn Holdings, Inc., Tangent Holdings Corporation, Trustmark Holdings Corporation, Zuma Holdings and Management Corporation; and Executive Officer – Business Development Manager, Allied Banking Corporation (HK) Ltd., and she currently serves as President of Mabuhay Miles, Inc.

Lucio C. Tan III was appointed Director on December 17, 2019. He holds a Master's in Computer Science and BS Electrical Engineering from Stanford University. He also attended Lick Wilmerding High School, California, United States of America and British School Manila, Taguig, Philippines. He also serves as President and COO of LT Group, Inc., and PAL Holdings, Inc. He is also President of Dunman Holdings Corporation, Tanduay Distillers, Inc. and Tanduay Brands International, Inc. He also holds the position of Vice Chairman and President of Sabre Travel Network Phils. Inc. Mr. Tan is the Vice President of Dunmore Development Corporation. He is a Director of PMFTC, Inc., Philippine Airlines, Inc., Philippine National Bank, Ali-Eton Property Development Corp., Air Philippines Corporation, Asia Brewery, Inc., Asia's Emerging Dragon Corporation, Asian Cancer Center Inc., Belton Communities, Inc., Dominium Realty & Construction Corporation, Eton City, Inc., Eton Properties Philippines Inc., First Homes, Inc., Fortune Landequities and Resources Inc., Fortune Tobacco Corporation, Kaizer Chemical Industries, Inc., Lufthansa Technik Philippines, MacroAsia Airport Services Corp., MacroAsia Corporation, MacroAsia Catering Services Inc., MacroAsia SATS Food Industries, MacroAsia SATS

Inflight Services Corp., PNB Holdings Corporation, Prior Holdings Corp., Qualisure Holdings Inc., REM Development Corporation, Shareholdings, Inc., Silangan Holdings, Inc., Sipalay Trading Corporation, Trustmark Holdings Corporation, and Zuma Holdings and Management Corporation.

Vivienne K. Tan was appointed Director on October 04, 2019, until July 23, 2020, then May 26, 2022 until present. She holds a Bachelor of Science Double degree in Mathematics and Computer Science from the University of San Francisco and a Diploma in Fashion Design and Manufacturing Management from the Fashion Institute of Design and Merchandising, Los Angeles. She also serves as a member of the Board of Directors of LT Group Inc., Eton Properties Philippines, Inc. PNB and Macro Asia Corp. She is a member of the Board of Trustees of University of the East, University of the East Ramon Magsaysay Memorial Medical Center and De La Salle – College of Saint Benilde. She is an Executive Director of Dynamic Holdings Limited. Ms. Tan is also the Founding Chairperson of the Entrepreneur School of Asia and is the Founder and President of the Thames International Business School.

Leonardo B. Alejandrino was appointed Non-Executive, Independent Director on December 14, 2020. He holds BSc. and MSc. Degrees from the London School of Economics and an Associate in Arts Degree from the American College in Paris. Mr. Alejandrino is the Chairman and President of Capital One Holdings Corp., a private investment holding company as well as a number of private companies of a similar nature. He was formerly CEO of Peregrine Capital Corp., a Philippine investment bank; President of Price Waterhouse Financial Advisors, Inc. a local management consulting company; President of Jardine-Manila Finance Inc. and Commercial Credit Corp. He has held directorships in a number of publicly listed companies including House of Investments, Inc., Seafront Resources Inc., Sime Darby Philippines Inc., and SPI Technologies Inc. Mr. Alejandrino has extensive experience in corporate finance, M&A, private equity, corporate advisory and restructuring, and consumer credit. He is a director of Philippine Business for Sustainable Development, a non-profit organization.

Edgar O. Chua was appointed Non-Executive, Independent Director on June 01, 2026. He holds a BS Chemical Engineering degree from De La Salle University. Mr. Chua is also an Independent Director of PHINMA Corporation. He is currently the Chairman of Makati Business Club, Philippine Business for the Environment, Ramon Magsaysay Award Foundation and President of De La Salle Philippines. He is the Lead Independent Director of Shell Philippines Corporation and Independent Director of Metropolitan Bank and Trust Company since 2017, Philcement since 2021, First Gen since 2021 and JG Summit Olefins since 2022. He was the Chairman for the College of Saint Benilde, University of La Salle Bacolod and CEO of De La Salle Philippines. He is a Trustee/Treasurer of PBED and Trustee for the De La Salle Greenhills since 2019, The English-Speaking Union of the Philippines, Inc. since 2009, Gawad Kalinga Community Development Foundation Inc. since 2005, and Pilipinas Shell Foundation Inc. 2003. Mr. Chua is also a Member of the Advisory Board of Mitsubishi Motors Phil. Corp. and Coca Cola Bottlers Phils. He is likewise affiliated with the Integrity Initiative, National Resilience Council, and the Phil. Disaster and Resilience Foundation. Mr. Chua held senior positions within various Shell Group of Companies, both locally and outside of the Philippines, including but not limited to being the Chairman and President of Pilipinas Shell Petroleum from September 2003 to May 2017 and being the Country Chairman of Shell companies in the Philippines from September 2003 to October 2016. Mr. Chua has attended various international seminars and courses including the senior management course in INSEAD in Fontainebleau, France.

Johnip G. Cua was appointed Non-Executive, Independent Director on October 23, 2014. He holds a BS Chemical Engineering degree from the University of the Philippines. Mr. Cua is a Former President of Procter & Gamble Philippines, Inc., currently the Chairman of the Board of Trustees of the P&Gers Fund, Inc. and Xavier School, Inc., and the Chairman & President of Taibrews Corporation. He is an Independent Director of Asia Brewery, Inc., First Aviation Academy, LT Group, Inc., PhilPlans First, Inc., Lufthansa Technik Philippines, Inc. and Tanduay Distillers, Inc. Mr. Cua is also a Director of MacroAsia Corporation, MacroAsia Catering Services, Inc., MacroAsia Airport Services Corporation, MacroAsia SATS Food Industries Corporation, MacroAsia SATS Inflight Services Corporation, MacroAsia New Ventures Inc., Interbake Marketing Corporation, Teambake Marketing Corporation, Lartizan Corporation, Allied Botanical Corporation, and Zenori Corporation; and Member of the Board of Trustees of MGCC Foundation and Xavier School Educational & Trust Fund.

Capt. Izham Ismail was appointed Non-Executive, Independent Director on June 01, 2026. His professional credentials include the Advance Management Program from Harvard Business School, London, Airline Transport Pilot License (ATPL), experience as a former long-haul wide-body airline captain, deep expertise in Safety Management Systems (SMS) and operational risk governance, and Commercial Aviation Pilot Training from Philippine Aviation School, Manila (1979-1980). Capt. Ismail holds several international leadership positions in

the aviation industry. He serves as a Board Member of the International Air Transport Association (IATA), a Member of the Executive Council of the Association of Asia Pacific Airlines (AAPA), and a Board Member of the Oneworld Airline Alliance. He is also a respected mentor and speaker with the London Speaker Bureau and has participated in numerous global aviation forums and executive panels, where he is recognized for fostering resilience, strategic foresight, and leadership continuity across the aviation industry. In addition, he serves as an advisor and adjunct professor at Universiti Teknologi Malaysia (UTM) – Azman Hashim International Business School. He is a former Executive Director of Malaysia Aviation Group and Malaysia Airlines, Chairman of National Aviation Council-Economics. He was formerly a board member of AeroDarat Services, GE Engine Services Malaysia, Tourism Malasia, Advisory Council National Branding, Malaysia Aviation Group, Malaysia Airlines Berhad, MAB Engineering Services. He was formerly Chairman of Firelfy Airlines, Hijrah Biru, Hamilton Sustrand Malaysia and Chairman/Board Member of MABKargo. Capt. Ismail is a recipient of The National Icon of the Year-Aviation: Malaysia Tourism Gold Awards 2022. He was conferred the Panglima Jasa Negara (PJN) Award by the Federal Government of Malaysia in 2023. Capt. Ismail led the successful restructuring of Malaysia Airlines, resulting in the airline being awarded the Restructuring Deal of the Year 2022 at the Airline Economics Aviation 100 Deals of the Year Awards, restored global confidence in the airline and secured the APEX Four Star Major Airline recognition, positioning Malaysia Airlines among the world's leading full-service carriers, and guided Malaysia Airlines to a Top 10 World's Best Airlines ranking in the Condé Nast Traveller Readers' Choice Awards 2025, reflecting significant improvements in service quality, customer experience, and brand reputation.

David U. Ong was appointed Non-Executive, Independent Director on May 26, 2022. He holds a Bachelor of Science in Business Management degree from Far Eastern University. Mr. Ong is a seasoned business leader with extensive experience across the agriculture, import and export, food production, renewable energy, and technology sectors. He serves as President and Chairman of Technofarm Agricultural and Aquatic Products, Inc., Udragon International Import Corporation, Prime Agri Global Corp, North Star Flour Milling Corporation, DJM Realty Corp, and Cuisine Philippines, Inc. (Seascape Village). He also leads Solar Grid Corp, which provides solar techno-design and energy solutions for industrial, commercial, and residential markets. Mr. Ong is currently the Vice President of Senergy Power and Technologies, Inc., engaged in cement importation and power technologies. In addition, he serves as a Director of the Federation of Filipino Chinese Chambers of Commerce and Industry, Inc. (FFCCCII) as an adviser to the Customs Industries Advisory Council (CICAC), and the Lifetime Honorary President of the Federation of School Sports Association of the Philippines, where he served 11 years as President. Mr. Ong brings strategic leadership, operational excellence, and strong governance expertise to the Board, contributing valuable insight in business development, risk management, and sustainable growth.

Jerome S. Tan was appointed Non-Executive, Independent Director on May 26, 2022. He completed General Management at Darden Business School, University of Virginia and holds a BA Economics degree from De La Salle University, Manila. He is also a President and Director of Integrated Micro-Electronics, Inc. He is also an Independent Director Paramount Life & General Insurance Corporation and Paramount Life & General Holdings Corporation. He also serves as Director of Via Optronics Holding AG Germany (member of the Supervisory Board), IMI International Pte (Singapore), Speedy-tech Electronics Ltd (Singapore) and Pacific Cross International Limited (BVI).

Gregorio T. Yu was appointed Independent Director (2011 until 2021, then May 30, 2024 until present). He holds a Master of Business Administration degree from the Wharton School, University of Pennsylvania and a Bachelor of Arts, Economics (Honors Program) from De La Salle University, Summa Cum Laude. Mr. Yu is Chairman of Nexus Technologies Inc. He is also Lead Independent Director of AIA Philippines Life and General Insurance Company Inc. and Independent Director of House of Investments, Vantage Equities, The Filipino Fund Inc, Unistar Credit and Finance Corporation, Alphaland Corporation, and Vantage Financial Corporation. He is also a director of Philippine Bank of Communications, Inchape Philippines Inc., Philequity Management Inc., Apo Agua Infrastructura Inc., Glacier Megafridge Inc., Prople BPO Inc., Wordtext Systems Inc., Glyph Studios, Jupiter Systems Inc, and the Manila Symphony Orchestra. He was formerly the Chairman of Auto Nation Group Inc., and Cats Motors Inc, (the Philippine Distributor and Dealer of Mercedes-Benz, Chrysler, Jeep, Dodge, and Ram). Mr Yu was also the former President and CEO of Belle Corporation, the developer of the high end leisure project Tagaytay Highlands in Tagaytay City. He also served as a trustee of the Government Service Insurance System from 2010 to 2016, and of Xavier School Inc from 1998 to 2018. He was also the Chairman of the Xavier School Educational and Trust Fund Inc.

Key Management

The below table sets forth certain information on our key senior management as of the date of this Offering Memorandum:

Name	Position	Age
Richard T. Nuttall	President	60
Atty. Carlos Luis D. Fernandez	EVP/Chief Operating Officer – General Counsel & Corporate Compliance Officer	55
Juanita Tan Lee	Treasurer	83
Atty. Marivic T. Moya	Corporate Secretary	66
Alvin Kendrich O. Limqueco	SVP/Chief Supply Chain Officer & Data Protection Officer	45
Anna Isabel V. Bengzon	SVP/Chief Financial Officer & Chief Risk Officer	53
Capt. Roland A. Narciso	SVP/Operations Group	53
Rabbi Vincent L. Ang	SVP/Chief Strategy Officer	45

The business address of each of our key management is the address of our Company's principal executive offices.

Richard T. Nuttall See above.

Atty. Carlos Luis D. Fernandez was appointed EVP/Chief Operating Officer – General Counsel and Compliance Officer on May 29, 2025. He holds a Bachelor of Laws – LLB from San Beda College. Carlos Luis L. Fernandez is a lawyer and certified public accountant. He currently serves as Executive Vice President and Chief Operating Officer of Philippine Airlines, Inc. He joined the Lucio Tan Group of Companies in 2019 and has since held various leadership and legal positions across the group. In January 2022, he was appointed Senior Vice President, General Counsel, and Compliance Officer of Philippine Airlines. In August 2023, he was designated Officer-in-Charge, Executive Vice President—a role he held until May 2025—during which he managed the airline's day-to-day operations, including both commercial and operations. In June 2025, he was formally appointed as EVP and COO, continuing to lead PAL's strategic and operational priorities. He is also serving as a Corporate Secretary for several companies under the Lucio Tan Group of Companies including Tanduay Distillers, Inc., Pan-Asia Securities Corporation, and PNB Holdings Corporation.

Juanita Tan Lee was appointed Treasurer on May 28, 2020. She holds a Bachelor of Science degree in Business Administration major in Accounting from the University of the East. She also serves as a Director of Asia Brewery, Inc., LTGI, and Tanduay Distillers, Inc.; Director and Corporate Secretary of Fortune Tobacco Corporation, Corporate Secretary of Absolut Distillers, Inc., The Charter House, Inc., Foremost Farms, Inc., Grandspan Development Corporation, Himmel Industries, Inc., Landcom Realty Corporation, PMFTC Inc., Progressive Farms, Inc. and Total Bulk Corporation, Assistant Corporate Secretary of Basic Holdings Corporation, Member of the Board of Trustees of the University of the East.

Atty. Marivic T. Moya was appointed Corporate Secretary on May 28, 2015. She holds a Juris Doctor degree from the University of Santo Tomas and a Bachelor of Arts, Major in Child Study from Maryknoll College. She is involved in MacroAsia Catering Services Inc. (Corporate Secretary since 2004 and Director from June 2019 to March 2021), MacroAsia SATS Food Industries Corporation (Corporate Secretary since 2015), MacroAsia SATS Inflight Services Corporation (Corporate Secretary and Director from June 2019 to March 2021), MacroAsia Airport Services Corp. (Corporate Secretary since 2004), MacroAsia Properties Development Corp. (Corporate Secretary since 2004 and Director since 2019); Asia's Emerging Dragons Corp.(Corporate Secretary since 2017), MacroAsia Air Taxi Services, Inc. (Corporate Secretary since 2004 and Director since 2018); MacroAsia Mining Corp. (Corporate Secretary and Director since 2000), SNV Resources Development Corp., Boracay Tubi System, Inc. (Corporate Secretary and Director until 2020), First Aviation Academy, Inc. (Corporate Secretary since 2017 and Director since 2019), Summa Water Resources, Inc. (Corporate Secretary since October 2018 and Director until 2020), Naic Water Supply Corporation (Corporate Secretary since 2020 and Director since 2017), Watergy Business Solutions Inc. (Director since 2014 and Treasurer since October 2020 up to the present), Cavite Business Resources Inc. (Director since 2012 and Treasurer since October 2020 up to the present), Alliedkonsult Eco-solutions Corporation and Cavite Alliedkonsult Services Corporation (Director since 2019); Aqualink Resources Development Corporation (Corporate Secretary since April 2021). She is also the Corporate Secretary of CS Water Lapu Lapu Inc., Aviation Products Corporation, TERA Information and Connectivity Solutions, and MacroAsia Jolliant Food Services Corporation. She is currently the Senior Vice President for Legal, Human Resources and External Relations of MacroAsia Corporation (since 1999 to present) and also served as its Chief Compliance Officer and Chief Information Officer until March 2025. She is currently the Assistant Corporate

Secretary of LT Group and PAL Holdings, Inc. and served as the Corporate Secretary of MacroAsia Corporation from 2004 to 2014. She is also the Corporate Secretary of Mabuhay Miles, Inc. since 2017 and PR Holdings since 2017. She worked with various Government Institutions from 1987 to 1999, holding key positions such as Legal Officer of the National Bureau of Investigation (NBI) from 1987-1989, Arbitration Specialist of the Philippine Overseas Employment Administration (POEA) from 1989 to 1990, Director II (Chief, Legal Service) of the Philippine Health Insurance Corporation from 1990 to 1996 and Graft Investigation Officer II at the Office of the Ombudsman from 1997 to 1999. She also held the position of Human Resources Manager of Grand Air from 1996 to 1997. She was a member of the Board of Trustees of the University of Santo Tomas Law Alumni Foundation Association (2010-2013) and has recently been elected as Member of the Board of UST LAFI in 2026.

Alvin Kendrich O. Limqueco was appointed Senior Vice President, Chief Supply Chain Officer and Data Privacy Officer on May 30, 2019. He holds a Master of Business Administration from the University of Southern California Marshall School of Business and a Bachelor of Science in Management Engineering from Ateneo de Manila University. He is also a CFA charter holder. Mr. Limqueco is responsible for overseeing the airline's supply chain management and procurement functions including fleet acquisition, leasing and financing. His career in PAL started in 2002 when he joined the airline as a Management Trainee in the Treasury Department. Subsequently, in 2004, he transferred to the Corporate Finance Department and led aircraft acquisition and financing transactions. In 2009, he worked as a corporate finance consultant for a local conglomerate where he spearheaded debt raising, business case development, and financial analysis. In 2012, he worked as Finance Manager for the Singapore office of Altavair Ltd (formerly Guggenheim Aviation Partners), a commercial aircraft operating lessor, where he provided financial analysis for the company's transactions and led financing activities. He returned to PAL in 2017 when he became the airline's Assistant Treasurer until he assumed his current role.

Anna Isabel V. Bengzon was appointed Senior Vice President, Chief Finance Officer & Chief Risk Officer on May 25, 2023. She holds a Master of Business Administration from the Asian Institute of Management and a BS in Psychology and Degree in Commerce Major in Management of Financial Institution from De La Salle University, Manila. She joined PAL as the CFO in June 2023 and is responsible for managing the airline's financial strategy, day-to-day finance operations, capital management, and enterprise risk frameworks. Before joining PAL, she was the Deputy Chief Finance Officer of Globe Business Power Corporation and Meralco Powergen Corporation. She began her career in corporate finance with Citibank in 1994 and joined PLDT in 1998 after she completed her Master's degree. As part of the PLDT Group, held the positions of Vice President – Investor Relations and First Vice President where she was involved in the financial planning and analysis, debt and capital fund raising initiatives and mergers & acquisitions of key investment projects for the firm and its subsidiaries. She was then transferred and appointed as Treasurer and CFO of Mediaquest Holdings, Inc. in 2015 where she concurrently held the role of CFO and Treasurer in TV5 Network Inc. and Cignal TV, Inc. Anna was then subsequently assigned and appointed as CFO of Metropac Movers, Inc in 2019.

Capt. Roland A. Narciso was appointed Senior Vice President, Operations Group on February 24, 2025. He completed the Airbus Pilot Instructor's Course at the Airbus Training Center in France, Military Pilot Training at the Philippine Air Force Flying School, and holds a Bachelor of Science degree in Aeronautical Science from the Philippine Military Academy. Capt. Roland A. Narciso is an A330/A350 pilot. He started his professional career as a Philippine Air Force officer handling a wide range of responsibilities including administrative duties, logistics, operations and teaching as an instructor pilot. He was hired by PAL in 2000 and joined the management team in January 2009 as the Chief Instructor Pilot of the A320 (2009-2013). Subsequently, he became Chief Pilot of the A320 (2013-2018), AVP-PAL Aviation Training Center (2018-2023), VP- Flight Operations Department (2023-2024), and SVP- Operations Group (2025-present). Capt. Narciso was also appointed Commissioner in the Feliciano Commission in 2003. He served as a Board Member of the Philippine Air Force Flying School Alumni Association Inc. in 2019 and is currently a member of the Multi-Sector Governance Council of the PAF.

Rabbi Vincent L. Ang was appointed SVP/Chief Strategy Officer on June 01, 2026. He holds a Bachelor of Science in Management Engineering from Ateneo de Manila University and an Executive Master of Business Administration from the Asian Institute of Management. Rabbi Vincent L. Ang began his career in PAL in 2002 as a Management Trainee under the Internal Audit and Control Department. In 2004, he moved to Airport Operations, where he handled ground handling operations, service quality, and operational performance management. In 2011, he became General Manager of an aviation services firm providing critical airline technical support functions to Asia-Pacific carriers. He joined PAL Express in 2016 and held various leadership roles across business development, transformation, and corporate support before being appointed President in 2022, where he led the airline's day-to-day operations, including its MRO activities. In his current role as SVP and Chief Strategy Officer of PAL, he oversees corporate strategy, enterprise planning, and transformation execution.

Compensation and Share Ownership

The amount of gross compensation to our Directors in 2023, 2024 and 2025 totaled ₱14.9 million, ₱15.4 million, and ₱16.8 million (U.S.$0.28 million), respectively. The amount of gross compensation to our key management personnel in 2023, 2024 and 2025 totaled ₱101.6 million, ₱97.0 million, and ₱97.0 million respectively. As of March 31, 2026, our Directors and key management personnel held, directly or indirectly, 15 of our Company's outstanding shares.

Board Practices

We are committed to maintaining high standards of corporate governance and disclosure. We have created board-level committees, including an Audit Committee, a Nomination Committee, and a Remuneration Committee, composed of independent and non-independent directors, to assist the Board in its corporate governance-related responsibilities. In addition, we have implemented a Code of Business Conduct and Ethics and a Whistleblowing Policy to encourage stakeholders to raise concerns and highlight any incidents of malpractice or wrongdoing within our Company.

Executive Committee

The Executive Committee acts on behalf of the Board during intervals between meetings of the full Board and reports to the Board. The Executive Committee is composed of the following directors: (i) Dr. Lucio C. Tan, Chairman, (ii) Carmen K. Tan, (iii) Lucio C. Tan III, (iv) Richard T. Nuttall, (v) Johnip G. Cua, (vi) Sheila T. Pascual, and (vii) Gregorio T. Yu.

The Executive Committee has authority to act, by majority vote of all its members, on matters within the competence of the Board as may be delegated to it, subject to limitations under applicable law and the Corporation's By-Laws, including matters requiring shareholder approval, filling Board vacancies, amending or repealing By-Laws, and declaring cash dividends. The Executive Committee also reviews and approves the annual business plan, operating budget, and capital expenditure, subject to Board confirmation. All actions of the Committee are reported to the Board at its next meeting.

Strategy & Investment Committee

The Strategy & Investment Committee oversees the Company's investment transactions, policies, and risk management guidelines. The Committee is composed of the following directors: (i) Dr. Lucio C. Tan, Chairman, (ii) Lucio C. Tan III, Vice Chairman, (iii) Leonardo B. Alejandrino, (iv) Sheila T. Pascual, (v) Gregorio T. Yu, and (vi) Johnip G. Cua.

The Strategy & Investment Committee reviews and approves investment policies, guidelines, and transactions, monitors investment performance and adviser selection, and performs such other responsibilities as the Board may assign.

Audit Committee

The Audit Committee provides oversight over the Company's financial reporting, internal control system, and internal and external audit processes, and monitors compliance with applicable laws and regulations. The Audit Committee has five members and is chaired by an Independent Director. The Audit Committee is composed of the following directors: (i) Johnip G. Cua, Chairman, Independent, (ii) Lucio C. Tan III, Member, (iii) Leonardo B. Aleandrino, Member, Independent, (iv) Tadashi Matsushita, Member, and (iv) Capt. Izham Ismail, Member, Independent.

The Audit Committee oversees the Corporate Audit Department, monitors the adequacy of internal controls and financial reporting integrity, reviews annual audit plans and reports, coordinates with external auditors on audit scope and independence matters, reviews and approves interim and annual financial statements before Board submission, and recommends the appointment, reappointment, removal, and fees of external auditors.

Corporate Audit Department

The Corporate Audit Department provides independent assurance over the Company's risk management, internal controls, and governance processes, and supports the achievement of the Company's strategic objectives.

Nominations Committee

The Nominations Committee ensures appropriate structure for the identification, nomination, and selection of succession candidates for the Board and the Chief Executive Officer. The Nominations Committee is composed of the following directors: (i) Dr. Lucio C. Tan, Chairman, (ii) Carmen K. Tan, Member, (iii) Sheila T. Pascual, Member, and (iv) Jerome S. Tan, Member, Independent.

Our Company's nominating committee is responsible for, among other things:

- Promulgate guidelines on the conduct of the nomination of directors;
- Establishing guidelines in the determination of the number of directorships that a director can hold in other companies;
- Pre-screen and shortlist candidates nominated to become a member of the Board in accordance with the committee's guidelines; and
- In consultation with the Chief Executive Officer, the Executive Committee, and the Management committee define or re-define the role, duties, and responsibilities of the Chief Executive Officer with the view of integrating the dynamic requirements of the Company's business and its future expansionary prospects within the realm of good corporate governance.

Related Party Transaction Committee

The Related Party Transaction Committee reviews and approves related party transactions to ensure compliance with applicable laws and regulations, and that such transactions are conducted on arm's length terms. The Committee is composed of the following directors: (i) Lucio C. Tan III, Chairman, (ii) Johnip G. Cua, Member, Independent, (iii) Edgar O. Chua, Member, Independent.

The Related Party Transaction Committee reviews and approves policies and procedures for related party transactions to ensure compliance with applicable laws, regulations, and best practices. On an ongoing basis, the Related Party Transaction Committee evaluates relationships between the Company and its counterparties to ensure all related parties are properly identified and monitored. The Company reviews all material related party transactions to ensure they are conducted on arm's length terms and in the ordinary course of business, and that no corporate resources are misappropriated. The Related Party Transaction Committee also oversees policies governing transactions with the Company's parent company, subsidiaries, affiliates, major shareholders, directors, and officers, and monitors interlocking director relationships. Material related party transactions are disclosed in the Corporation's Annual Corporate Governance Report.

Risk Management Committee

The Risk Management Committee oversees the Company's enterprise risk management framework, including the identification, monitoring, assessment, and management of key business risks. The Risk Management Committee defines the Company's risk tolerance levels and provides oversight over risk management policies and procedures. The Risk Management Committee is composed of the following directors: (i) Jerome S. Tan, Chairman, (ii) Edgar O. Chua, (iii) Capt. Izham Ismail, and (iv) Leonardo B. Alejandrino.

The Risk Management Committee oversees the development and implementation of the Company's enterprise risk management plan, reviews Management's reports on risk exposures and risk management activities, and reports to the Board on material risk exposures, risk appetite levels, and recommended actions. The Risk Management Committee also coordinates with the Audit Committee on matters relating to risks that may have a material impact on financial reporting.

Compensation Committee

The Compensation Committee establishes policies and procedures for executive remuneration and fixes remuneration packages for corporate officers and directors. The Compensation Committee is composed of the following directors: (i) Dr. Lucio C. Tan, Chairman, (ii) Carmen K. Tan, Member, (iii) Lucio C. Tan III, Member, and (iv) David U. Ong, Member, Independent

The Compensation Committee determines compensation levels for directors and senior management, ensures appropriate disclosure of executive compensation in annual reports, and reviews personnel policies relating to compensation, conflicts of interest, and career advancement.

Budget Committee

The Budget Committee reviews and recommends annual business plans, financing plans, and capital and operating budgets for Board approval. The Committee develops and implements procedures for the periodic evaluation of the Company's business and financing plans and budgets, and reports annually to the Board on such matters. The Budget Committee is composed of the following directors: (i) Dr. Lucio C. Tan, Chairman, (ii) Capt. Izham Ismail, (iii) David U. Ong, (iv) Rowena T. Chua, and (v) Tadashi Matsushita.

Corporate Governance Committee

The Corporate Governance Committee oversees the implementation of the Corporation's corporate governance framework and periodically reviews the framework to ensure it remains appropriate in light of material changes to the Company's business and regulatory environment. The Committee reviews and evaluates the performance of the Board, its Committees, and Management, reviews Board composition to ensure an appropriate balance of skills and experience, maintains orientation programs for new directors, recommends continuing education programs, and reviews management policies relating to conflict of interest and personnel matters. The Corporate Governance Committee is composed of the following directors: (i) Gregorio T. Yu, Chairman, (ii) Sheila T. Pascual, (iii) David U. Ong, (iv) Jerome S. Tan, (v) Johnip G. Cua, (vi) Lucio C. Tan, III, (vii) Edgar O. Chua

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information with respect to ownership of PAL's shares as of the date of this Offering Memorandum. The percentages in the table below are based on 1,759,342,188.2 ordinary shares of 7,000,000,000 outstanding as of this Offering Memorandum.

Shareholder	Tye of Shares	Number of Shares	% of Ownership
PAL Holdings, Inc.[(1)]	Common	1,722,270,937.6	97.9%
Asia United Bank Corporation	Common	17,163,710.6	2.0%
China Banking Corporation	Common	14,876,144.7	1.8%
Union Bank of the Philippines	Common	4,573,528.1	0.3%
Engine Lease Finance Group	Common	279,852.5	0.0%
PR Holdings, Inc.	Common	52,933.0	0.0%
Richmark Holdings Corp.	Common	49,400.0	0.0%
Buona Sorte Holdings, Inc.	Common	34,677.2	0.0%
YAMASA Co. Ltd.	Common	4,160.0	0.0%
Employee Rehab Shares	Common	3,031.0	0.0%
Maraino Tanenglian	Common	2,879.2	0.0%
Philippine Recyclers	Common	2,584.2	0.0%
Carlos Araneta	Common	861.4	0.0%
Pacven Investment Ltd.	Common	532.2	0.0%
Proleo Realty Inc.	Common	516.8	0.0%
Benito Araneta	Common	430.7	0.0%
Rubicon, Inc.	Common	231.5	0.0%
BPI Account No. 10300614 (Trustee)	Common	129.5	0.0%
Brand Realty Corporation	Common	43.1	0.0%
BPI Account No. 10102014 (Trustee)	Common	25.9	0.0%
Others	Common	25,579.6	0.0%
Total		**1,759,342,188.2**	**100.00%**

Note:

(1) The Lucio Tan Family beneficially owns the majority of the shares of PAL and APC.

Security Ownership of Certain Record and Beneficial Owners

The table below sets forth the security ownership of certain record and beneficial owners of more than 5% of the Company's voting securities as of the date of this Offering Memorandum.

Title of Class	Name and Address of Record Owners; and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	No. of Shares Held	% of Total Outstanding Shares
Common	LKTJ Center, Andrews Avenue, Pasay City; Parent Company	PAL Holdings, Inc.	Filipino	1,722,270,937.6	97.9%

Security Ownership of Directors and Management

The table below sets forth the security ownership of the Company's Directors and executive officers as of the date of this Offering Memorandum:

Title of Class	Name of Beneficial Owner	Citizenship	Amount of Beneficial Ownership	Nature of Beneficial Ownership	% of Total Outstanding Shares
Directors:					
Common	Lucio C. Tan	Filipino	1	Direct	0.0%
Common	Carmen K. Tan	Filipino	1	Direct	0.0%
Common	Richard T. Nuttall	British	1	Direct	0.0%
Common	Leonardo B. Alejandrino	Filipino	1	Direct	0.0%
Common	Rowena T. Chua	Filipino	1	Direct	0.0%
Common	Edgar O. Chua	Filipino	1	Direct	0.0%
Common	Johnip G. Cua	Filipino	1	Direct	0.0%
Common	Capt. Izham Ismail	Malaysian	1	Direct	0.0%
Common	Tadashi Matsushita	Japanese	1	Direct	0.0%
Common	David U. Ong	Filipino	1	Direct	0.0%
Common	Sheila T. Pascual	Filipino	1	Direct	0.0%
Common	Jerome S. Tan	Singaporean	1	Direct	0.0%
Common	Lucio C. Tan III	Filipino	1	Direct	0.0%
Common	Vivienne K. Tan	Filipino	1	Direct	0.0%
Common	Gregorio T. Yu	Filipino	1	Direct	0.0%
Officers:					
NA	Juanita Tan Lee	Filipino	NA	NA	-
NA	Atty. Marivic T. Moya	Filipino	NA	NA	-
NA	Atty. Carlos Luis D. Fernandez	Filipino	NA	NA	-
NA	Alvin Kendrich O. Limqueco	Filipino	NA	NA	-
NA	Anna Isabel V. Bengzon	Filipino	NA	NA	-
NA	Capt. Roland A. Narciso	Filipino	NA	NA	-

Title of Class	Name of Beneficial Owner	Citizenship	Amount of Beneficial Ownership	Nature of Beneficial Ownership	% of Total Outstanding Shares
NA	Rabbi Vincent L. Ang	Filipino	NA	NA	-

Voting Trust Holders of 5% or more

There were no persons holding more than 5% of a class of shares of the Company under a voting trust or similar agreement as of the date of this Offering Memorandum.

Change in Control

As of the date of this Offering Memorandum, there are no arrangements which may result in a change in control of PAL.

REGULATION

GENERAL BUSINESS REGULATORY FRAMEWORK

Revised Corporation Code

Republic Act No. 11232, also known as the Revised Corporation Code, was signed into law on February 20, 2019 and took effect on February 23, 2019. Among the salient features of the Revised Corporation Code are:

- Corporations are granted perpetual existence, unless the articles of incorporation provide otherwise. Perpetual existence shall also benefit corporations whose certificates of incorporation were issued before the effectivity of the Revised Corporation Code, unless a corporation, upon a vote of majority of the stockholders of the outstanding capital stock notifies the Philippine Securities and Exchange Commission (the "**Philippine SEC**") that it elects to retain its specific corporate term under its current Articles of Incorporation.

- A corporation vested with public interest must submit to its shareholders and to the Philippine SEC an annual report of the total compensation of each of its directors or trustees, and a director or trustee appraisal or performance report and the standards or criteria used to assess each director, or trustee.

- Banks, quasi-banks, pawnshops, non-stock savings and loan associations ("**NSSLA**"), and corporations engaged in money service business, preneed, trust and insurance companies, and other financial intermediaries, must have at least 20% independent directors in the Board, in accordance with the Securities Regulation Code. This requirement also applies to other corporations engaged in businesses vested with public interest, as may be determined by the Philippine SEC.

- The Revised Corporation Code allows the creation of a "One Person Corporation". However, it expressly prohibits banks and quasi-banks, preneed, trust, insurance, public and publicly-listed companies, among others, from being incorporated as such.

- Stock exchanges, banks, insurance companies and corporations declared to be vested with public interest, among others, are prohibited from incorporating as a Close Corporation.

- Material contracts between the Corporation and its own directors, trustees, officers, or their spouses and relatives within the fourth civil degree of consanguinity or affinity must be approved by at least two-thirds (2/3) of the entire membership of the Board, with at least a majority of the independent directors voting to approve the same.

- The right of stockholders to vote in the election of directors or trustees, or in shareholders meetings, may now be done through remote communication or in absentia if authorized by the corporate by-laws. However, as to corporations vested with public interest, this mode is deemed available, even if not expressly stated in the corporate by-laws. The shareholders who participate through remote communication or in absentia are deemed present for purposes of quorum. When attendance, participation and voting are allowed by remote communication or in absentia, the notice of meetings to the stockholders must state the requirements and procedures to be followed when a stockholder or member elects either option.

- As to the filing of the by-laws and any amendments made to the by-laws of any bank, banking institution, building and loan association, trust company, insurance company, public utility, educational institution and other special corporations governed by special laws, the Revised Corporation Code requires that the filing be accompanied by a certificate of the appropriate government agency to the effect that such by-laws or amendments are in accordance with law.

- A favorable recommendation by the appropriate government agency is likewise required for banks or banking institutions, loan associations, trust companies, insurance companies, public utilities, educational institutions and other special corporations governed by special laws, before the Philippine SEC approves any merger or consolidation. Moreover, a favorable recommendation by the appropriate agency is required before the Philippine SEC approves the voluntary dissolution of banks, banking institutions, preneed, insurance and trust companies, NSSLA, pawnshops and other financial intermediaries.

- In case of transfer of shares of listed companies, the Philippine SEC may require that these corporations whose securities are traded in trading markets and which can reasonably demonstrate their capability to do so, to issue their securities or shares of stock in uncertificated or scripless form in accordance with the Rules of the Philippine SEC.

The Revised Corporation Code refers to the Philippine Competition Act in case of covered transactions under said law involving the sale, lease, exchange, mortgage, pledge, or disposition of properties or assets; increase or decrease in the capital stock; incurring, creation or increase of bonded indebtedness; or mergers or consolidations covered by the Philippine Competition Act thresholds.

The Philippine Competition Act

Republic Act No. 10667, also known as the Philippine Competition Act, was signed into law on July 21, 2015 and took effect on August 8, 2015. This Act aims to codify anti-trust laws in the Philippines, and provides the competition framework in the country. The Philippine Competition Act was enacted to promote free and fair competition in trade, industry, and all commercial economic activities.

To implement its objectives, the Philippine Competition Act provides for the creation of a Philippine Competition Commission ("**PCC**"), an independent quasi-judicial agency to be composed of five commissioners. Among the PCC's powers are to: conduct investigations, issue subpoenas, conduct administrative proceedings, and impose administrative fines and penalties. To conduct search and inspection, the PCC must apply for an inspection order with the relevant special commercial court.

The Philippine Competition Act prohibits anti-competitive agreements between or among competitors, and mergers and acquisitions which have the object or effect of substantially preventing, restricting, or lessening competition. It also prohibits practices which involve abuse of dominant position, such as selling goods or services below cost to drive out competition, imposing barriers to entry, committing acts that prevent competitors from growing, and setting prices or terms that discriminate unreasonably between customers or sellers of the same goods, subject to exceptions.

The Philippine Competition Act also introduces the pre-notification regime for mergers and acquisitions, which requires the parties to covered transactions to notify the PCC for the approval of the transaction. Parties to the merger or acquisition agreement wherein the value of the transaction breaches the thresholds, as discussed below, are prohibited from consummating their agreement until 30 days after providing notification to the PCC.

On May 31, 2016, the PCC issued the implementing rules and regulations of the Philippine Competition Act ("**PCA-IRR**"). Under the PCA-IRR, as a general rule, parties to a merger or acquisition are required to provide notification when: (a) the aggregate annual gross revenues in, into or from the Philippines, or value of the assets in the Philippines of the ultimate parent entity (the "**UPE**") of the acquiring or the acquired entities exceed ₱1.0 billion (the "**Size of Party**"), and (b) the value of the transaction exceeds ₱1.0 billion, as determined in the IRR (the "**Size of Transaction**"); while Parties to a joint venture transaction shall also be subject to the notification requirement if either (a) the aggregate value of the assets that will be combined in the Philippines or contributed into the proposed joint venture exceeds ₱1.0 billion, or (b) the gross revenues generated in the Philippines by assets to be combined in the Philippines or contributed into the proposed joint venture exceed ₱1.0 billion.

The PCC also released its Guidelines on the Computation of Merger Notification Thresholds, providing the method for calculation of the aggregate value of assets and gross revenues from sales for the purpose of determining whether a proposed merger or acquisition is notifiable to the PCC.

The Size of Party and Size of Transaction thresholds have been gradually increased by the PCC to ensure that the thresholds maintain their real value over time and relative to the size of the economy. Beginning March 1, 2019 and for every subsequent year, the notification thresholds will be indexed based on the official estimates by the Philippine Statistics Authority of the nominal Gross Domestic Product ("**GDP**") growth of the previous calendar year rounded up to the nearest hundred millions.

Effective March 1, 2026, the merger notification thresholds were increased to ₱9.1 billion for the Size of Party and ₱3.8 billion for the Size of Transaction. The new thresholds do not affect notifications filed before March 1, 2026, transactions currently under review, or those already reviewed and decided upon by the PCC.

Violations of the Philippine Competition Act and the PCA-IRR carry administrative and criminal penalties. A transaction that meets the thresholds and does not comply with the notification requirements and waiting periods

shall be considered void and will subject the parties to an administrative fine of 1 to 5% of the value of the transaction. Under PCC Memorandum Circular No. 26-002, the administrative fine was amended to 5% of 1% of the value of the transaction for the first 30 days or a fraction thereof, subject to increase by 1% of 1% per every additional 30 days, or a fraction thereof, provided that the penalty to be imposed shall not exceed ₱2,500,000. Criminal penalties for entities that enter into these defined anti-competitive agreements include: (i) a fine of not less than ₱110.0 million but not more than ₱275.0 million; and (ii) imprisonment for two to seven years for directors and management personnel who knowingly and willfully participate in such criminal offenses. Under PCC Memorandum Circular No. 26-002, administrative fines of up to ₱125.0 million for the first offense, and up to ₱310.0 million for the second offense may be imposed on entities found violating prohibitions against anti-competitive agreements and abuse of dominant position. Treble damages may be imposed by the PCC or the courts, as the case may be, where the violation involves the trade or movement of basic necessities and prime commodities.

On September 15, 2017, the PCC published the 2017 Rules of Procedure (the "**Rules of Procedure**") which applies to investigations, hearings, and proceedings of the PCC, except to matters involving mergers and acquisitions unless otherwise provided. It prescribes procedures for fact-finding or preliminary inquiry and full administrative investigations by the PCC. The Rules of Procedure also provides for non-adversarial remedies such as the issuance of binding rulings, show cause orders, and consent orders.

On November 23, 2017, the PCC published the 2017 Rules on Merger Procedure (the "**Merger Rules**") which provides the procedure for the review or investigation of mergers and acquisition pursuant to the PCAIRR.

On May 28, 2019, the PCC approved the Expedited Merger Rules which applies to the following: (1) when there are no actual or potential horizontal or vertical (including complementary) relationship in the Philippines between the acquiring entity, including its Notifying Group, and the acquired entity and the entities it controls; (2) when the merger is a global transaction where the acquiring and acquired entities identified in the definitive agreement are foreign entities (foreign parents), and their subsidiaries in the Philippines act merely as manufacturers or assemblers of products with at least 95% of such products exported to the foreign parents, subsidiaries, affiliates or third parties located outside the Philippines: provided, that the remaining 5% product sales in a market in the Philippines is minimal in relation to the entirety of such Philippine product market; (3) when the candidate relevant geographic market of the merger is global and the acquiring and acquired entities have negligible or limited presence in the Philippines; and (4) joint ventures, whether incorporated or not, formed purely for the construction and development of a residential and/or commercial real estate development project. However, the acceptance of expedited review notification forms remains suspended pursuant to PCC Resolution No. 006-2021 dated May 25, 2021.

On August 21, 2023, the PCC published the Guidelines for the Motu Proprio Review of Mergers and Acquisitions in Digital Markets (the "**Mergers and Acquisitions in Digital Markets Review Guidelines**"), which provide a non-exhaustive list of indicators of potential competition issues that may arise from a merger or acquisition in the digital market, namely: (1) transactions involving a gatekeeper (i.e., a company that provides a digital service, access to which is necessary to participate in the market); (2) transactions involving companies with data-centric operations; (3) transactions that might significantly reinforce network effects; (4) transactions involving parties considered innovators (i.e., an entity who performs in a market where research and development is essential or where there is continuous competition for innovation); (5) conglomerate transactions involving digital players; (6) transactions of parties involved in subsequent acquisitions; (7) transactions involving parties under investigation; (8) transactions with a value of the transaction close to notification thresholds; and (9) transactions involving parties with a significant share of the supply of a good or service. The Merger and Acquisitions in Digital Markets Review Guidelines also encourages parties to transactions, where the foregoing indicators are present, to consult with the PCC prior to the execution of the definitive agreements relating to their transaction.

Foreign Investments Act of 1991, as amended

Republic Act No. 7042, as amended, otherwise known as the Foreign Investments Act of 1991 ("**FIA**"), liberalized the entry of foreign investment into the Philippines. Under the FIA, in domestic market enterprises, foreigners can own as much as 100% equity except in areas specified in the Thirteenth Regular Foreign Investment Negative List (the "**Negative List**"). This Negative List enumerates industries and activities which have foreign ownership limitations under the FIA and other existing laws. Partly nationalized activities include, among others, land ownership, telecommunications, mining and the operation of public utilities.

In connection with the ownership of private land, the Philippine Constitution states that no private land shall be transferred or conveyed except to citizens of the Philippines or to corporations or associations organized under

the laws of the Philippines at least 60% of whose capital is owned by such citizens. While the Philippine Constitution prescribes nationality restrictions on land ownership, there is generally no prohibition against foreigners owning buildings and other permanent structures. However, with respect to condominium developments, the foreign ownership of units in such developments is limited to 40%. A corporation with more than 40% foreign equity may be allowed to lease private lands up to an aggregate period of ninety-nine (99) years, subject to certain conditions pursuant to Republic Act No. 12252.

In addition, under the Philippine Constitution, only citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least 60% of whose capital is owned by such citizens may engage in activities relating to the exploration, development and utilization of natural resources. On November 15, 2022, the Department of Energy (the "**DOE**") issued Department Circular No. 2022-11-0034 which amended the implementing rules and regulations of Republic Act No. 9513, otherwise known as the Renewable Energy Act. According to this department circular, which adopted Department of Justice Opinion No. 21 series of 2022 dated September 29, 2022, renewable sources of energy are inexhaustible and, thus, beyond the ambit of the nationality restriction imposed in the exploration, utilization and development of natural resources.

The Public Service Act, as amended, mandates that the ownership of public utilities must be reserved to Filipino citizens or to entities at least 60% of whose capital of public utilities are owned by Filipino Citizens. In 2022, Republic Act No. 11659 limited the definition of "public utility" to the following:

(1) Distribution of Electricity;

(2) Transmission of Electricity;

(3) Petroleum and Petroleum Products Pipeline Transmission Systems;

(4) Water Pipeline Distribution Systems and Wastewater Pipeline Systems, including sewerage pipeline systems;

(5) Seaports; and

(6) Public Utility Vehicles.

As such, corporations engaged in the business of telecommunications, power generation, and transportation can be fully owned by foreigners.

For the purpose of complying with nationality laws, the term Philippine National is defined under the FIA as any of the following:

- a citizen of the Philippines;
- a domestic partnership or association wholly-owned by citizens of the Philippines;
- a corporation organized under the laws of the Philippines of which at least 60% of the capital stock outstanding and entitled to vote is owned and held by citizens of the Philippines;
- a corporation organized abroad and registered to do business in the Philippines under the Revised Corporation Code, of which 100% of the capital stock outstanding and entitled to vote is wholly-owned by Filipinos; or
- a trustee of funds for pension or other employee retirement or separation benefits, where the trustee is a Philippine National and at least 60% of the fund will accrue to the benefit of Philippine Nationals.

In SEC Memorandum Circular No. 08 dated May 20, 2013, or the Guidelines on Compliance with the Filipino-Foreign Ownership Requirements Prescribed in the Constitution and/or Existing Laws by Corporations Engaged in Nationalized and Partly Nationalized Activities, it is provided that, for purposes of determining compliance with the nationality requirement, the required percentage of Filipino ownership shall be applied both to (a) the total number of outstanding shares of stock entitled to vote in the election of directors, and (b) the total number of outstanding shares of stock, whether or not entitled to vote in the election of directors. The Supreme Court, in *Jose M. Roy III v. Chairperson Teresita Herbosa* (G.R. No. 207246) dated April 18, 2017, affirmed the validity of SEC Memorandum Circular No. 08.

In the 2014 case of *Narra Nickel Mining and Development Corporation, et.al vs. Redmont Consolidated Mines Corp.* (G.R. No. 195580) and its corresponding motions for reconsideration, the Supreme Court affirmed that the Grandfather Rule is to be used jointly and cumulatively with the Control Test if the corporation's Filipino equity is at least 60% but there is doubt as to the beneficial ownership and control of the corporation. Under the Grandfather Rule, shares owned by corporate shareholders are considered either as Filipino or foreign equity by determining the nationality not only of such corporate shareholders, but also the nationality of such corporate shareholders' own shareholders, until the nationalities of shareholder individuals are taken into consideration. The Control Test, on the other hand, merely takes into account the nationality of the shareholders of the corporation without further tracing the nationality of the corporate shareholders' own shareholders. Such joint and cumulative application shall be observed as follows: (i) if the corporation's Filipino equity falls below 60%, such corporation is deemed foreign-owned, applying the Control Test; (ii) if the corporation passes the Control Test, the corporation will be considered a Filipino corporation only if there is no doubt as to the beneficial ownership and control of the corporation; and (iii) if the corporation passes the Control Test but there is doubt as to the beneficial ownership and control of the corporation, the Grandfather Rule must be applied.

Data Privacy Act of 2012

Republic Act No. 10173 or The Data Privacy Act of 2012 (the "**DPA**") is a comprehensive and strict privacy legislation aimed to protect the fundamental human right to privacy of data subjects by: (a) protecting the privacy of individuals while ensuring free flow of information to promote innovation and growth; (b) regulating the collection, recording, organization, storage, updating or modification, retrieval, consultation, use, consolidation, blocking, erasure or destruction of personal data; and (c) ensuring that the Philippines complies with international standards set for data protection through the National Privacy Commission (the "**NPC**").

Intended to protect the privacy of individuals, the DPA mandates companies to inform the individuals about how their personal information are collected and processed. It also ensures that all personal information must be (a) collected and processed with lawful basis, which includes consent, and only for reasons that are specified, legitimate, and reasonable; (b) handled properly, ensuring its accuracy and retention only for as long as reasonably needed; and (c) discarded properly to avoid access by unauthorized third parties.

The Implementing Rules and Regulations of the DPA (the "**DPA-IRR**") took effect on September 9, 2016, mandating all Philippines companies to comply with the following: (a) appointment of a Data Protection Officer; (b) conduct of a privacy impact assessment; (c) adoption of a privacy management program and privacy policy; (d) implement privacy and data protection measures; and (e) establish a breach reporting procedure. In addition, companies with at least 250 employees or access to sensitive personal information of at least 1,000 individuals are required to register their data processing systems with the NPC. The DPAIRR also provides the conditions when further processing of personal data collected from a party other than the data subject is allowed, to wit: (a) data sharing is authorized by law, provided that there are adequate safeguards for data privacy and security, and processing adheres to principles of transparency, legitimate purpose and proportionality; (b) in the private sector, data sharing for commercial purposes is allowed upon (i) consent of data subject, and (ii) when covered by a data sharing agreement; (c) data collected from parties other than the data subject for purpose of research shall be allowed when the personal data is publicly available; and (d) data sharing among government agencies for purposes of public function or provision of a public service shall be covered by a data sharing agreement.

Registration under the Board of Investments

Under Executive Order No. 226, otherwise known as the Omnibus Investments Code of 1987, as amended, and Republic Act No. 11534 (CREATE Act), as further amended by Republic Act No. 12066 (CREATE MORE Act), a Board of Investments ("**BOI**")-registered enterprise engaged in activities included in the Strategic Investment Priority Plan ("**SIPP**") may be entitled to fiscal and non-fiscal incentives, subject to compliance with the applicable registration requirements and performance commitments. Prior to registration with the BOI, the enterprise must satisfy the minimum project equity requirements prescribed by the BOI and other applicable regulations. Depending on the nature of the registered project or activity, the enterprise may avail itself of the following incentives such as (i) income tax holiday; (ii) either a special corporate income tax or the enhanced deductions regime, as applicable; (iii) duty exemption on the importation of capital equipment, raw materials, spare parts, or accessories, among others.

On April 12, 2019, Republic Act No. 11285, otherwise known as the Energy Efficiency and Conservation Act, was enacted. Under the said law, upon certification by the DOE, energy efficiency projects shall be included in the annual investment priorities plan of the BOI and shall be entitled to the incentives provided under applicable BOI registration laws and regulations, including the current fiscal incentives framework under the CREATE Act,

as amended. For purposes of the Act, energy efficiency projects refer to projects designed to reduce energy consumption and costs by any improvement, repair, alteration, or betterment of any building or facility, or any equipment, fixture, or furnishing to be added to or used in any building, facility, or vehicle including the manufacturing and provision of services related thereto: provided, that such projects shall be cost-effective and shall lead to lower energy or utility costs during operation and maintenance.

Local Government Code

Republic Act No. 7160, otherwise known as the Local Government Code of 1991 ("**LGC**") establishes the system and powers of local government units ("**LGU**") in the country, namely provinces, cities, municipalities and barangays. The general welfare clause in the LGC states that every LGU shall exercise the powers expressly granted, those necessarily implied, as well as powers necessary, appropriate, or incidental for its efficient and effective governance, and those which are essential to the promotion of general welfare.

The power to tax and police power are exercised by the LGU through their respective legislative bodies. Specifically, the LGU, through its legislative body, has the authority to enact such ordinances as it may deem necessary and proper for sanitation and safety, the furtherance of prosperity, and the promotion of the morality, peace, good order, comfort, convenience, and general welfare of the locality and its inhabitants. Ordinances can reclassify land, impose real property taxes, order the closure of business establishments, and require permits and licenses from businesses operating within the territorial jurisdiction of the LGU.

Labor and Employment

The Philippine Labor Code and other statutory enactments provide the minimum benefits that employers must grant to their employees, which include certain social security benefits, such as benefits mandated by the Social Security Act of 1997 (R.A. No. 8282), the National Health Insurance Act of 1995 (R.A. No. 7875), as amended, and the Home Development Mutual Fund Law of 2009 (R.A. No. 9679).

The Department of Labor and Employment ("**DOLE**") is the Philippine government agency mandated to formulate policies, implement programs and services, and serves as the policy-coordinating arm of the Executive Branch in the field of labor and employment. The DOLE has exclusive authority in the administration and enforcement of labor and employment laws such as the Labor Code of the Philippines and the Occupational Safety and Health Standards Law (which sets out, among others, the guidelines applicable to different establishments intended for the protection of every workingman against the dangers of injury, sickness or death through safe and healthful working conditions), as amended, and such other laws as specifically assigned to it or to the Secretary of Labor and Employment.

Social Security Act

An employer or any person who uses the services of another person in business, trade, industry or any undertaking is required under Republic Act No. 11199, otherwise known as the Social Security Act of 2018 to ensure coverage of employees following procedures set out by the law and the Social Security System ("**SSS**"). Under the said law, an employer must deduct from its employees their monthly contributions in an amount corresponding to his salary, wage, compensation or earnings during the month in accordance with the monthly salary credits, the schedule and the rate of contributions as may be determined and fixed by the Social Security Commission, and pay its share of the contributions and remit these to the SSS within a period set by law and/or SSS regulations. This enables the employees or their dependents to claim their pension, death benefits, permanent disability benefits, funeral benefits, sickness benefits and maternity-leave benefits.

The failure of the employer to comply with any of its obligations may lead to sanctions, including the imposition of a fine of not less than ₱5,000.00 nor more than ₱20,000.00, or imprisonment for not less than six years and one day nor more than 12 years, or both, at the discretion of the court. The erring employer will also be liable to the SSS for damages equivalent to the benefits to which the employee would have been entitled had his name been reported on time to the SSS and for the corresponding contributions and penalties thereon.

National Health Insurance Act

Employers are likewise required to ensure enrolment of its employees in a National Health Insurance Program ("**NHIP**") administered by the Philippine Health Insurance Corporation ("**PhilHealth**"), a government corporation attached to the Department of Health tasked with ensuring sustainable, affordable and progressive

social health insurance pursuant to the provisions of Republic Act No. 10606, otherwise known as the National Health Insurance Act of 2013.

On February 20, 2019, Republic Act No. 11223, otherwise known as the Universal Health Care Act, was enacted, which amended certain provisions of the National Health Insurance Act of 2013. Under the said law, all Filipino citizens are now automatically enrolled into the NHIP. However, membership is classified into two types: (i) direct contributors, and (ii) indirect contributors. Direct contributors refer to those who have the capacity to pay premiums, are gainfully employed and are bound by an employer-employee relationship, or are self-earning, professional practitioners, migrant workers, including their qualified dependents, and lifetime members. On the other hand, indirect contributors refer to all others not included as direct contributors, as well as their qualified dependents, whose premium shall be subsidized by the national government including those who are subsidized as a result of special laws. Every member is also granted immediate eligibility for health benefit package under the program. An employer who deliberately or through inexcusable negligence, fails or refuses to register its employees, regardless of their employment status, accurately and timely deduct contributions from its employees' compensation, or to accurately and timely remit or submit the report of the same to PhilHealth shall be punished with a fine of not less than ₱50,000.00 for every violation per affected employee, or imprisonment of not less than six months but not more than one year, or both such fine and imprisonment, at the discretion of the court. In addition, any employer who deducts, directly or indirectly, from the compensation of the covered employees or otherwise recover from them the employer's own contribution on behalf of such employees shall be punished with a fine of ₱5,000.00 multiplied by the total number of affected employees or imprisonment of not less than six months but not more than one year, or both such fine and imprisonment, at the discretion of the court.

Home Development Mutual Fund Law

Under Republic Act No. 9679 or the Home Development Mutual Fund Law of 2009, all employees who are covered by the SSS must also be registered with and covered by the Home Development Mutual Fund ("**HDMF**"), more commonly referred to as the Pag-IBIG Fund. It is a national savings program as well as a fund to provide for affordable shelter financing to Filipino workers. Coverage under the HDMF is compulsory for all SSS members and their employers. Under the law, an employer must: (i) deduct and withhold 2% of the employee's monthly compensation (with a maximum fund salary of ₱10,000.00); (ii) make a counterpart contribution of 2% of the employee's monthly compensation; and (iii) remit the contributions to the HDMF. Refusal of an employer to comply, without any lawful cause or with fraudulent intent, particularly with respect to registration of employees as well as collection and remittance of contributions, is punishable by a fine of not less but not more than twice the amount involved, or imprisonment of not more than six years, or both such fine and imprisonment, at the discretion of the court, apart from the civil liabilities and/or obligations of the offender or delinquent. When the offender is a corporation, the penalty will be imposed upon the members of the governing board and the president or general manager, without prejudice to the prosecution of related offenses under the Revised Penal Code and other laws, revocation and denial of operating rights and privileges in the Philippines, and deportation when the offender is a foreigner.

Retirement Benefits under the Labor Code

The Philippine Labor Code provides that, in the absence of a retirement plan provided by their employers, private-sector employees who have reached 60 years of age or more, but not beyond 65 years of age, the compulsory retirement age for private-sector employees without a retirement plan, and who have rendered at least five years of service in an establishment, may retire and receive a minimum retirement pay equivalent to one-half month's salary for every year of service, with a fraction of at least six months being considered as one whole year. For the purpose of computing the retirement pay, "one-half month's salary" shall include all of the following: (i) fifteen days' salary based on the latest salary rate; (ii) two and half days' salary representing one-twelfth of the thirteenth month pay; and (iii) the cash equivalent of five days of service incentive leave pay. Other benefits may be included in the computation of the retirement pay upon agreement of the employer and the employee or if provided in a collective bargaining agreement.

Other Labor-Related Laws and Regulations

Contracting and Subcontracting

The Labor Code recognizes subcontracting arrangements, whereby a principal puts out or farms out with a contractor the performance or completion of a specific job, work or service within a definite or predetermined period, regardless of whether such job, work or service is to be performed or completed within or outside the premises of the principal. Such arrangements involve a "trilateral relationship" among: (i) the principal who

decides to farm out a job, work or service to a contractor; (ii) the contractor who has the capacity to independently undertake the performance of the job, work, or service; and (iii) the contractual workers engaged by the contractor to accomplish the job, work, or service.

On March 16, 2017, the DOLE issued Department Order No. 174-17 or Rules Implementing Articles 106 to 109 of the Labor Code, As Amended ("**D.O. No 174-17**"), under the principle that non-permissible forms of contracting and subcontracting arrangements undermine the constitutional and statutory right to security of tenure of workers. D.O. No 174-17 empowered the Secretary of Labor and Employment to regulate contracting and subcontracting arrangement by absolutely prohibiting labor-only contracting, and restricting job contracting allowed under the provisions of the Labor Code. Labor-only contracting refers to an arrangement where the contractor or subcontractor merely recruits, supplies or places workers to perform a job or work for a principal, and (1) the contractor or subcontractor does not have substantial capital or investments in the form of tools, equipment, machineries, supervision, work premises, among others, and the contractual workers perform activities which are directly related to the main business operation of the principal; or (2) the contractor or subcontractor does not exercise the right to control over the performance of the work of the employee. D.O. No. 174-17 expressly requires the registration of contractors with the Regional Office of the DOLE where it principally operates, without which, a presumption that the contractor is engaged in labor-only contracting arises.

D.O. No. 174-17 provides that in the event that there is a finding that the contractor or subcontractor is engaged in labor-only contracting and other illicit forms of employment arrangements, the principal shall be deemed the direct employer of the contractor's or subcontractor's employees. Further, in the event of violation of any provision of the Labor Code, including the failure to pay wages, there exists a solidary liability on the part of the principal and the contractor for purposes of enforcing the provisions of the Labor Code and other social legislations, to the extent of the work performed under the employment contract.

DOLE Mandated Work-Related Programs

Under Republic Act No. 9165 or the Comprehensive Dangerous Drugs Act, a national drug abuse prevention program implemented by the DOLE must be adopted by private companies with 10 or more employees. For this purpose, employers must adopt and establish company policies and programs against drug use in the workplace in close consultation and coordination with the DOLE, labor and employer organizations, human resource development managers and other such private sector organizations. DOLE Department Order No. 053-03 sets out the guidelines for the implementation of Drug-Free Workplace policies and programs for the private sector.

The employer or the head of the work-related, educational or training environment or institution, also has the duty to prevent or deter the commission of acts of sexual harassment and to provide the procedures for the resolution, settlement or prosecution of such cases pursuant to Republic Act No. 7877 (Anti-Sexual Harassment Act) and Republic Act No. 11313 (Safe Spaces Act).

Under the Anti-Sexual Harassment Act, the employer will be solidarily liable for damages arising from the acts of sexual harassment committed in the workplace if the employer is informed of such acts by the offended party and no immediate action is taken. Notwithstanding, the victim of sexual harassment is not precluded from instituting a separate and independent action for damages and other affirmative relief. Any person who violates the provisions of the law shall, upon conviction, be penalized by imprisonment of not less than one month nor more than six months, or a fine ranging from ₱10,000.00 to ₱20,000.00, or both such fine and imprisonment, at the discretion of the court.

Meanwhile, under the Safe Spaces Act, employers may be held responsible for non-implementation of their duties and not taking action on reported acts of gender-based sexual harassment committed in the workplace. Any person who violates such provisions shall, upon conviction, be penalized with a fine ranging from ₱5,000.00 to ₱15,000.00.

Moreover, Department Order No. 102-10 requires all private workplaces to have a policy on HIV and AIDS and to implement a workplace program in accordance with the Philippines AIDS Prevention and Control Act. The workplace policies aim to manage sensitive issues, such as confidentiality of medical information and continuation of employment for HIV-positive staff, and to avoid the discrimination of any employee due to HIV/AIDS. Any HIV/AIDS-related information of workers should be kept strictly confidential and kept only on medical files, whereby access to it are strictly limited to medical personnel.

All private workplaces are also required to establish policies and programs on family welfare, solo parenting, breastfeeding, mental health promotion, Hepatitis B, and tuberculosis prevention and control.

REGULATIONS RELATING TO THE COMMERCIAL AVIATION BUSINESS

New Civil Code of the Philippines

Under Philippine Law, PAL and APC are considered as common carriers. Based on Article 1732 of the Civil Code, a common carrier is a person, corporation, firm or association engaged in the business of carrying or transporting passengers or goods or both, by land, water, or air, for compensation, offering such services to the public. Common carriers from the nature of their business and for reasons of public policy, are bound to observe extraordinary diligence in the vigilance over the goods and for the safety of the passengers transported by them, according to all the circumstances of each case.

While in possession of the goods being transported and until actual or constructive delivery, common carriers are presumed to have been at fault or to have acted negligently for any loss, destruction or deterioration of the goods they are transporting, unless they prove that they observed extraordinary diligence. However, common carriers are not liable if such loss, destruction, or deterioration is due to any of the following proximate causes: (1) flood, storm, earthquake, lightning, or other natural disaster or calamity; (2) act of the public enemy in war, whether international or civil; (3) act or omission of the shipper or owner of the goods; (4) the character of the goods or defects in the packing or in the containers; or (5) order or act of competent public authority, being the proximate cause for the loss, deterioration, or destruction of the goods. Any limitation to the common carrier's extraordinary due diligence must be (1) in writing, signed by the shipper or owner; (2) supported by a valuable consideration other than the service rendered by the common carrier; and (3) reasonable, just and not contrary to public policy.

Meanwhile, in case of death of or injuries to passengers, common carriers are presumed to have been at fault or to have acted negligently, unless they prove that they observed extraordinary diligence. This responsibility cannot be dispensed with or lessened by stipulation, by the posting of notices, by statements on tickets, or otherwise.

Public Service Act

Republic Act No. 11659 amended the Public Service Act (the "**PSA Amendment**"). The PSA Amendment limited the definition of public utility to a public service that operates, manages, or controls for public use any of the following: (1) distribution of electricity; (2) transmission of electricity; (3) petroleum and petroleum products pipeline transmission systems; (4) water pipeline distribution systems and wastewater pipeline system, including sewerage pipeline systems; (5) seaports; and (6) public utility vehicles. The PSA Amendment provides for an exclusive enumeration of what constitutes a public utility, and states that "[n]o other person shall be deemed a public utility unless otherwise subsequently declared by law." The PSA Amendment also expressly provides that "notwithstanding any law to the contrary, nationality requirements shall not be imposed by the relevant administrative agencies on any public service not classified as a public utility." It is worth noting that public utility vehicles are expressly defined by the same law to refer to internal combustion engine vehicles that carry passengers and/or domestic cargo for a fee, offering services to the public, namely trucks-for-hire, UV express service, public utility buses (PUBs), public utility jeepneys (PUJs), tricycles, filcabs, and taxis.

Following the PSA Amendment, all air carriers are no longer classified as public utilities, and hence, are not covered by the foreign equity restrictions applicable to public utilities under Section 11, Article XII, of the 1987 Philippine Constitution, which provides that "[n]o franchise, certificate, or any other form of authorization for the operation of a public utility shall be granted except to citizens of the Philippines or to corporations or associations organized under the laws of the Philippines at least sixty per centum of whose capital is owned by such citizens…"

The foregoing interpretation was affirmed in CAB Board Resolution No. 35 (BM 04-05-20-2024) re: CAB Guidelines Implementing the PSA Amendment, which was adopted by the CAB on May 20, 2024. Further, such guidelines provide that the minimum capital investment requirements in domestic market enterprises required of foreign nationals, as may be provided under applicable laws (e.g., under the Foreign Investments Act) shall continue to apply. Thus, the specific capitalization requirements for air carriers under CAB Resolution No. 32 (BM 03-05-25-2018) shall continue to apply *i.e.,* the minimum capital investment shall be at least PhP300,000,000.00 for domestic scheduled air transport services, or at least PhP800,000,000.00 for international scheduled air transport services.

Civil Aeronautics Act of the Philippines

Republic Act No. 776, otherwise known as the Civil Aeronautics Act of the Philippine, reorganized the CAB and the Civil Aeronautics Administration. The CAB regulates the economic aspect of air transportation, and has the

general supervision and regulation of, and jurisdiction and control over, air carriers as well as their property, property rights, equipment, facilities, and franchise, in so far as may be necessary for the purpose of carrying out the provisions of the law. The CAB also has the power to issue, deny, amend, revise, alter, modify, cancel, suspend or revoke any temporary operating permit or Certificate of Public Convenience and Necessity ("**CPCN**").

Meanwhile, the Civil Aeronautics Administration is headed by the Civil Aeronautics Administrator who administers all laws relating to civil aviation in the Philippines. The Administrator is primarily vested with authority to take charge of the technical and operational phase of civil aviation matters.

Civil Aviation Authority Act

The Civil Aviation Authority of the Philippines ("**CAAP**") was created by virtue of Republic Act No. 9497, otherwise known as the Civil Aviation Authority Act. It is the policy of the State to provide safe and efficient air transport and regulatory services in the Philippines by providing for the creation of a civil aviation authority with jurisdiction over the restructuring of the civil aviation system, the promotion, development and regulation of the technical, operational, safety, and aviation security functions under the civil aviation authority.

The CAAP is an independent regulatory body with quasi-judicial and quasi-legislative powers and possessing corporate attributes, and is attached to the Department of Transportation for the purpose of policy coordination. The CAAP maintains a system for the national registration of aircrafts in the Philippines and a system for the registration of liens, mortgages or other interests in aircraft or aircraft engines. The CAAP has the sole authority to register aircraft and liens, mortgages or other interests in aircraft or aircraft engines.

Philippine Civil Aviation Regulations

The Philippine Civil Aviation Regulations ("**PCAR**") provide the regulatory requirements dealing with aviation safety related to aircraft operations, airworthiness and personnel licensing. These regulations apply to all persons operating or maintaining (i) Republic of the Philippines registered aircrafts; (ii) aircrafts registered in another Contracting State that are operated by a person licensed by the Republic of the Philippines, and maintained in accordance with the standards of the aircraft State of Registry, wherever that maintenance is performed; and (iii) aircrafts of other Contracting States operating in the Republic of the Philippines.

The PCAR is aligned with the International Civil Aviation Organization ("**ICAO**") Standards and Recommended Practices ("**SARPs**") to ensure that Philippine licensed personnel and operators are recognized internationally and remain compliant with global regulatory frameworks.

Civil Aeronautics Board Regulations

CAB Resolution No. 23 dated May 12, 2005 adopted a Liberalized Charter Program for international non-scheduled services and chartered services at the following airports: Clark International Airport ("**CIA**"), Subic Bay International Airport ("**SBIA**"), Davao International Airport ("**DIA**"), Mactan, Cebu International Airport ("**MCIA**"), Laoag International Airport ("**LIA**"), Zamboanga International Airport ("**ZIA**"), and other developmental routes determined by the CAB. A grantee of a permit to operate under the Liberalized Charter Program is now allowed to operate pre-approved charter flight schedules renewable for six (6) month periods or less with authority to issue individual tickets.

The Civil Aeronautics Board issued Economic Regulations on Boarding Priority and Compensation for Denied Boarding, Delayed and Cancelled Flights, which apply to flights or portion of flights within the territory of the Philippines or flights or portion of flights from the territory of the Philippines operated by a domestic or foreign carrier.

Executive Orders

Executive Order No. 219 dated January 3, 1995 established a liberalized domestic and international civil aviation policy to encourage the entry into the Philippines of more domestic and international players providing air services.

Executive Order No. 253 dated December 3, 2003 expanded air services at the CIA and SBIA. The increase in commercial air cargo access to these airports was regarded as an enhancement of trade and investment opportunities for the Philippines.

Executive Order No. 500 dated January 27, 2006, as amended by Executive Order No. 500-A dated August 22, 2006, provided for the grant of unlimited third and fourth freedom rights to foreign air carriers operating at the CIA and SBIA.

Executive Order No. 28 dated March 14, 2011 reconstituted and reorganized the Single Negotiating Panel created pursuant to Executive Order No. 32 dated August 22, 2001 into the Philippine Air Negotiating Panel and Philippine Air Consultation Panel. The Philippine Air Negotiating Panel is responsible for the initial negotiations leading to the conclusion of the relevant Air Services Agreements ("**ASAs**"). Meanwhile, the Philippine Air Consultation Panel is responsible for the succeeding negotiations of these ASAs or similar arrangements. The CAB is primarily responsible for coordinating and setting up all the necessary preparations for the conduct of the negotiations and consultation talks, and acts as the Secretariat of the Philippine Air Panels.

Executive Order No. 29 dated March 14, 2011 further liberalized civil aviation in the Philippines specifically to airports other than the NAIA. Philippine Air Panels may offer and promote third, fourth, and fifth freedom rights to the country's airports other than the NAIA without restriction as to frequency, capacity, and type of aircraft, and other arrangements that will serve the national interest as may be determined by the CAB. Notwithstanding the provisions of the relevant ASAs, the CAB may grant any foreign air carriers increases in frequencies and/or capacities in the country's airports other than the NAIA, subject to the conditions required by existing laws, rules and regulations. All grants of frequencies and/or capacities which shall be subject to the approval of the President operate as a waiver by the Philippines of the restrictions on frequencies and capacities under the relevant ASAs.

International Civil Aviation Organization

The ICAO is a United Nations agency with 193 Member States. The ICAO is responsible for the establishment and maintenance of international SARPs and Procedures for Air Navigation ("**PANS**"). SARPs and PANS provide the fundamental basis for harmonized global aviation safety and efficiency in the air and on the ground, the worldwide standardization of functional and performance requirements of air navigation facilities and services, and the orderly development of air transport.

Convention on International Civil Aviation

The Philippines, as a Member State of the ICAO, has the obligation to abide with the Convention on International Civil Aviation, otherwise known as the Chicago Convention. It was concurred in by the Philippine Senate, through Resolution No. 15, on September 5, 1946. It entered into force on April 4, 1947, and became applicable to the Philippines on the same date.

Under the Chicago Convention, the contracting States recognize that every State has complete and exclusive sovereignty over the airspace above its territory. Each contracting State undertakes to collaborate in securing the highest practicable degree of uniformity in regulations, standards, procedures, and organization in relation to aircraft, personnel, airways and auxiliary services in all matters in which such uniformity will facilitate and improve air navigation. To this end, the ICAO shall adopt and amend from time to time, as may be necessary, international standards and recommended practices and procedures. Furthermore, every aircraft engaged in international navigation shall be provided with a certificate of airworthiness issued or rendered valid by the State in which it is registered.

Warsaw Convention for the Unification of Certain Rules Relating to International Carriage by Air

The Republic of the Philippines is a party to the Convention for the Unification of Certain Rules Relating to International Transportation by Air, otherwise known as the Warsaw Convention. It entered into force on February 13, 1933. It was concurred in by the Philippine Senate, through Resolution No. 19, on May 16, 1950, and became applicable to the Philippines on February 9, 1951.

This Warsaw Convention applies to all international transportation of persons, baggage, or goods performed by aircraft for hire. It applies equally to gratuitous transportation by aircraft performed by an air transportation enterprise. International transportation refers to any transportation in which, according to the contract made by the parties, the place of departure and the place of destination, whether or not there be a break in the transportation or a transshipment, are situated either within the territories of two High Contracting Parties, or within the territory of a single High Contracting Party, if there is an agreed stopping place within a territory subject to the sovereignty, suzerainty, mandate or authority of another power, even though that power is not a party to this Convention.

The Warsaw Convention provides that the carrier shall be liable for damage sustained in the event of the death or wounding of a passenger or any other bodily injury suffered by a passenger, if the accident which caused the damage so sustained took place on board the aircraft or in the course of any of the operations of embarking or disembarking. In addition, the carrier shall be liable for damage sustained in the event of the destruction or loss of, or of damage to, any checked baggage or any goods, if the occurrence which caused the damage so sustained took place during the transportation by air. The carrier shall also be liable for damage occasioned by delay in the transportation by air of passengers, baggage, or goods.

However, the carrier shall not be liable if he proves that he and his agents have taken all necessary measures to avoid the damage or that it was impossible for him or them to take such measures. In the transportation of goods and baggage the carrier shall not be liable if he proves that the damage was occasioned by an error in piloting, in the handling of the aircraft, or in navigation and that, in all other respects, he and his agents have taken all necessary measures to avoid the damage. If the carrier proves that the damage was caused by or contributed to by the negligence of the injured person the court may, in accordance with the provisions of its own law, exonerate the carrier wholly or partly from his liability.

Montreal Convention for the Unification of Certain Rules for International Carriage by Air

The Republic of the Philippines is a party to the Convention for the Unification of Certain Rules for International Carriage by Air, otherwise known as the Montreal Convention. It entered into force on November 4, 2003. It was concurred in by the Philippine Senate, through Resolution No. 95, on August 10, 2015, and became applicable to the Philippines on December 18, 2015.

The Montreal Convention recognized the need to modernize and consolidate the Warsaw Convention and related instruments. One of the most significant amendments is the establishment of a two-tier liability system in case of death or injury of passengers. Under the first tier, the carrier shall not be able to exclude or limit its liability for damages not exceeding 151,880 Special Drawing Rights ("**SDR**"). Under the second tier, the carrier may be liable for damages to the extent that they exceed for each passenger 151,880 SDRs, unless the carrier proves that such damage was not due to the negligence or other wrongful act or omission of the carrier or its servants or agents, or such damage was solely due to the negligence or other wrongful act or omission of a third party.

International Regulators

For its Trans-Pacific operations, PAL regularly deals with several U.S. regulatory authorities, including the Department of Transportation, the Federal Aviation Administration ("**FAA**"), and the Transportation Security Administration ("**TSA**"). The FAA regulates aviation safety and pilot certification and operates the air traffic control system, while the TSA regulates aviation security and operates airport screening checkpoints.

ASEAN Single Aviation Market

The 13th ASEAN Summit in November 2007 endorsed the initiative of establishing an ASEAN Single Aviation Market ("**ASAM**") in support of the development of the ASEAN Economic Community. The development of the ASAM includes necessary actions and measures essential in improving the overall performance of the ASEAN air transport sector with respect to the independence, sovereignty, equality, territorial integrity and national identity of all ASEAN Member States.

The ASEAN Senior Transport Officials through the Air Transport Working Group ("**ATWG**") coordinates the overall implementation of measures and actions specified under the Implementation Framework of the ASAM. The ATWG is supported by the ASEAN Air Transport Economic Cooperation and the ASEAN Air Transport Technical Cooperation Sub-Working Groups.

The ASEAN Member States, which includes the Philippines, shall take necessary measures towards creating an efficient and competitive air transport market characterized by open market access, thereby contributing to the economic growth, competitiveness and shared prosperity of ASEAN; move decisively towards a flexible business operating environment for the ASEAN air transport industry to foster its growth and facilitate its timely response to challenges and opportunities; formulate consistent principles, guidelines and regulations related to activities in the ASEAN air transport sector to foster fair competition and a level playing field; enhance aviation safety, aviation security and air traffic management through the harmonization and convergence of standards and

procedures regionally; and further strengthen engagement with Dialogue Partners in the development of the ASEAN air transport sector, while maintaining ASEAN's centrality as the primary driving force.

ASEAN Multilateral Agreements

The Multilateral Agreement on Air Services ("**MAAS**") signed on May 20, 2009, the Multilateral Agreement on the Full Liberalisation of Air Freight Services ("**MAFLAFS**") signed on May 20, 2009, and the ASEAN Multilateral Agreement on the Full Liberalisation of Passenger Air Services ("**MAFLPAS**") signed on November 12, 2010, are in force in all ASEAN Member States.

The MAAS provides unlimited third, fourth, and fifth freedom traffic rights within the ASEAN sub-region, between ASEAN sub-regions, and between ASEAN capital cities. The MAFLAFS provides unlimited third, fourth, and fifth freedom traffic rights among all points with international airports in ASEAN. Meanwhile, the MAFLPAS provides unlimited third, fourth, and fifth freedom traffic rights between any ASEAN cities, domestic code-share rights and co-terminal rights between points within the territory of any other ASEAN Member States, and own stopover rights.

Air Transport Agreement between ASEAN and China

The Air Transport Agreement between the Governments of the Member States of the Association of Southeast Asian Nations and the Government of the People's Republic of China entered into force on August 9, 2011. Protocol I provides unlimited third and fourth freedom traffic rights between any points in the Contracting Parties.

In addition, Protocol II provides full fifth freedom traffic rights on any number of frequencies of passenger and/or cargo services with any aircraft type, from one of the 10 named points in ASEAN, which is a point in the ASEAN Member State designating the airline(s), via any of the 10 named points in ASEAN to any of the 28 named points in China and beyond to any of the 10 named points in ASEAN and vice versa; and fifth freedom traffic rights for up to 14 weekly passenger and/or cargo services with any aircraft type from one of the 10 named points in ASEAN, which is a point in the ASEAN Member State designating the airline(s), via any points outside China and ASEAN to any of the 10 named points in China and beyond to any points outside China and ASEAN and vice versa.

Convention on International Civil Aviation

The Philippines, as a Member State of the International Civil Aviation Organization ("**ICAO**"), has the obligation to abide with the Convention on International Civil Aviation. The Convention entered into force on April 4, 1947 with respect to the Philippines. Under the Convention, the contracting States recognize that every State has complete and exclusive sovereignty over the airspace above its territory. Each contracting State undertakes to collaborate in securing the highest practicable degree of uniformity in regulations, standards, procedures, and organization in relation to aircraft, personnel, airways and auxiliary services in all matters in which such uniformity will facilitate and improve air navigation. To this end, the ICAO shall adopt and amend from time to time, as may be necessary, international standards and recommended practices and procedures. Furthermore, every aircraft engaged in international navigation shall be provided with a certificate of airworthiness issued or rendered valid by the State in which it is registered.

Legislative Franchises

Presidential Decree No. 1590 (Philippine Airlines, Inc.)

Presidential Decree No. 1590, issued on 11 June 1978, grants PAL a franchise to establish, operate, and maintain transport services for the carriage of passengers, mail, and property by air in and between any and all points and places throughout the Philippines, and between the Philippines and other countries.

Except in cases of *force majeure* and whenever weather conditions permit, PAL shall maintain scheduled and/or nonscheduled and/or charter air-transport services in and between any and all points and places throughout the Philippines as well as between the Philippines and other countries at such frequencies as traffic needs may require.

Under the amendments introduced by Republic Act No. 9337 to PAL's franchise, PAL shall be subject to corporate income tax and value-added tax. The corporate income tax and value-added tax paid shall be in lieu of all other taxes (including all taxes on interest, fees, and other charges on foreign loans obtained and other obligations incurred by PAL where the payment of such taxes is assumed by PAL), duties, royalties, registration,

license, and other fees and charges of any kind, nature, or description, imposed, levied, established, assessed, or collected by any municipal, city, provincial, or national authority or government agency, subject to the conditions under applicable law and regulations. However, PAL shall continue to pay the tax on its real properties in conformity with existing law.

PAL is also authorized to contract loans and credits in any convertible foreign currency and incur indebtedness from time to time from foreign governments, foreign banks, or any foreign or international financial institution or fund sources, or to issue bonds, notes, debentures, and other evidences of indebtedness under such terms and conditions as it shall deem appropriate for the accomplishment of its purpose. The loans, credits, indebtedness contracted by PAL, and the payment of the principal, interest, fees, and other charges thereon shall be exempt from any and all taxes, including withholding tax; *provided*, that the liability for the payment of such taxes is assumed by PAL.

The President of the Philippines, in case of war, insurrection, domestic trouble, public calamity, or national emergency, shall have the right to order the Philippine Government to take over and operate the equipment of PAL, paying just compensation for such use or damages.

The franchise has a term of fifty (50) years from the date of acceptance by PAL. The franchise is subject to amendment, alteration, or repeal by competent authority when the public interest so requires.

Republic Act No. 11682 (Air Philippines Corporation)

Republic Act No. 11682, which lapsed into law on 11 April 2022, renews for a further twenty-five (25) years the franchise previously granted to APC, doing business under the names Airphil Express, PAL Express, and Philippine Airlines, under Republic Act No. 8339, as amended by Republic Act No. 9215. APC's franchise grants it authority to establish, operate, and maintain transport services for the carriage of passengers, mail, goods, and property by air, both domestic and international.

Air transport services under the franchise include the maintenance and operation of hangars, aircraft service stations, and facilities and other services of a similar nature that may be necessary, convenient, or useful as an auxiliary to aircraft transportation.

Excepting cases of force majeure and whenever weather conditions permit, APC is required to maintain scheduled, non-scheduled, or chartered air transport services to any and all points and places throughout the Philippines and between the Philippines and other countries at such frequencies as traffic needs may require, provided that at least twenty-five percent (25%) of all frequencies shall be allocated to the domestic market.

APC may not sell, lease, transfer, grant the usufruct of, or assign the franchise or the rights and privileges acquired thereunder, nor merge with any other corporation or entity, nor permit the transfer of its controlling interest, simultaneously or contemporaneously, to any person or entity without the prior approval of Congress. Failure to report any such change of ownership to Congress within sixty (60) days of completion shall render the franchise ipso facto revoked.

The President of the Philippines, in times of war, rebellion, public peril, calamity, emergency, disaster or disturbance of peace and order; to temporarily take over and operate the facilities or equipment of the Grantee; to temporarily suspend the operation of any facility or equipment in the interest of public safety, security and public welfare; or to authorize the temporary use and operation thereof by any agency of the government, upon due compensation, for the use of said facilities or equipment.

The renewed franchise is effective for twenty-five (25) years from its effectivity date and shall be deemed ipso facto revoked if APC fails to operate continuously for two (2) years. The franchise is subject to amendment, alteration, or repeal by Congress when the public interest so requires.

ENVIRONMENTAL MATTERS

The operations of the businesses of the Group are subject to various laws, rules and regulations that have been promulgated for the protection of the environment.

Philippine Environmental Impact Statement System

The Philippine Environmental Impact Statement System established under Presidential Decree No. 1586 (the "**EISS Law**"), which is implemented by the DENR, is the general regulatory framework for any project or undertaking that is either (i) classified as environmentally critical or (ii) is situated in an environmentally critical area. The DENR, through its regional offices or through the EMB-DENR, determines whether a project is environmentally critical or located in an environmentally critical area and possesses all applications for an Environmental Compliance Certificate ("**ECC**").

The law requires an entity that will undertake any such declared environmentally critical project or operate in any such declared environmentally critical area to submit an Environmental Impact Statement ("**EIS**") which is a comprehensive study of the significant impacts of a project on the environment. If the proposed project is environmentally critical or situated in an environmentally critical area, the EIS serves as an application for the issuance of an ECC; otherwise, the EIS serves as an application for the issuance of a Certificate of Non-Coverage. An ECC is a Government certification that, among others, (i) the proposed project or undertaking will not cause significant negative environmental impact; (ii) the proponent has complied with all the requirements of the EISS Law in connection with the project; and (iii) the proponent is committed to implement its approved Environmental Management Plan ("**EMP**") in the EIS. The EMP details the prevention, mitigation, compensation, contingency and monitoring measures to enhance positive impacts and minimize negative impacts and risks of a proposed project or undertaking.

Project proponents that prepare an EIS are required to establish an Environmental Guarantee Fund when the ECC is issued for projects determined by the DENR to pose a significant public risk to life, health, property and the environment or where the project requires rehabilitation or restoration. The Environmental Guarantee Fund is intended to meet any damage caused by such a project as well as any rehabilitation and restoration measures. Project proponents are also required to establish an Environmental Monitoring Fund ("**EMF**") when an ECC is eventually issued. The EMF is to support the activities of the team monitoring the project proponent's compliance with ECC conditions, its approved EMP, and applicable laws, rules and regulations.

The Clean Water Act

The Clean Water Act (Republic Act No. 9275, the "**Clean Water Act**") and its implementing rules and regulations provide for water quality standards and regulations for the prevention, control, and abatement of pollution of the water resources of the country. The Clean Water Act requires owners or operators of facilities that discharge regulated effluents (such as wastewater from manufacturing plants or other commercial facilities) to secure a discharge permit from the DENR which authorizes the owners and operators to discharge waste and/or pollutants of specified concentration and volumes from their facilities into a body of water or land resource for a specified period of time. The DENR, together with other Government agencies and the different local Government units, is tasked to implement the Clean Water Act and to identify existing sources of water pollutants, as well as strictly monitor pollution sources which are not in compliance with the effluent standards provided in the law.

The Clean Air Act

Pursuant to the Clean Air Act of 1999 (Republic Act No. 8749) and its implementing rules and regulations, enterprises that operate or utilize air pollution sources are required to obtain a Permit to Operate from the DENR with respect to the construction or the use of air pollutants. The issuance of the said permit seeks to ensure that regulations of the DENR with respect to air quality standards and the prevention of air pollution are achieved and complied with by such enterprises.

Other Environmental Laws

Other regulatory environmental laws and regulations applicable to the businesses of SMIC Group include the following:

- The Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990 (Republic Act No. 6969), which regulates, restricts or prohibits the (i) importation, manufacture, processing, handling, storage, transportation, sale, distribution, use and disposal of chemical substance and mixtures that present unreasonable risk or injury to health or the environment, and (ii) entry into the Philippines, or the keeping in storage of hazardous wastes which include byproducts, process residue, contaminated plant or equipment or other substances from manufacturing operations. The said law is implemented by the DENR.

- The Ecological Solid Waste Management Act of 2000 (Republic Act No. 9003), which provides for the proper management of solid waste which includes discarded commercial waste and non-hazardous institutional and industrial waste. The said law prohibits, among others, the transporting and dumping of collected solid wastes in areas other than prescribed centers and facilities. The National Solid Waste Management Commission, together with other Government agencies and the different local Government units, are responsible for the implementation and enforcement of the said law.

- The Code on Sanitation of the Philippines (Presidential Decree No. 856), which provides for sanitary and structural requirements in connection with the operation of certain establishments such as industrial establishments. Under the said law, which is implemented by the Philippine Department of Health, no person, firm, corporation, or entity shall operate any industrial establishment without first obtaining a sanitary permit.

FOREIGN EXCHANGE AND FOREIGN INVESTMENT REGULATIONS

FOREIGN EXCHANGE REGULATIONS

Since 1992, the foreign exchange rules and regulations of the BSP have been liberalised. Under present regulations, as a general rule, foreign exchange ("**FX**") may be freely sold and purchased outside the Philippine banking system.

The Manual of Regulations on Foreign Exchange Transactions ("**MORFXT**") provides, among other things, that (i) publicly-guaranteed private sector foreign/foreign currency loans/borrowings require BSP approval, and such loans/borrowings must be registered with the BSP to allow servicing of payments using foreign exchange purchased from within the Philippine banking system (specifically, from AABs/AAB forex corps); (ii) private sector foreign loans/borrowings, that are not publicly-guaranteed and not covered by item (iii) below, require registration with the BSP if these will be ultimately serviced with foreign exchange purchased from within the Philippine banking system (specifically, from AABs/AAB forex corps); and (iii) the following private sector loans do not require prior BSP approval or subsequent registration before their payment may be serviced using foreign exchange purchased from within the Philippine banking system (specifically, AABs/AAB forex corps) if such loans are not publicly-guaranteed and are duly reported to the BSP by the borrower or creditor using prescribed forms – (a) foreign currency loans of resident borrowers from banks operating in the Philippines that are not publicly-guaranteed and are reported by the creditor bank to the BSP, (b) foreign obligations of residents under deferred letters of credit or under documents against acceptance or open account arrangements with a term of more than one (1) year that are not guaranteed by foreign governments/official export credit agencies, and (c) short-term trade loans of resident exporters/importers from OBUs and non-resident non-bank creditors that have been granted under BSP-reported lending programmes, provided certain reports are submitted by the borrower and the creditor OBU to the BSP.

In addition, guarantees for the account of the public sector or similar arrangements which may give rise to actual foreign currency obligations of the public sector to non-residents, as well as those to be issued by government-owned and controlled corporations (excluding public sector banks and non-bank financial institutions with quasi-banking functions) in favor of non-residents, require prior BSP approval. However, the following guarantees for account of non-residents and private sector residents do not require prior BSP approval nor registration but must be reported regularly to the BSP by the AABs as issuer or beneficiary using prescribed forms, to be eligible for servicing using foreign exchange resources of the Philippine banking system: (i) guarantees to be issued by resident banks (including public sector banks) and non-bank financial institutions with quasi-banking functions, in favor of non-residents/residents such as, payment guarantees (e.g., bid bonds, performance bonds, advance payments bonds), and guarantees to secure foreign obligations of residents which do not partake the nature of a foreign loan, (ii) guarantees to be issued by non-resident banks/financial institutions and other non-resident entities to secure Philippine peso loans/foreign currency loans of the private sector from banks operating in the Philippines under item (iii)(a) of the preceding paragraph and non-bank financial institutions with quasi-banking functions. For guarantees that are related to foreign/foreign currency loans/borrowings (except those covered under item (iii)(a) of the preceding paragraph), (i) these must already form part of the loan terms submitted or reported to the BSP; and (ii) in case of a call on such guarantee, the borrower shall (a) notify the BSP at least ten (10) banking days prior to the target date of settlement of the call on the guarantee, to allow servicing using foreign exchange resources of AABs/AAB forex corps; and (b) comply with the pertinent rules covering the underlying obligation (including reportorial requirements).

On the other hand, guarantees or similar arrangements which may give rise to actual obligations of residents to non-residents that are not covered by the preceding paragraph must be (i) registered with the BSP to allow servicing of payments related thereto (e.g., guarantee fees/charges; payments for (a) call on the guarantees; and (b) obligations resulting from such call on the guarantee) using foreign exchange purchased from within the Philippine banking system (specifically, from AABs/AAB forex corps), and (ii) reported regularly to the BSP by the resident obligee using the BSP prescribed form until the contingent obligations are fully extinguished.

For purposes of the foregoing, the Philippine banking system comprises banks operating under Philippine banking laws (principal of which is the General Banking Law of 2000, Republic Act No. 8791) (i.e., AABs) and subsidiaries or affiliates of Philippine banks organized as foreign exchange corporations which buy, own or sell foreign exchange. The Philippine foreign exchange market outside the Philippine banking system comprises the market made by various entities, such as Philippine corporations with foreign currency revenues, non-Philippine banks and individuals and other non-bank entities owning foreign exchange or deposits in foreign currency deposit units (FCDUs).

The BSP issued Circular No. 1192 on 11 April 2024, amending the MORFXT. Some of the relevant amendments include (i) the approval or registration of foreign currency loans, inward investments and other foreign transactions shall be free of charge; (2) the sale of FX by AAB forex corps may be made without the need of prior BSP approval to cover payments for non-trade current account transactions listed under Appendix 1 of Circular No. 1192; and (3) AABs/AAB forex corps may sell FX to non-resident tourists and balikbayan to the extent of the amount of foreign exchange shown to have been sold for pesos by the non-residents to AABs/AAB forex corps.

REGISTRATION OF THE GUARANTEE

Approval from the BSP is not required for the guarantee of offshore borrowings. However, as described above, registration with the BSP will allow a guarantor to access the Philippine banking system to obtain U.S. dollars to service such guarantee obligations; otherwise, the guarantor will have to source the amounts for servicing the guarantee obligations from other sources of U.S. dollars such as the non-banking system or Philippine Corporations with foreign currency revenue streams.

The relevant Guarantor may or may not register the relevant Guarantee with the BSP. See "*Risk Factors – Risks Relating to the Notes and the Guarantees – The transfer of Notes is restricted which may adversely affect their liquidity and the price at which they may be sold.*"

DESCRIPTION OF MATERIAL INDEBTEDNESS

As of March 31, 2026, PAL had total outstanding indebtedness (excluding unamortized transaction costs) of approximately U.S.$1,820.4 million, of which U.S.$11.7 million was unsecured. PAL's outstanding indebtedness consisted of lease liabilities on aircraft and engine under operating leases, finance leases, U.S. dollar asset-backed securities, Japanese yen asset-backed securities, pre-delivery payment financing, the DIP A Facility and lease liabilities on ground operating property (each as described below).

Lease Liabilities on Aircraft and Engine under Operating Leases Arrangements

PAL has various operating leases covering 45 aircraft and six spare engines. As of March 31, 2026, the outstanding amount of these obligations was U.S.$745.1 million, with a current portion of U.S.$130.1 million.

In 2025, PAL took delivery of one Airbus A350-1000 and two Airbus A320-200 aircraft under operating lease agreements. In addition, PAL took delivery of three spare engines during the year.

During the first quarter of 2026, PAL took delivery of one A320-200 aircraft. PAL also extended its operating leases on three Airbus A330 aircraft, one Airbus A321 CEO aircraft and three DHC 8-400NG aircraft to various dates between 2032 and 2034.

Lease Liabilities of Aircraft and Engine under Capital or Finance Lease Arrangements

PAL is party to various financing agreements under which 36 aircraft and 15 spare engines serve as collateral. As of March 31, 2026, U.S.$683.8 million of aggregate principal amount of finance leases were outstanding, with a current portion of U.S.$142.0 million. The following describes the finance leases entered into during 2025 through March 31, 2026.

- In 2025, PAL entered into refinancing transactions through sale and leaseback arrangements for 12 aircraft, including nine aircraft purchased by PAL from FSL during the year. Total proceeds from these aircraft financings amounted to U.S.$226.5 million. These refinancing facilities carry a variable interest rate based on Term Secured Overnight Financing Rate and are payable in quarterly installments over a term of five years. As of March 31, 2026, the outstanding amount of these obligations was U.S.$182.4 million, with a current portion of U.S.$45.6 million.

- In 2025, PAL entered into refinancing transactions through sale and leaseback arrangements involving nine spare engines. Total proceeds from these engine financing transactions amounted to U.S.$122.0 million. In March 2026, a third tranche was completed for three spare engines, totaling U.S.$41.7 million. As of March 31, 2026, the carrying amount of these obligations was U.S.$163.3 million, with a current portion of U.S.$20.6 million. These refinancing facilities carry either a variable interest rate based on Term SOFR or a fixed interest rate and are payable in quarterly installments over terms ranging from five to 12 years. In 2025, PAL completed a 12-year UKEF-covered loan that funded one Rolls-Royce Trent XWB-97 spare engine.

U.S. Dollar Asset-Backed Securities

From 2015 to 2024, PAL obtained asset-backed securities totaling U.S.$735.0 million from a counterparty bank for additional working capital. The securities are secured by current and future collections from passenger sales made in the United States through designated credit card companies. The securities bear interest at a rate based on one-month Secured Overnight Financing Rate ("**SOFR**") (from July 25, 2023 onwards) and are repaid through monthly installments, with a final maturity in June 2028.

As of March 31, 2026, the outstanding balance of these securities was U.S.$144.1 million, with a current portion of U.S.$64.7 million. As of March 31, 2026 the outstanding pledged receivables amounted to U.S.$5.9 million. Receivables collected through the credit card companies are applied against monthly installments due. A sinking fund of approximately U.S.$18.7 million is maintained to guarantee these securities. These securities are subject to certain covenants, including maintenance of a coverage ratio. As of March 31, 2026, PAL was in compliance with such covenants.

Japanese Yen Asset-Backed Securities

From 2015 to 2019, PAL obtained asset-backed securities totaling U.S.$450.0 million (equivalent) from a counterparty bank for additional working capital. The securities are secured by current and future passenger and cargo receivables denominated in Japanese Yen through identified agents in Japan. The securities bear interest at a rate based on one-month SOFR plus a margin and are repaid through monthly installments, with a final maturity in March 2028.

As of March 31, 2026, the outstanding balance of these securities was U.S.$60.1 million, with a current portion of U.S.$30.1 million. As of the same date, the outstanding pledged receivables amounted to U.S.$1.7 million. Receivables collected through the identified agents in Japan are applied against monthly installments due. A sinking fund of U.S.$7.5 million was maintained to support these securities as of March 31, 2026. These securities are subject to certain covenants, including maintenance of a coverage ratio. As of March 31, 2026, PAL was in compliance with such covenants.

Debtor-in-Possession A Facility

On September 17, 2021, in connection with the Restructuring Support Agreement and the 2021 Restructuring Plan, PAL and Buona Sorte Holdings, Inc. ("**BSHI**") entered into a credit agreement (the "**DIP A Facility Agreement**") providing for a debtor-in-possession credit facility in an aggregate principal amount of U.S.$250.0 million (the "**DIP A Facility**"). Proceeds of the DIP A Facility were used to refinance a prepetition bridge loan, pay fees, costs and expenses of the DIP lender, fund working capital requirements, pay administration costs of the Chapter 11 proceedings and for general corporate purposes. The DIP A Facility Agreement provides for the following material terms: (a) interest payable only for the first 27 months following the funding date; (b) quarterly amortization commencing on the 28th month through the 63rd month following the funding date; and (c) first priority security interests in eight A320-200 aircraft and related engines, four DHC 8-300 aircraft and two DHC 8-400 aircraft and related engines (collectively, the "**Tranche A Security Package**"). Upon the effective date of the restructuring plan, at the sole discretion of PAL, the Tranche A Security Package was released and the DIP A Facility was converted into an unsecured loan facility for the remainder of the original 63-month term.

In 2023, PAL and BSHI entered into three amendment agreements that permitted PAL to prepay the loan in the amounts of U.S.$25.0 million, U.S.$50.0 million and U.S.$50.0 million, respectively. In 2024 and 2025, PAL repaid U.S.$43.9 million and U.S.$58.6 million of principal, respectively. As of March 31, 2026, the outstanding balance of the DIP A Facility was approximately U.S.$11.7 million, with a final maturity in July 2026.

A350-1000 Pre-Delivery Payment Financing

In June 2023, PAL entered into an A350-1000 purchase agreement with Airbus S.A.S. for the purchase of nine Airbus A350-1000 aircraft. In September 2025, PAL signed a term sheet with a third-party lender, security trustee and arranger to finance a portion of the pre-delivery payments for Aircraft Rank Nos. 5 through 9, totaling approximately U.S.$177.7 million. PAL drew down approximately U.S.$69.5 million and U.S.$35.0 million in 2025 and the first quarter of 2026, respectively. This financing facility carries a variable interest rate based on Term SOFR and is payable upon delivery of each aircraft. As of March 31, 2026, the outstanding balance of this loan was approximately U.S.$104.5 million, with a current portion of approximately U.S.$69.5 million. A portion of the outstanding pre-delivery payment financing for our A350-1000 aircraft is expected to be repaid from the return of pre-delivery equity upon delivery of the relevant aircraft, including the fifth and sixth A350-1000 aircraft, which is expected to reduce the cash funding required from us on delivery.

Right-of-Use Lease Liabilities on Ground Property

PAL has various long-term ground property lease agreements with Manila International Airport Authority (MIAA), New NIAI Infra Corp (NNIC) and other airports operators within the vicinity of such airports where PAL operates in the Philippines. As of March 31, 2026, the outstanding amount of these right-of-use liabilities was U.S.$71.1 million with current portion of U.S.$4.5 million.

The table below sets forth the debt amortization schedule for PAL's outstanding finance lease liabilities, U.S. dollar and JPY asset-backed securities, PDP financing and DIP A facility as of March 31, 2026:

	< 1 year	> 1 - <2 years	>2 - <3 years	> 3 - <4 years	>4 - <5 years	>5 years
			(in millions)			
	U.S$	**U.S$**	**U.S$**	**U.S$**	**U.S$**	**U.S$**
Lease liabilities - Finance or Capital Lease	143.9	140.6	115.3	105.4	62.0	116.7
U.S. Dollar and JPY Asset-Backed Securities	95.1	95.1	14.6	-	-	-
PDP Financing	70.0	34.0	-	-	-	-
DIP A Facility	11.7	-	-	-	-	-
TOTAL	**320.7**	**270.0**	**130.0**	**105.4**	**62.0**	**116.7**

DESCRIPTION OF THE NOTES

For purposes of this "Description of the Notes," (i) the term "Issuer" refers only to Primero Agila Limited, an exempted company incorporated with limited liability under the laws of the Cayman Islands and a wholly-owned Subsidiary of Philippine Airlines, Inc., and any successor obligor on the Notes, (ii) the term "PAL" refers only to Philippine Airlines, Inc., a company incorporated under the laws of the Republic of Philippines, and not to any of its Subsidiaries, and (iii) the term "APC" refers only to Air Philippines Corporation, a company incorporated under the laws of the Republic of Philippines, and not to any of its Subsidiaries. PAL and APC are collectively referred to as the "Topco Guarantors" and each a "Topco Guarantor". PAL's guarantee of the Notes is referred to as the "PAL Guarantee" and APC's guarantee of the Notes is referred to as the "APC Guarantee" and together with the PAL Guarantee, the "Topco Guarantees" and each a "Topco Guarantee". Each Subsidiary of PAL and each Subsidiary of APC that guarantees the Notes is referred to as a "Subsidiary Guarantor," and each such guarantee is referred to as a "Subsidiary Guarantee." The term "Guarantor" refers to any of PAL, APC and the Subsidiary Guarantors, as the context requires, and the term "Guarantee" refers to either a Topco Guarantee or a Subsidiary Guarantee, as the context requires. The term "Guarantors" refers to the Topco Guarantors and the Subsidiary Guarantors collectively, and the term "Guarantees" refers to the Topco Guarantees and the Subsidiary Guarantees collectively.

The Notes are to be issued under an indenture (the "Indenture"), to be dated as of the Original Issue Date, among the Issuer, the Guarantors and The Bank of New York Mellon, as trustee (the "Trustee", which expression shall include its successor(s) and all persons for the time being the trustee or trustees under the Indenture) for the Holders of the Notes and The Bank of New York Mellon, as collateral agent (the "Collateral Agent", including any successor collateral agent). Holders of Notes will not be entitled to any registration rights. See "Transfer Restrictions."

The following is a summary of certain provisions of the Indenture, the Notes, the Guarantees and the Security Documents. This summary does not purport to be complete and is qualified in its entirety by reference to all of the provisions of the Indenture, the Notes, the Guarantees and the Security Documents. It does not restate those agreements in their entirety. Whenever particular sections or defined terms of the Indenture not otherwise defined herein are referred to, such sections or defined terms are incorporated herein by reference. We urge you to read the Indenture and the Security Documents because they, and not this description, define your rights as a Holder. Copies of the Indenture and the Security Documents will be available for inspection or may be provided by e-mail upon prior written request and satisfactory proof of holdings on or after the Original Issue Date during normal office hours at the corporate trust office of the Trustee at 240 Greenwich Street, New York, NY 10286, United States of America.

Brief Description of the Notes

The Notes will:

- be general obligations of the Issuer;
- be senior in right of payment to any existing and future obligations of the Issuer expressly subordinated in right of payment to the Notes;
- rank at least *pari passu* in right of payment with all unsecured, unsubordinated obligations of the Issuer (subject to any priority rights of such unsubordinated obligations pursuant to applicable law);
- be guaranteed by the Guarantors on an unsubordinated basis, subject to the limitations described below under the caption "— The Guarantees" and in "Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering";
- be effectively subordinated to any secured obligations of the Issuer to the extent of the value of the assets serving as security therefor (other than the Collateral);
- be effectively subordinated to all existing and future obligations of any other Subsidiaries of the Topco Guarantors that are not Subsidiary Guarantors as to the assets of such other Subsidiaries; and

- be secured by the Collateral (subject to Permitted Liens) as described below under "— Security."

The Notes will mature on July 16, 2031 unless earlier redeemed pursuant to the terms thereof and the Indenture. The Indenture allows additional Notes to be issued from time to time (the "Additional Notes"), subject to certain limitations described under "— Further Issues." Unless the context requires otherwise, references to the "Notes" for all purposes of the Indenture and this "Description of the Notes" include any Additional Notes that are actually issued. The Notes will bear interest at 7.75% per annum from the Original Issue Date or from the most recent interest payment date to which interest has been paid or duly provided for, payable semi-annually in arrears on January 16 and July 16 of each year (each an "Interest Payment Date"), commencing on January 16, 2027.

Interest on the Notes will be paid to Holders of record at the close of business on January 1 or July 1 immediately preceding an Interest Payment Date (each a "Record Date"), notwithstanding any transfer, exchange or cancelation thereof after a Record Date and prior to the immediately following Interest Payment Date. Interest on the Notes will be calculated on the basis of a 360-day year comprised of twelve 30-day months.

Except as described under "Optional Redemption" and "Redemption for Taxation Reasons" and as otherwise provided in the Indenture, the Notes may not be redeemed prior to maturity (unless they have been repurchased by the Issuer).

In any case in which the date of the payment of principal of, premium (if any) or interest on the Notes (including any payment to be made on any date fixed for redemption or purchase of any Note) is not a Business Day, then payment of principal, premium (if any) or interest need not be made on such date but may be made on the next succeeding Business Day. Any payment made on such Business Day will have the same force and effect as if made on the date on which such payment is due, and no interest on the Notes will accrue for the period after such date. Interest on overdue principal and interest and Additional Amounts, if any, will accrue at a rate that is 1% higher than the then applicable interest rate on the Notes.

The Notes will be issued only in fully registered form, without coupons, in minimum denominations of US$200,000 and integral multiples of US$1,000 in excess thereof. See "— Book-Entry; Delivery and Form." No service charge will be made for any registration of transfer or exchange of Notes, but the Issuer may require payment of a sum sufficient to cover any transfer tax or other similar governmental charge payable in connection therewith.

All payments on the Notes will be made in U.S. dollars in immediately available funds by the Issuer at the office or agency of the Issuer maintained for that purpose (which initially will be the specified office of the Paying Agent located at 240 Greenwich Street, New York, NY 10286, United States of America), and the Notes may be presented for registration of transfer or exchange at such office or agency; *provided* that, at the option of the Issuer, payment of interest will be made by wire transfer or, if the Notes are in certificated form and the Issuer or any affiliate acts as the paying agent, payments may be made by checks mailed to the address of the Holders as such address appears in the Note register. Interest payable on the Notes held through DTC will be available to DTC participants (as defined herein) on the Business Day following payment thereof. The Registrar and the Trustee may require a Holder, among other things, to furnish appropriate endorsements and transfer documents in connection with a transfer of the Notes including, in certain circumstances, an Opinion of Counsel. Holders will be required to pay all taxes due on transfer.

The Guarantees

The Topco Guarantees

The Topco Guarantee of each Topco Guarantor will:

- be a general obligation of such Topco Guarantor;
- be effectively subordinated to secured obligations of such Topco Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);
- be senior in right of payment to all future obligations of such Topco Guarantor expressly subordinated in right of payment to such Topco Guarantee;

- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated obligations of such Topco Guarantor (subject to any priority rights of such unsubordinated obligations pursuant to applicable law);

- be effectively subordinated to all existing and future obligations of any Subsidiaries of such Topco Guarantor that are not Subsidiary Guarantors; and

- be secured by the Collateral (subject to Permitted Liens) as described below under "— Security."

The Subsidiary Guarantees

On the Original Issue Date, all Subsidiaries of the Topco Guarantors, namely Sabre Travel Network, Mabuhay Miles Inc., Maritime Express Transport Inc and GuidetothePhilippines Inc. (the "Initial Unrestricted Subsidiary") will be Unrestricted Subsidiaries and there will be no Subsidiary Guarantors.

Each Topco Guarantor will cause each of its future Restricted Subsidiaries which are not Excluded Subsidiaries, within 60 days of becoming a Restricted Subsidiary, to execute and deliver to the Trustee a supplemental indenture to the Indenture pursuant to which such Restricted Subsidiary will guarantee the payment of the Notes and become a Subsidiary Guarantor. In addition, if (i) as of the date on which quarterly condensed consolidated financial statements of each Topco Guarantor are delivered pursuant to "—Provision of Financial Statements and Reports" or (ii) following the incorporation or acquisition of a Restricted Subsidiary, or the designation of an Unrestricted Subsidiary as a Restricted Subsidiary, the Consolidated Assets of all Restricted Subsidiaries which are Excluded Subsidiaries pursuant to clause (ii) in the first sentence of the definition of "Excluded Subsidiaries" in the aggregate exceed 15.0% of Total Assets, a Topco Guarantor must cause one or more Excluded Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Excluded Subsidiaries will guarantee the payment of the Notes and become a Subsidiary Guarantor such that the Non-Guarantor Threshold (as defined in the definition of "Excluded Subsidiary") is complied with. Such supplemental indenture must be executed within 60 days from the date of the most recent fiscal quarter for which consolidated financial statements of each Topco Guarantor (which each Topco Guarantor shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee.

The Subsidiary Guarantee of each Subsidiary Guarantor will:

- be a general obligation of such Subsidiary Guarantor;

- be effectively subordinated to secured obligations of such Subsidiary Guarantor, to the extent of the value of the assets serving as security therefor (other than the Collateral);

- be senior in right of payment to all future obligations of such Subsidiary Guarantor expressly subordinated in right of payment to such Subsidiary Guarantee;

- rank at least *pari passu* in right of payment with all other unsecured, unsubordinated Indebtedness of such Subsidiary Guarantor (subject to any priority rights of such unsubordinated Indebtedness pursuant to applicable law); and

- be secured by the Collateral as described below under "— Security".

Under the Indenture, and with respect to any future Subsidiary Guarantors, any supplemental indenture to the Indenture, each of the Topco Guarantors and Subsidiary Guarantors will jointly and severally guarantee the due and punctual payment of the principal of, premium (if any) and interest on, and all other amounts payable under, the Notes. Each of the Topco Guarantors and the Subsidiary Guarantors will (1) agree that its respective obligations under its Topco Guarantee or Subsidiary Guarantee, as applicable, will be enforceable irrespective of any invalidity, irregularity or unenforceability of the Notes or the Indenture and (2) waive its right to require the Trustee to pursue or exhaust its legal or equitable remedies against the Issuer prior to exercising its rights under its Topco Guarantee or Subsidiary Guarantee, as applicable. Moreover, if at any time any amount paid under a Note or the Indenture is rescinded or must otherwise be repaid, the rights of the Holders under the Guarantees will be reinstated with respect to such payments as though such payment had not been made. All payments under the Guarantees are required to be made in U.S. dollars.

Under the Indenture, and any supplemental indenture to the Indenture, as applicable, each Guarantee will be limited to an amount not to exceed the maximum amount that can be guaranteed by the applicable Guarantor without rendering such Guarantee voidable under applicable law relating to fraudulent conveyance or fraudulent transfer or similar laws affecting the rights of creditors generally. If a Guarantee were to be rendered voidable, it could be subordinated by a court to all other Indebtedness (including guarantees and other contingent liabilities) of the applicable Guarantor, and, depending on the amount of such Indebtedness, such Guarantor's liability on its Guarantee could be reduced to zero.

The obligations of each Guarantor under its Guarantee may be limited, or possibly invalid, under applicable laws. See "Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering — The Guarantees may be challenged under applicable bankruptcy, insolvency, fraudulent transfer, financial assistance, unfair preference or similar laws, which could impair the enforceability of the Guarantees."

Release of the Topco Guarantees

The Topco Guarantees may be released in certain circumstances, including:

- upon repayment in full of the Notes; or
- upon a defeasance as described under "— Defeasance" or a discharge as described under "— Satisfaction and Discharge."

Release of the Subsidiary Guarantees

A Subsidiary Guarantee given by a Subsidiary Guarantor may be released in certain circumstances, including:

- upon repayment in full of the Notes;
- upon a defeasance as described under "— Defeasance" or a discharge as described under "—Satisfaction and Discharge";
- upon the designation by the relevant Topco Guarantor of such Subsidiary Guarantor as an Unrestricted Subsidiary in compliance with the terms of the Indenture; or
- upon the sale, merger, consolidation, transfer, winding up, conveyance or other disposition of such Subsidiary Guarantor in compliance with the terms of the Indenture (including the covenants described under the captions "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," "— Certain Covenants — Limitation on Asset Sales" and "— Consolidation, Merger and Sale of Assets") resulting in such Subsidiary Guarantor no longer being a Restricted Subsidiary, so long as such Subsidiary Guarantor is simultaneously released from its obligations in respect of any of the Topco Guarantors' other Indebtedness or any Indebtedness of any other Restricted Subsidiary.

Under the circumstances described below under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries," the relevant Topco Guarantor will be permitted to designate certain of its Subsidiaries as "Unrestricted Subsidiaries." Unrestricted Subsidiaries will (a) generally not be subject to the restrictive covenants in the Indenture and (b) not guarantee the Notes.

As of March 31, 2026,

- the Topco Guarantors and their respective Restricted Subsidiaries (including the Issuer) had US$1,749.3 million of interest-bearing debt outstanding (excluding lease liabilities on ground property), of which US$11.7 million was unsecured; and
- the Initial Unrestricted Subsidiaries had no interest-bearing debt outstanding.

Security

The obligations of the Issuer and the Guarantors under the Notes, the Guarantees and the Indenture will be secured on a first priority basis (subject to Permitted Liens) by a security interest granted by the Issuer over all of its rights

in the Interest Reserve Account (as defined below) (the "Collateral").

The proceeds realizable from the Collateral that will secure the Notes, the Guarantees and the Indenture will not be sufficient to satisfy the Issuer's and the Guarantors' obligations under the Notes, the Guarantees and the Indenture, and the Collateral may be reduced or diluted under certain circumstances, including the issuance of Additional Notes. See "— Release of Security" and "Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering—The value of the Collateral will not be sufficient to satisfy our obligations under the Notes."

Accordingly, there can be no assurance that the Collateral would be sold in a timely manner or at all.

Interest Reserve Account

Prior to the Original Issue Date, the Issuer will establish an account (the "Interest Reserve Account") in New York with The Bank of New York Mellon (or any other person(s) acting as account bank in relation to the Interest Reserve Account from time to time), as account bank (the "Account Bank"). On the Original Issue Date or as soon as reasonably practicable thereafter, the Issuer will deposit into the Interest Reserve Account an amount in cash equal to the amount of one (1) semi-annual interest payment under the Notes. Funds deposited in the Interest Reserve Account will be maintained in U.S. dollars and may only be invested, on the written instruction of the Issuer, in financial instruments specified in the definition of Temporary Cash Investments. From the time the funds are first deposited in the Interest Reserve Account, the Issuer will at all times maintain an amount equal to one (1) semi-annual interest payment in the Interest Reserve Account with respect to the outstanding Notes. The Issuer may release funds held in the Interest Reserve Account which are in excess of the next semi-annual interest payment on the outstanding Notes.

If the Notes become due and payable following the occurrence of an Event of Default under the Notes, the funds remaining on deposit in the Interest Reserve Account shall be held solely to the order of the Collateral Agent for the benefit of the Holders, the Account Bank shall release such funds in the Interest Reserve Account at the direction of the Collateral Agent (acting upon the instruction of the Trustee), which shall apply such funds in accordance with the provisions of the Indenture and the Security Documents in and towards payment of the amount due under the Notes and the Indenture.

Funds remaining on deposit in the Interest Reserve Account will be applied to the payment of interest on the Notes, and any remaining balance shall be applied to the payment of premium and Additional Amounts, if any, due on the Notes on the final Stated Maturity of the Notes or any redemption date for redemption of all outstanding Notes, in each case for purposes of full or partial repayment of outstanding Notes.

Neither the Trustee nor the Collateral Agent shall be responsible or liable for monitoring the amount of funds to be maintained in the Interest Reserve Account or for ensuring that the Issuer withdraw funds from the Interest Account in accordance with the provisions of the Indenture, the agreement governing the Interest Reserve Account and the Security Documents.

Enforcement of Security

The first-priority Liens (subject to any Permitted Lien) securing the Notes and the Guarantees will be granted to the Collateral Agent. The Bank of New York Mellon will act as the initial Collateral Agent under the Security Documents entered into on the Original Issue Date. The Collateral Agent will hold such Liens over the Collateral granted pursuant to the Security Documents with sole authority as directed by the written instructions of the Trustee (acting on the written direction of the Holders of at least 25% in aggregate principal amount of the Notes) to exercise remedies under the Security Documents and subject to receipt of security and/or indemnity and/or pre-funding satisfactory to it. The Collateral Agent has agreed to act as secured party under the applicable Security Documents on behalf of the Holders and Trustee, to follow the instructions provided to it under the Indenture and the Security Documents, and to carry out certain other duties. The Trustee will give instructions to the Collateral Agent by itself or in accordance with instructions it receives from the Holders of at least 25% in aggregate principal amount of the Notes in accordance with the Indenture and the respective Security Documents.

The Indenture and/or the Security Documents principally provide that, at any time while the Notes are outstanding, the Collateral Agent has the right to perform and enforce the terms of the Security Documents relating to the Collateral and to exercise and enforce all privileges, rights and remedies thereunder according to its direction, including to take or retake control or possession of such Collateral and to hold, prepare for sale, process, lease, dispose of or liquidate such Collateral, including, without limitation, following the occurrence of an Event of

Default under the Indenture.

All payments received and all amounts held by the Collateral Agent in respect of the Collateral under the Security Documents will be applied as follows:

- first, to the Collateral Agent and the Trustee to the extent necessary to reimburse the Collateral Agent, the Trustee and each of its agents, delegates and any receivers, for any fees and expenses (including fees and properly incurred expenses of its counsel) incurred in connection with the collection or distribution of such amounts held or realized or in connection with expenses incurred in enforcing all available remedies under the Security Documents and preserving the Collateral and all amounts for which the Collateral Agent, the Trustee and each of its agents, delegates and any receivers, is entitled to payment or indemnification under the Indenture and the Security Documents with respect to such matters;

- second, to the Trustee to the extent necessary to reimburse the Trustee, the Agents and their respective agents, delegates and any receivers for any expenses (including fees and properly incurred expenses of its counsel) incurred in connection with the Indenture and in connection with the administration of and carrying out of their respective functions under the Indenture and all amounts for which the Trustee, the Agents and their respective agents, delegates and any receivers are entitled to payment or indemnification under the Indenture and the Security Documents;

- third, to the Trustee for the benefit of the Holders; and

- fourth, any surplus remaining after such payments will be paid to the Issuer or the Guarantors or to whomever may be lawfully entitled thereto.

The Trustee and the Collateral Agent will not be required to expend its own funds, foreclose on the Collateral or exercise remedies available if it does not receive indemnification and/or security and/or pre-funding to its satisfaction. In addition, the Collateral Agent's ability to foreclose on the Collateral may be subject to lack of perfection, the consent of third parties, prior Liens and practical problems associated with the realization of the Collateral Agent's Liens on the Collateral. Neither the Trustee, the Collateral Agent nor any of their respective officers, directors, employees, attorneys or agents will be responsible or liable for the existence, genuineness, value, time or protection of any Collateral securing the Notes, for the legality, enforceability, effectiveness, adequacy or sufficiency of the Security Documents, for the creation, perfection, continuation, priority, sufficiency or protection of any of the Liens, or for any defect or deficiency as to any such matters, or for any failure to demand, collect, foreclose or realize upon or otherwise enforce any of the Liens or Security Documents or any delay in doing so. Nor will the Collateral Agent nor the Trustee be responsible for (i) the right or title of any person in or to, or the value of, or sufficiency of any part of the Collateral created by the Security Documents; (ii) the priority of any Lien on the Collateral created by the Security Documents; or (iii) the existence of any other Lien affecting any asset secured under a Security Document.

The Indenture provides that the Issuer and the Topco Guarantors will indemnify the Collateral Agent for all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind imposed against the Collateral Agent arising out of the Indenture and the Security Documents except to the extent that any of the foregoing are finally judicially determined to have resulted from the gross negligence or willful misconduct of the Collateral Agent.

Release of Security

The security created in respect of the Collateral granted under the Security Documents may be released upon request and at the cost of the Issuer in certain circumstances, including:

- upon repayment in full of the Notes;

- upon defeasance of the Notes as provided below under "— Defeasance" or a discharge as described under "— Satisfaction and Discharge";

- to make any changes necessary to effect any change in the Account Bank, without consent of the Holders, in accordance with the provisions described under "— Amendments and Waiver;

and

- in whole or in part, with the requisite consent of the Holders (other than as provided in the Indenture and the Security Documents) in accordance with the provisions described under "— Amendments and Waiver."

Further Issues

Subject to the covenants described below and in accordance with the terms of the Indenture, the Issuer may, from time to time, without notice to or the consent of the Holders, create and issue Additional Notes having the same terms and conditions as the Notes (including the benefit of the Guarantees and any collateral) in all respects (or in all respects except for the issue date, issue price, first payment of interest and the first date for accrual of interest, and, to the extent necessary, certain temporary securities law transfer restrictions) (a "Further Issue") so that such Additional Notes may be consolidated and form a single class with the previously outstanding Notes and vote together as one class on all matters with respect to the Notes; *provided* that (a) the issuance of any such Additional Notes shall then be permitted under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock" covenant described below and the other provisions of the Indenture; and (b) the Additional Notes will not be issued under the same CUSIP, ISIN, or Common Code as the Notes unless such Additional Notes are fungible with the Notes for U.S. federal income tax purposes.

In addition, the issuance of any Additional Notes by the Issuer will be subject to the following conditions:

(1) all obligations with respect to the Additional Notes shall be secured and guaranteed under the Indenture, the Guarantees and the Security Documents to the same extent and on the same basis as the Notes outstanding on the date the Additional Notes are issued;

(2) the Topco Guarantors and the Issuer shall have delivered to the Trustee an Officers' Certificate, in form and substance satisfactory to the Trustee, confirming that the issuance of the Additional Notes complies with the Indenture and is permitted by the Indenture; and

(3) the Topco Guarantors and the Issuer shall have delivered to the Trustee one or more Opinions of Counsel, in form and substance satisfactory to the Trustee, confirming, among other things, that the issuance of the Additional Notes satisfies the conditions precedent to such issuance under the Indenture.

Optional Redemption

At any time on or after July 16, 2028, the Issuer may redeem the Notes, in whole or in part, at the redemption prices equal to the percentage of principal amount set forth below, plus accrued and unpaid interest, if any, to (but not including) the redemption date, if redeemed during the 12-month period commencing on July 16 of any year set forth below:

Period	Price
2028	103.875%
2029	101.938%
2030	100%

At any time prior to July 16, 2028, the Issuer may redeem up to 35% of the aggregate principal amount of the Notes with the Net Cash Proceeds of one or more sales of Common Stock (or options, warrants or rights relating to Common Stock) of PAL in an Equity Offering at a redemption price of 107.75% of the principal amount of the Notes, plus accrued and unpaid interest, if any, to (but not including) the redemption date; *provided* that at least 65% of the aggregate principal amount of the Notes issued on the Original Issue Date (excluding Notes held by PAL and its Affiliates) remains outstanding after each such redemption and any such redemption takes place within 90 days after the closing of the related Equity Offering.

At any time prior to July 16, 2028, the Issuer may at its option redeem the Notes, in whole or in part, at a redemption price equal to 100% of the principal amount of the Notes plus the Applicable Premium as of, and accrued and unpaid interest, if any, to (but not including) the redemption date. Neither the Trustee nor any of the Agents shall be responsible or liable for calculating or verifying the Applicable Premium.

In connection with any tender offer for the Notes, including a Change of Control Offer or an Offer to Purchase with the Excess Proceeds, if holders of the Notes of not less than 90% in aggregate principal amount of the outstanding Notes validly tender and do not withdraw such Notes in such tender offer and the Issuer, or any third party making such a tender offer in lieu of the Issuer, purchases, all of the Notes validly tendered and not withdrawn by such holders, the Issuer or (with the approval of the Issuer) such third-party will have the right upon not less than 10 nor more than 60 days' notice, to redeem the Notes that remain outstanding in whole, but not in part, following such purchase at a price equal to the price offered to each other holder of the Notes in such tender offer, plus, to the extent not included in the tender offer payment, accrued and unpaid interest, if any, thereon, to, but not including, such redemption date.

In connection with any redemption of Notes referred to in the preceding paragraphs, any such redemption or notice may, at the Issuer's sole discretion, be subject to one or more conditions precedent, including, but not limited to, completion of an equity or debt offering, a financing, or other corporate transactions. In addition, if such redemption or notice is subject to satisfaction or waiver by the Issuer of one or more conditions precedent, such notice may state that, in the Issuer's sole discretion, the redemption date may be delayed until such time (provided, however, that any delayed redemption date shall not be more than 60 days after the date the relevant notice of redemption was sent) as any or all such conditions shall be satisfied or waived by the Issuer, or such redemption may not occur and such notice may be rescinded in the event that any or all such conditions shall not have been satisfied or waived by the Issuer by the redemption date, or by the redemption date so delayed.

The Issuer will give not less than 10 days' nor more than 60 days' notice of any redemption. If less than all of the Notes are to be redeemed, the Notes for redemption will be selected as follows:

- if the Notes are listed on any securities exchange, in compliance with the requirements of the principal securities exchange on which the Notes are then traded and/or if the Notes are held through the clearing systems, in compliance with the requirements of the clearing systems; or

- if the Notes are not listed on any securities exchange or are not held through the clearing systems, on a pro rata basis by lot or such other method as the Trustee deem appropriate in its sole and absolute discretion, unless otherwise required by law.

However, no Note of US$200,000 in principal amount or less will be redeemed in part. If any Note is to be redeemed in part only, the notice of redemption relating to such Note will state the portion of the principal amount to be redeemed. A new Note in principal amount equal to the unredeemed portion will be issued upon cancellation of the original Note. On and after the redemption date, interest will cease to accrue on Notes or portions of them called for redemption.

Repurchase of Notes Upon a Change of Control Triggering Event

Not later than 30 days following a Change of Control Triggering Event which shall be notified to the Trustee, Agents and the Holders, the Issuer or a Topco Guarantor will make an Offer to Purchase all outstanding Notes (a "Change of Control Offer") at a purchase price equal to 101% of the principal amount thereof plus accrued and unpaid interest, if any, to (but not including) the Offer to Purchase Payment Date.

The Issuer and the Topco Guarantors have agreed in the Indenture that upon a Change of Control Triggering Event they will timely repay all Indebtedness or obtain consents as necessary under, or terminate, agreements or instruments that would otherwise prohibit a Change of Control Offer required to be made pursuant to the Indenture.

Notwithstanding this agreement of the Issuer and the Topco Guarantors, it is important to note that if the Issuer or the Topco Guarantors are unable to repay (or cause to be repaid) all of the Indebtedness, if any, that would prohibit repurchase of the Notes or is unable to obtain the requisite consents of the holders of such Indebtedness, or terminate any agreements or instruments that would otherwise prohibit a Change of Control Offer, it would continue to be prohibited from purchasing the Notes. In that case, the failure by the Issuer or the Topco Guarantors to purchase tendered Notes would constitute an Event of Default under the Indenture.

Certain of the events constituting a Change of Control under the Notes may also constitute an event of default under certain other debt instruments. Future debt of the Issuer or the Topco Guarantors may also prohibit the Issuer or the Topco Guarantors from purchasing Notes in the event of a Change of Control Triggering Event,

provide that a Change of Control is a default or require repurchase of such debt upon a Change of Control. Moreover, the exercise by the Holders of their right to require the Issuer or the Topco Guarantors to purchase the Notes could cause a default under other Indebtedness, even if the Change of Control itself does not, due to the financial effect of the purchase on the Issuer or the Topco Guarantors. The ability of the Issuer or the Topco Guarantors to pay cash to the Holders following the occurrence of a Change of Control Triggering Event may be limited by the Issuer's or the Topco Guarantors' then existing financial resources. There can be no assurance that sufficient funds will be available when necessary to make the required purchase of the Notes. See "Risk Factors — Risks Relating to the Notes, the Guarantees and this Offering—Upon a Change of Control Triggering Event, the Issuer may not be in a position to redeem the Notes."

The definition of "Change of Control" includes a phrase "all or substantially all," as used with respect to the assets of the Group. The phrase will be interpreted under New York law and other applicable law based on particular facts and circumstances. Accordingly, there may be a degree of uncertainty as to the ability of a Holder of Notes to require the Topco Guarantors or the Issuer to repurchase such Holder's Notes as a result of a sale of "all or substantially all" the assets of Group to another person or group.

Notwithstanding the above, the Topco Guarantors and the Issuer will not be required to make a Change of Control Offer following a Change of Control Triggering Event if a third party makes the Change of Control Offer in the manner, at the times and otherwise in compliance with the requirements set forth in the Indenture applicable to a Change of Control Offer to be made by the Topco Guarantors or the Issuer and such third party purchases all Notes validly tendered and not withdrawn under such Change of Control Offer.

The Issuer and the Topco Guarantors will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to a Change of Control Offer. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Issuer and the Topco Guarantors will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described hereunder by virtue of its compliance with such laws and regulations.

The Trustee shall not be required to take any steps to ascertain whether a Change of Control Triggering Event or any event which could lead to a Change of Control Triggering Event has occurred or may occur, and shall be entitled to assume that no such event has occurred until it has received written notice to the contrary from the Issuer. The Trustee shall not be required to take any steps to ascertain whether the condition for the exercise of the rights herein has occurred.

The Trustee shall not be responsible for determining or verifying whether a Note is to be accepted for redemption and will not be responsible to the Holders for any loss arising from any failure by it to do so. The Trustee shall not be under any duty to determine, calculate or verify the redemption amount payable hereunder and will not be responsible or liable to any person for any loss arising from any failure by it to do so.

Except as described above with respect to a Change of Control Triggering Event, the Indenture does not contain provisions that permit the Holders to require that the Issuer or the Topco Guarantors purchase or redeem the Notes in the event of a takeover, recapitalization or similar transaction.

Open Market Purchases

The Issuer or any Topco Guarantor may purchase Notes in the open market or by tender or by any other means at any price, so long as such acquisition does not otherwise violate the terms of the Indenture. All Notes that are so purchased, acquired or otherwise redeemed may be cancelled.

Sinking Fund

There will be no mandatory redemption or sinking fund payments for the Notes.

Additional Amounts

All payments of principal of and premium (if any) and interest on the Notes and all payments under the Guarantees will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or within any jurisdiction in which the Issuer, a Surviving Person (as defined under the caption "— Consolidation, Merger and Sale of Assets") or an

applicable Guarantor is organized, doing business or resident for tax purposes or any jurisdiction from or through which payment is made (or any political subdivision or taxing authority thereof or therein) (each, as applicable, a "Relevant Jurisdiction"), unless such withholding or deduction is required by law, by regulation or governmental policy having the force of law or by the interpretation or administration thereof. In the event that any such withholding or deduction is so required, the Issuer, a Surviving Person or the applicable Guarantor, as the case may be, will make such deduction or withholding, make payment of the amount so withheld to the appropriate governmental authority and will pay such additional amounts ("Additional Amounts") as will result in receipt by the Holder of each Note of such amounts payable under the Notes or the Guarantees as would have been received by such Holder had no such withholding or deduction been required, except that no Additional Amounts will be payable:

(a) for or on account of:

(i) any tax, duty, assessment or other governmental charge that would not have been imposed but for:

(A) the existence of any present or former connection between the Holder or beneficial owner of such Note or Guarantee, as the case may be, or, if the Holder is a trust, partnership, limited liability company or a corporation, its beneficiaries, partners, members or shareholders, and the Relevant Jurisdiction other than merely holding such Note, the receipt of payments thereunder or under a Guarantee or exercising rights thereunder, including, without limitation, such Holder or beneficial owner (or its beneficiaries, partners, members or shareholders) being or having been a national, domiciliary or resident of such Relevant Jurisdiction or treated as a resident thereof or being or having been physically present or engaged in a trade or business therein or having or having had a permanent establishment therein;

(B) the presentation of such Note (in cases in which presentation is required) more than 30 days after the later of the date on which the payment of the principal of, premium, if any, or interest on, such Note became due and payable pursuant to the terms thereof or was made or duly provided for, except to the extent that the Holder thereof would have been entitled to such Additional Amounts if it had presented such Note for payment on any date within such 30-day period;

(C) the failure of the Holder or beneficial owner to comply with a timely request of the Issuer, a Surviving Person or any Guarantor addressed to the Holder or beneficial owner, as the case may be, to provide information concerning such Holder's or beneficial owner's nationality, residence, identity or connection with any Relevant Jurisdiction, if and to the extent that due and timely compliance with such request would have reduced or eliminated any withholding or deduction as to which Additional Amounts would have otherwise been payable to such Holder or beneficial owner; or

(D) the presentation of such Note (in cases in which presentation is required) for payment in the Relevant Jurisdiction, unless such Note could not have been presented for payment elsewhere;

(ii) any estate, inheritance, gift, stamp, sale, excise, transfer, personal property or similar tax, assessment or other governmental charge;

(iii) any tax, duty, assessment or other governmental charge which is not payable by way of deduction or withholding from payments made on or with respect to any Note;

(iv) any withholding or deduction imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, and any current or future regulations promulgated thereunder (generally referred to as "FATCA"), the laws of any Relevant Jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to

implement FATCA, or any agreement between the Issuer or a Guarantor and the United States or any authority thereof entered into for FATCA purposes; or

(v) any combination of taxes, duties, assessments or other governmental charges referred to in the preceding clauses (i), (ii), (iii), and (iv); or

(b) to a Holder that is a fiduciary, partnership or person other than the sole beneficial owner of any payment to the extent that such payment would be required to be included for tax purposes in the income under the laws of a Relevant Jurisdiction, of a beneficiary or settlor with respect to the fiduciary, or a member of that partnership or a beneficial owner who would not have been entitled to such Additional Amounts had that beneficiary, settlor, partner, or beneficial owner been the Holder thereof.

As a result of these provisions, there are circumstances in which taxes, duties, assessments or other governmental charges could be withheld or deducted but Additional Amounts would not be payable to some or all Holders or beneficial owners of Notes.

The Issuer will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies that arise in any jurisdiction from the execution, delivery or registration of the Notes or any other document or instrument relating to the issuance thereof, excluding any such taxes, charges or similar levies imposed by any jurisdiction outside a Relevant Jurisdiction.

Whenever there is mentioned in any context the payment of principal, premium or interest in respect of any Note or any Guarantee, such mention will be deemed to include payment of Additional Amounts provided for in the Indenture to the extent that, in such context, Additional Amounts are, were or would be payable in respect thereof.

In case of any guarantee payments by PAL, PAL shall assume liability for any withholding tax or income tax imposed in respect of premium (if any), interest on the Notes and other payments under the Guarantees.

The Paying Agent and the Trustee will make payments free of withholdings or deductions on account of taxes unless required by applicable law. If such a deduction or withholding is required, the Paying Agent or the Trustee will not be obligated to pay any Additional Amount to the recipient unless such an Additional Amount is received by the Paying Agent or the Trustee.

Each Holder, by accepting the Notes agrees, for the benefit of the Trustee, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the offering of the Notes and has not relied on and will not at any time rely on the Trustee in respect of such risks.

Redemption for Taxation Reasons

The Notes may be redeemed, at the option of the Issuer, any Topco Guarantor or a Surviving Person, as a whole but not in part, upon giving not less than 10 days' nor more than 60 days' notice to the Holders (which notice will be irrevocable) and the Trustee, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest (including any Additional Amounts), if any, to (but not including) the date fixed by the Issuer, any Topco Guarantor or the Surviving Person, as the case may be, for redemption (the "Tax Redemption Date") if, as a result of:

(1) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder and including any treaties or official administrative guidance having the force of law) of a Relevant Jurisdiction affecting taxation; or

(2) any change in, or amendment to, an official position regarding the application or interpretation of such laws, regulations or rulings or treaties (including a holding, judgment or order by a court of competent jurisdiction),

which change or amendment is announced and becomes effective on or after the Original Issue Date or, if later, the date the jurisdiction became a Relevant Jurisdiction, with respect to any payment due or to become due under the Notes, the Indenture or a Guarantee (or, in the case of a Surviving Person or future Subsidiary Guarantor, the date such Person became a Surviving Person or Guarantor, as the case may be), the Issuer, a Guarantor or the Surviving Person, as the case may be, is, or on the next Interest Payment Date would be, required to pay Additional

Amounts, and such requirement cannot be avoided by the taking of reasonable measures by the Issuer, such Guarantor or the Surviving Person, as the case may be; *provided* that changing the jurisdiction of the Issuer, a Guarantor or the Surviving Person is not a reasonable measure for the purposes of this section; *provided further* that no such notice of redemption will be given earlier than 90 days prior to the earliest date on which the Issuer, a Guarantor or the Surviving Person, as the case may be, would be obligated to pay such Additional Amounts if a payment in respect of the Notes were then due.

Prior to the mailing of any notice of redemption of the Notes pursuant to the foregoing, the Issuer, a Guarantor or Surviving Person, as the case may be, will deliver to the Trustee at least 30 days but not more than 60 days before the Tax Redemption Date:

(1) an Officers' Certificate stating that such change or amendment referred to in the prior paragraph has occurred, describing the facts related thereto and stating that such requirement cannot be avoided by the Issuer, such Guarantor or such Surviving Person, as the case may be, by taking reasonable measures available to it; and

(2) an Opinion of Counsel of recognized standing, or an opinion of a tax consultant of international recognized standing, with respect to tax matters of the Relevant Jurisdiction, stating that the requirement to pay such Additional Amounts results from such change or amendment referred to in the prior paragraph.

The Trustee shall be entitled to accept such Officers' Certificate and Opinion of Counsel as sufficient evidence of the satisfaction of the conditions precedent described above without any verification, in which event it will be conclusive and binding on the Holders, and the Trustee will not be responsible for any loss occasioned by acting in reliance on such certificate and opinion, and is not obligated to verify any information contained in any certificate or opinion.

Any Notes that are redeemed will be cancelled.

Certain Covenants

Set forth below are summaries of certain covenants contained in the Indenture.

Limitation on Indebtedness and Preferred Stock

(a) The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, Incur, directly or indirectly, any Indebtedness (including Acquired Indebtedness) and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to issue any Preferred Stock; *provided* that the Topco Guarantors, the Issuer, any Restricted Subsidiary may Incur Indebtedness (including Acquired Indebtedness) if, after giving pro forma effect to the Incurrence of such Indebtedness and the receipt and the application of the proceeds therefrom, (x) no Default has occurred and is continuing, (y) the Combined Fixed Charge Coverage Ratio would be not less than 2.00 to 1.0, and (z) the Combined Net Leverage Ratio would not be greater than 4.50 to 1.00. Notwithstanding the foregoing, the Topco Guarantors will not and will not permit any of their respective Restricted Subsidiaries to, Incur any Disqualified Stock (except that the Topco Guarantors or any Restricted Subsidiary may issue Disqualified Stock held by any Topco Guarantor or a Subsidiary Guarantor, so long as it is so held).

(b) Notwithstanding the foregoing, the Topco Guarantors and, to the extent provided below, the Issuer, any Subsidiary Guarantor or any Restricted Subsidiary, may Incur each and all of the following ("Permitted Indebtedness"):

(1) Indebtedness under the Notes (excluding any Additional Notes) and the Guarantees;

(2) Indebtedness of the Topco Guarantors or any Restricted Subsidiary outstanding on the Original Issue Date, excluding Indebtedness permitted under clause (b)(1) or (b)(3) of this covenant;

(3) Indebtedness of any Topco Guarantor, the Issuer or any Restricted Subsidiary owed to any Topco Guarantor, the Issuer or any Restricted Subsidiary; *provided* that (x) any event which results in any such Restricted Subsidiary ceasing to be a Restricted Subsidiary or any subsequent transfer

of such Indebtedness (other than to any Topco Guarantor, the Issuer or any Restricted Subsidiary) will be deemed, in each case, to constitute an Incurrence of such Indebtedness not permitted by this clause (b)(3), (y) if the Issuer or a Topco Guarantor is the obligor on such Indebtedness, such Indebtedness must be unsecured and expressly be subordinated in right of payment to the Notes, in the case of the Issuer, or the applicable Topco Guarantee, in the case of such Topco Guarantor and (z) if a Subsidiary Guarantor is the obligor on such Indebtedness and a Restricted Subsidiary that is not a Subsidiary Guarantor is the obligee, such Indebtedness must be unsecured and expressly subordinated in right of payment to the Subsidiary Guarantee of such Subsidiary Guarantor;

(4) Refinancing Indebtedness ("Permitted Refinancing Indebtedness") issued in exchange for, or the net proceeds of which are used to Refinance then-outstanding Indebtedness (or Indebtedness repaid substantially concurrently with the Incurrence of such Refinancing Indebtedness) Incurred under clause (a) or clause (b)(1), (b)(2), (b)(4), (b)(11) or (b)(15) of this covenant;

(5) Indebtedness Incurred by any Topco Guarantor or any Restricted Subsidiary pursuant to Hedging Obligations entered into in the ordinary course of a Permitted Business and for the purpose of protecting such Topco Guarantor or any such Restricted Subsidiary from fluctuations in interest rates, currencies or commodity prices and not for speculation;

(6) Indebtedness arising from agreements providing for indemnification, adjustment of purchase price or similar obligations, or from guarantees or letters of credit, surety bonds or performance bonds securing any obligation of any Topco Guarantor or any Restricted Subsidiary pursuant to such agreements, in any case, Incurred in connection with the disposition of any business, assets or Equity Interests of a Restricted Subsidiary, other than guarantees of Indebtedness Incurred by any Person acquiring all or any portion of such business, assets or Equity Interests of a Restricted Subsidiary for the purpose of financing such acquisition; *provided* that the maximum aggregate liability in respect of all such Indebtedness shall at no time exceed the gross proceeds (including non-cash proceeds) actually received by any Topco Guarantor or any Restricted Subsidiary from the disposition of such business, assets or Equity Interests of a Restricted Subsidiary;

(7) Indebtedness Incurred by any Topco Guarantor or any Restricted Subsidiary arising from the honoring by a bank or other financial institution of a check, draft or similar instrument drawn against insufficient funds in the ordinary course of business; *provided*, *however*, that such Indebtedness is extinguished within fifteen (15) Business Days of Incurrence;

(8) Indebtedness Incurred by any Topco Guarantor or any Restricted Subsidiary constituting (x) reimbursement obligations with respect to workers' compensation claims, health, disability or other employee benefits or property, casualty or liability insurance, self-insurance obligations, bankers' acceptances or bid, performance, appeal or surety bonds (in each case other than for an obligation for borrowed money) or similar instruments, (y) the financing of insurance premiums in the ordinary course of business, or (z) reimbursement obligations with respect to security deposits, pre-sale deposits or advances on the purchase price of property, inventory or similar obligations in the ordinary course of business;

(9) Indebtedness Incurred by any Topco Guarantor or any Restricted Subsidiary constituting reimbursement obligations with respect to letters of credit or trade guarantees issued in the ordinary course of business to the extent that such letters of credit or trade guarantees are not drawn upon or, if drawn upon, to the extent such drawing is reimbursed no later than 30 days following receipt by such Topco Guarantor or such Restricted Subsidiary of a demand for reimbursement;

(10) guarantees by any Guarantor of Indebtedness of any other Guarantor, the Issuer or a Finance Subsidiary that was permitted to be Incurred by another provision of this covenant; *provided* that if the Indebtedness being guaranteed is subordinated to or *pari passu* with the Notes or a Guarantee, then the guarantee shall be subordinated or *pari passu*, as applicable, to the same extent as the Indebtedness guaranteed;

(11) Indebtedness of any Topco Guarantor or any Restricted Subsidiary with a maturity of one year or less used by any Topco Guarantor or any Restricted Subsidiary for working capital; *provided* that

on the date of Incurrence of such Indebtedness and after giving effect thereto, the aggregate amount of outstanding Indebtedness Incurred pursuant to this clause (11) (together with refinancings thereof) does not exceed US$150 million (or the Dollar Equivalent thereof);

(12) Indebtedness incurred in connection with any Aircraft Financing;

(13) Indebtedness of any Topco Guarantor and its respective Restricted Subsidiaries to credit card processors in connection with credit card processing services incurred in the ordinary course of business of such Topco Guarantor and its Restricted Subsidiaries;

(14) Indebtedness of any Topco Guarantor or any of its Restricted Subsidiaries consisting of take-or-pay or like obligations contained in supply, maintenance, repair, power-by-the-hour, overhaul or like agreements entered into in the ordinary course of business; and

(15) Indebtedness not otherwise described hereunder in an aggregate principal amount (together with refinancings thereof) not to exceed US$150 million (or the Dollar Equivalent thereof).

(c) For purposes of determining compliance with this " — Limitation on Indebtedness and Preferred Stock" covenant, in the event that an item of Indebtedness meets the criteria of more than one of the types of Indebtedness described above, including under the proviso in the first sentence of clause (a) of this covenant, PAL, in its sole discretion, will classify and from time to time may reclassify, such item of Indebtedness and only be required to include the amount of such Indebtedness as one of such types, or may apportion such item of Indebtedness among several such types.

(d) The accrual of interest, the accretion or amortization of original issue discount, the payment of interest on any Indebtedness in the form of additional Indebtedness with the same terms, the reclassification of Preferred Stock as Indebtedness due to a change in accounting principles, and the payment of dividends on Disqualified Stock or Preferred Stock in the form of additional shares of the same class of Disqualified Stock or Preferred Stock will not be deemed to be an incurrence of Indebtedness; *provided*, in each such case, that the amount of any such accrual, accretion or payment is included in the Combined Fixed Charges as accrued.

(e) For purposes of determining compliance with any U.S. dollar-denominated restriction on the Incurrence of Indebtedness, the Dollar Equivalent principal amount of Indebtedness denominated in a foreign currency shall be utilized, calculated based on the relevant currency exchange rate in effect on the date such Indebtedness was Incurred; *provided*, that if such Indebtedness is Incurred to Refinance other Indebtedness denominated in a foreign currency, and such Refinancing would cause the applicable U.S. dollar denominated restriction to be exceeded if calculated at the relevant currency exchange rate in effect on the date of such Refinancing, such U.S. dollar-denominated restriction shall be deemed not to have been exceeded so long as the principal amount of such Refinancing Indebtedness does not exceed the principal amount of such Indebtedness being Refinanced (plus premiums, accrued interest, underwriting discounts, costs (including any defeasance costs), fees and expenses). The principal amount of any Indebtedness incurred to Refinance other Indebtedness, if incurred in a different currency from the Indebtedness being Refinanced, shall be calculated based on the currency exchange rate applicable to the currencies in which such respective Indebtedness is denominated that is in effect on the date of such Refinancing.

(f) Notwithstanding any other provision of this covenant, the maximum amount of Indebtedness that the Topco Guarantors or any Restricted Subsidiary may incur pursuant to this covenant shall not be deemed to be exceeded solely as a result of fluctuations in exchange rates or currency values.

Limitation on Restricted Payments

The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, directly or indirectly (the payments or any other actions described in clauses (1) through (4) below being collectively referred to as "Restricted Payments"):

(1) declare or pay any dividend or make any distribution on or with respect to any Topco Guarantor's or any Restricted Subsidiary's Capital Stock (other than dividends or distributions payable or paid solely in shares of a Topco's Capital Stock (other than its Disqualified Stock)

or by any Restricted Subsidiary in its Capital Stock (other than its Preferred Stock) or in options, warrants or other rights to acquire shares of such Capital Stock) held by Persons other than the Issuer, the Topco Guarantors or any Wholly Owned Restricted Subsidiary;

(2) purchase, call for redemption or redeem, retire or otherwise acquire for value any shares of Capital Stock (including options, warrants or other rights to acquire such shares of Capital Stock) of any Topco Guarantor, any Restricted Subsidiary or any direct or indirect parent of a Topco Guarantor held by any Persons other than the Issuer, the Topco Guarantors or any Wholly Owned Restricted Subsidiary;

(3) make any voluntary or optional principal payment, or voluntary or optional redemption, repurchase, defeasance, or other acquisition or retirement for value, of Indebtedness that is subordinated in right of payment to the Notes or any Guarantee (excluding any intercompany Indebtedness between or among the Topco Guarantors and any Restricted Subsidiary or among Restricted Subsidiaries); or

(4) make any Investment, other than a Permitted Investment,

(a) prior to the 2027 Financial Statements Available Date or (b) in respect of any Restricted Payment proposed to be made at any time on or after the 2027 Financial Statements Available Date, if, at the time of, and after giving effect to, such proposed Restricted Payment:

(A) a Default has occurred and is continuing or would occur as a result of such Restricted Payment;

(B) a Topco Guarantor or a Restricted Subsidiary could not Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; or

(C) such Restricted Payment, together with the aggregate amount of all Restricted Payments made by the Topco Guarantors and their respective Restricted Subsidiaries after the Original Issue Date, would exceed the sum (without duplication) of:

(i) 50% of the aggregate amount of the Combined Net Income (or, if the Combined Net Income is a loss, minus 100% of the amount of such loss) accrued on a cumulative basis during the period (taken as one accounting period) beginning on January 1, 2027 and ending on the last day of the most recent fiscal quarter for which consolidated financial statements of each Topco Guarantor (which each Topco Guarantor will use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee at the time of such Restricted Payment; plus

(ii) 100% of the aggregate Net Cash Proceeds received by the Topco Guarantors after the Original Issue Date as a capital contribution to its common equity or from the issuance and sale of its Equity Interests (other than Disqualified Stock) to a Person who is not a Subsidiary of any Topco Guarantor, including any such Net Cash Proceeds received upon (x) the conversion of any Indebtedness (other than Subordinated Indebtedness) of any Topco Guarantor into Capital Stock (other than Disqualified Stock) of such Topco Guarantor, or (y) the exercise by a Person who is not a Subsidiary of any Topco Guarantor of any options, warrants or other rights to acquire Capital Stock of any Topco Guarantor (other than Disqualified Stock), in each case after deducting (to the extent such amounts are not included as a Restricted Payment) the amount of any such Net Cash Proceeds used to redeem, repurchase, defease or otherwise acquire or retire for value any Subordinated Indebtedness or Capital Stock of any Topco Guarantor; plus

(iii) the amount by which Indebtedness of any Topco Guarantor or any Restricted Subsidiary is reduced on a Topco Guarantor's balance sheet upon conversion or exchange (other than by a Subsidiary of any Topco Guarantor) subsequent to the Original Issue Date of any Indebtedness of any Topco Guarantor or any Restricted Subsidiary convertible or exchangeable into Capital Stock (other than Disqualified Stock) of a Topco Guarantor (less the amount of any cash, or the Fair Market Value of any other property, distributed by such Topco Guarantor upon such conversion or exchange, to the extent such amounts are not included as a Restricted Payment); plus

(iv) an amount equal to the net reduction in Investments (other than reductions in Permitted Investments) that were made after the Original Issue Date in any Person resulting from (a) payments of interest on Indebtedness, dividends or repayments of loans or advances by such Person, in each case to any Topco Guarantor or any Restricted Subsidiary (except, in each case, to the extent any such payment or proceeds are included in the calculation of Combined Net Income), (b) the unconditional release of a guarantee provided by any Topco Guarantor or any Restricted Subsidiary after the Original Issue Date of an obligation of another Person, (c) the Net Cash Proceeds from the sale, transfer or other disposition (including by merger or consolidation) of any such Investment (except to the extent such Net Cash Proceeds are included in the calculation of Combined Net Income) or (d) from redesignations of Unrestricted Subsidiaries as Restricted Subsidiaries, not to exceed, in each case, the amount of Investments made by a Topco Guarantor or a Restricted Subsidiary after the Original Issue Date in any such Person.

The foregoing provision will not be violated by reason of:

(1) the payment of any dividend or redemption of any Capital Stock within 60 days after the related date of declaration or call for redemption if, at said date of declaration or call for redemption, such payment or redemption would comply with the preceding paragraph;

(2) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of any Topco Guarantor or any Subsidiary Guarantor with the Net Cash Proceeds of, or in exchange for, a substantially concurrent Incurrence of Permitted Refinancing Indebtedness;

(3) the redemption, repurchase or other acquisition of Capital Stock of any Topco Guarantor or any Restricted Subsidiary (or options, warrants or other rights to acquire such Capital Stock) in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution to or sale (other than to a Subsidiary of a Topco Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of a Topco Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph; *provided further* that any item that has been excluded pursuant to clause (C)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (3);

(4) the redemption, repurchase, defeasance or other acquisition or retirement for value of Subordinated Indebtedness of any Topco Guarantor or any Restricted Subsidiary in exchange for, or out of the Net Cash Proceeds of a substantially concurrent capital contribution to or sale (other than to a Subsidiary of a Topco Guarantor) of, shares of Capital Stock (other than Disqualified Stock) of a Topco Guarantor (or options, warrants or other rights to acquire such Capital Stock); *provided* that the amount of any such Net Cash Proceeds that are utilized for any such Restricted Payment will be excluded from clause (C)(ii) of the preceding paragraph; *provided further* that any item that has been excluded pursuant to clause (C)(ii) of the preceding paragraph will not be excluded again as a result of the proviso in this clause (4);

(5) (x) the payment of any dividends or distributions declared, paid or made by a Restricted Subsidiary or (y) the redemption, repurchase, defeasance or other acquisition by a Restricted Subsidiary of any shares of its Capital Stock, in each case payable, on a pro rata basis or on a basis more favorable to the applicable Topco Guarantor, to all holders of any class of Capital Stock of such Restricted Subsidiary, a majority of which is held, directly or indirectly through Restricted Subsidiaries, by a Topco Guarantor;

(6) the repurchase, redemption or other acquisition or retirement for value of Capital Stock of a Topco Guarantor deemed to occur upon (a) the exercise or conversion of warrants, options or other rights to acquire Capital Stock to the extent such Capital Stock represent a portion of the exercise price of those warrants, options or other rights or (b) the withholding of a portion of the Equity Interests granted or awarded to an employee to pay for the taxes payable by such employee upon such grant or award;

(7) repayments of principal and interest by PAL to Buona Sorte Holdings, Inc. ("BSHI") under the DIP Credit Agreement (as amended and supplemented) between PAL and BHSI in an aggregate amount not to exceed US$9.8 million (or the Dollar Equivalent thereof);

(8) cash payments in lieu of the issuance of fractional shares in connection with the exercise or conversion of any warrants, options or rights to acquire Capital Stock of a Topco Guarantor; or

(9) any Permitted Investment under clause (1) of the definition thereof in the Capital Stock of a Topco Guarantor or any of its Restricted Subsidiaries held by any Person other than the Issuer, a Topco Guarantor or any Wholly Owned Restricted Subsidiary, which Investment results in such Topco Guarantor or Restricted Subsidiary becoming directly or indirectly a Restricted Subsidiary of, or increases the proportion of the Capital Stock of such Topco Guarantor or Restricted Subsidiary held directly or indirectly by, the other Topco Guarantor (in respect of an Investment in a Topco Guarantor) or any Topco Guarantor (in respect of an Investment in a Restricted Subsidiary),

provided that in the case of clause (2), (3), or (4) above, no Default will have occurred and be continuing or would occur as a consequence of the actions or payments set forth therein.

Each Restricted Payment permitted pursuant to clauses (1) and (5) (but only to the extent that dividends are paid to Persons other than a Topco Guarantor or a Restricted Subsidiary), of the preceding paragraph will be included in calculating whether the conditions of clause (C) of the first paragraph of this "— Limitation on Restricted Payments" covenant have been met with respect to any subsequent Restricted Payments, and Restricted Payments pursuant to such other clauses or under clause (5) (to the extent paid to a Topco Guarantor or a Restricted Subsidiary) shall not be so included.

The amount of any Restricted Payments (other than cash) will be the Fair Market Value on the date of the Restricted Payment of the asset(s) or securities proposed to be transferred or issued by a Topco Guarantor or a Restricted Subsidiary, as the case may be, pursuant to the Restricted Payment. The value of any assets or securities that are required to be valued by this covenant will be the Fair Market Value. The Board of Directors' determination of the Fair Market Value of a Restricted Payment or any such assets or securities (other than cash) must be based upon an opinion or appraisal issued by an accounting, appraisal or investment banking firm of recognized national or international standing if the Fair Market Value exceeds US$5.0 million (or the Dollar Equivalent thereof).

Not later than the date of making any Restricted Payment in excess of US$5.0 million (or the Dollar Equivalent thereof), the relevant Topco Guarantor will deliver to the Trustee an Officers' Certificate stating that such Restricted Payment is permitted and setting forth the basis upon which the calculations required by this "— Limitation on Restricted Payments" covenant were computed, together with a copy of any fairness opinion or appraisal required by the Indenture.

Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries

(a) Except as provided below, the Topco Guarantors will not, and will not permit any of their respective Restricted Subsidiaries to, create or otherwise cause or permit to exist or become effective any encumbrance or restriction on the ability of any Restricted Subsidiary to:

(1) pay dividends or make any other distributions on any Capital Stock of such Restricted Subsidiary owned by any Topco Guarantor or any other Restricted Subsidiary;

(2) pay any Indebtedness or other obligation owed to any Topco Guarantor or any other Restricted Subsidiary;

(3) make loans or advances to any Topco Guarantor or any other Restricted Subsidiary; or

(4) sell, lease or transfer any of its property or assets to any Topco Guarantor or any other Restricted Subsidiary.

For the avoidance of doubt, (i) the priority of any Preferred Stock in receiving dividends or liquidating distributions prior to dividends or liquidating distributions being paid on Common

Stock; (ii) the subordination of loans or advances made to any Topco Guarantor or any Restricted Subsidiary to other Indebtedness Incurred by any Topco Guarantor or any Restricted Subsidiary; and (iii) the provisions contained in documentation governing Indebtedness requiring transactions between or among any Topco Guarantor and any Restricted Subsidiary or between or among any Restricted Subsidiary to be on fair and reasonable terms or on an arm's-length basis, in each case, shall not be deemed to constitute such an encumbrance or restriction.

(b) The provisions of paragraph (a) do not apply to any encumbrances or restrictions:

(1) existing in agreements as in effect on the Original Issue Date, or in the Notes, the Guarantees, the Indenture, the Security Documents and any extensions, Refinancings, renewals or replacements of any of the foregoing agreements; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(2) existing under or by reason of applicable law, rule, regulation or government order;

(3) with respect to any Person (or any Subsidiary of such Person) or the property or assets of such Person (or any such Subsidiary), in any such case acquired by a Topco Guarantor or any Restricted Subsidiary, existing at the time of such acquisition and not incurred in contemplation thereof, which encumbrances or restrictions are not applicable to any Person or the property or assets of any Person other than such Person (or any Subsidiary of such Person) or the property or assets of such Person (or any such Subsidiary) so acquired, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(4) that otherwise would be prohibited by the provision described in clause (a)(4) of this covenant if they arise, or are agreed to, in the ordinary course of business and that (x) restrict in a customary manner the subletting, assignment or transfer of any property or asset that is subject to a lease or license, (y) exist by virtue of any Lien on, or agreement to transfer, option or similar right with respect to, any property or assets of any Topco Guarantor or any Restricted Subsidiary not otherwise prohibited by the Indenture or (z) do not relate to any Indebtedness, and that do not, individually or in the aggregate, detract from the value of property or assets of any Topco Guarantor or any Restricted Subsidiary in any manner material to any Topco Guarantor or any Restricted Subsidiary;

(5) with respect to a Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the sale or disposition of all or substantially all of the Capital Stock of, or property and assets of, such Restricted Subsidiary that is permitted by the "— Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries," " — Limitation on Indebtedness and Preferred Stock" and "— Limitation on Asset Sales" covenants;

(6) existing with respect to any Unrestricted Subsidiary or the property or assets of such Unrestricted Subsidiary that is designated as a Restricted Subsidiary in accordance with the terms of the Indenture at the time of such designation and not incurred in contemplation of such designation, which encumbrances or restrictions (i) were not created in connection with or in anticipation of the transaction or series of transactions pursuant to which such Restricted Subsidiary either became an Unrestricted Subsidiary or was designated as a Restricted Subsidiary and (ii) are not applicable to any Person or the property or assets of any Person other than such Subsidiary or its Subsidiaries or the property or assets of such Subsidiary or its Subsidiaries, and any extensions, Refinancings, renewals or replacements thereof; *provided* that the encumbrances and

restrictions in any such extension, Refinancing, renewal or replacement, taken as a whole, are no more restrictive in any material respect to the Holders than those encumbrances or restrictions that are then in effect and that are being extended, Refinanced, renewed or replaced;

(7) imposed pursuant to any Permitted Refinancing Indebtedness; *provided* that the restrictions contained in the agreements governing such Permitted Refinancing Indebtedness are no more restrictive in any material respect, taken as a whole, than those contained in the agreements governing the Indebtedness being Refinanced;

(8) existing in customary provisions in joint venture agreements or other similar agreements permitted under the Indenture, to the extent such encumbrance or restriction relates to the activities or assets of a Restricted Subsidiary that is a party to such joint venture or agreement and if (as determined in good faith by the Board of Directors) (i) the encumbrances or restrictions are customary for a joint venture or similar agreement of that type and (ii) the encumbrances or restrictions would not, at the time agreed to, be expected to materially adversely affect the ability of the Issuer to make required payments on the Notes;

(9) imposed pursuant to debt obligations similar to the Notes and representing Indebtedness permitted to be Incurred under the covenant under the caption "Certain Covenants — Limitation on Indebtedness and Preferred Stock," if, as determined by the Board of Directors in good faith, the encumbrances or restrictions are (i) customary for such types of Indebtedness; (ii) no more restrictive than the encumbrances and restrictions under the Indenture and (iii) would not, at the time agreed to, be expected to materially and adversely affect the ability of the Issuer to make required payments on the Notes or the Guarantors to make required payments under the Guarantees;

(10) customary encumbrances or restrictions contained in any Aircraft Financing Incurred pursuant to (b)(12) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock," to the extent such encumbrances and restrictions apply only to the property subject to such lease, acquisition or arrangement; or

(11) with respect to any Restricted Subsidiary and imposed pursuant to an agreement that has been entered into for the Incurrence of Indebtedness under the "Limitation on Indebtedness and Preferred Stock" covenant if, as determined by the Board of Directors, the encumbrances or restrictions are (i) customary for such types of agreements and (ii) would not, at the time agreed to, be expected to materially or adversely affect the ability of (x) the Issuer to make required payments on the Notes or (y) any Guarantor to make required payments under its Guarantee.

Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries

The Issuer and the Topco Guarantors will not sell, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries, directly or indirectly, to issue or sell, any shares of Capital Stock of a Restricted Subsidiary (including options, warrants or other rights to purchase shares of such Capital Stock) except:

(a) to a Topco Guarantor, the Issuer or a Wholly Owned Restricted Subsidiary;

(b) to the extent such Capital Stock represents director's qualifying shares or is required by applicable law to be held by a Person other than a Topco Guarantor or a Wholly Owned Restricted Subsidiary;

(c) the sale, transfer or other disposition (including by way of merger or consolidation) of the shares of Capital Stock of a Restricted Subsidiary if, immediately after giving effect to such issuance or sale, such Restricted Subsidiary would no longer constitute a Restricted Subsidiary and any remaining Investment in such Person would have been permitted to be made under the "— Limitation on Restricted Payments" covenant if made on the date of such issuance or sale and if permitted under, and made in accordance with, the "— Limitation on Asset Sales" covenant;

and

(d) the issuance or sale, transfer or other disposition (including by way of merger or consolidation) of Capital Stock of a Restricted Subsidiary (which remains a Restricted Subsidiary after any such issuance or sale); *provided* that such Topco Guarantor or such Restricted Subsidiary applies the Net Cash Proceeds of such issuance or sale in accordance with the "— Limitation on Asset Sales" covenant.

Limitation on Issuances of Guarantees by Restricted Subsidiaries

The Topco Guarantors will not permit any of their respective Restricted Subsidiaries which is not a Subsidiary Guarantor, directly or indirectly, to provide any guarantee for any Indebtedness ("Guaranteed Indebtedness") of any Topco Guarantor, the Issuer or any Subsidiary Guarantor, unless (a) such Restricted Subsidiary simultaneously executes and delivers a supplemental indenture to the Indenture providing for an unsubordinated Subsidiary Guarantee of payment of the Notes by such Restricted Subsidiary and (b) such Restricted Subsidiary waives and will not in any manner whatsoever claim, or take the benefit or advantage of, any rights of reimbursement, indemnity or subrogation or any other rights against any Topco Guarantor, the Issuer or any Subsidiary Guarantor as a result of any payment by such Restricted Subsidiary under its Subsidiary Guarantee until the Notes have been paid in full.

If the Guaranteed Indebtedness (A) ranks *pari passu* in right of payment with the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall rank *pari passu* in right of payment with, or subordinated to, the Guarantee or (B) is subordinated in right of payment to the Notes or any Guarantee, then the guarantee of such Guaranteed Indebtedness shall be subordinated in right of payment to the Guarantee at least to the extent that the Guaranteed Indebtedness is subordinated to the Notes or the Guarantee.

Limitation on Transactions with Shareholders and Affiliates

The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, enter into, renew or extend any transaction or arrangement (including, without limitation, the purchase, sale, lease or exchange of property or assets, or the rendering of any service) with (a) any holder (or any Affiliate of such holder) of 10.0% or more of any class of Capital Stock of a Topco Guarantor or (b) any Affiliate of a Topco Guarantor (each an "Affiliate Transaction"), unless:

(1) the Affiliate Transaction is on fair and reasonable terms that are no less favorable to a Topco Guarantor or the relevant Restricted Subsidiary than those that would have been obtained in a comparable arm's-length transaction by a Topco Guarantor or the relevant Restricted Subsidiary with a Person that is not such a holder or an Affiliate of a Topco Guarantor or such Restricted Subsidiary; and

(2) the applicable Topco Guarantor delivers to the Trustee:

(A) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$15.0 million (or the Dollar Equivalent thereof), a Board Resolution set forth in an Officers' Certificate certifying that such Affiliate Transaction complies with this covenant and such Affiliate Transaction has been approved by a majority of the disinterested members of the Board of Directors (or if there are no disinterested members of the Board of Directors, by a majority of the Board of Directors); and

(B) with respect to any Affiliate Transaction or series of related Affiliate Transactions involving aggregate consideration in excess of US$25.0 million (or the Dollar Equivalent thereof), in addition to the Board Resolution required in clause (2)(A) above, an opinion issued by an accounting, appraisal or investment banking firm of recognized national or international standing as to the fairness to the applicable Topco Guarantor or such Restricted Subsidiary of such Affiliate Transaction from a financial point of view.

The foregoing limitation does not limit, and will not apply to:

(1) the payment of reasonable and customary regular fees to directors of any Topco Guarantor or any Restricted Subsidiary who are not employees of any Topco Guarantor or any Restricted Subsidiary;

(2) transactions otherwise permitted under the Indenture between or among any Topco Guarantor, the Issuer and any Wholly Owned Restricted Subsidiary or between or among Wholly Owned Restricted Subsidiaries;

(3) any Restricted Payment of the type described in clause (1), (2) or (3) of the first paragraph of the covenant described under the caption "— Limitation on Restricted Payments" if permitted by that covenant;

(4) any issuance or sale of Capital Stock (other than Disqualified Stock) of a Topco Guarantor;

(5) repayments of principal and interest by PAL to Buona Sorte Holdings, Inc. ("BSHI") under the DIP Credit Agreement (as amended and supplemented) between PAL and BHSI in an aggregate amount not to exceed US$9.8 million (or the Dollar Equivalent thereof);

(6) transactions with clients, contractors, maintenance providers, purchasers or suppliers of goods or services or lessors or lessees, in each case in the ordinary course of business and that are fair or on terms at least as favorable as arm's length as determined in good faith by the Board of Directors;

(7) any transaction effected as part of a Qualified Receivables Transaction; and

(8) reimbursements to PAL Holdings, Inc. or its Affiliates for shared services (including administrative, legal and regulatory, financial and accounting, procurement, marketing, insurance, labor, management and other services) in the ordinary course of business.

In addition, the requirements of clause (2) of the first paragraph of this covenant will not apply to (i) Investments (other than Permitted Investments) not prohibited by the "— Limitation on Restricted Payments" covenant, (ii) transactions pursuant to agreements in effect on the Original Issue Date and described in this Offering Circular, or any amendment or modification or replacement thereof, so long as such amendment, modification or replacement is as a whole not more disadvantageous in any material respect to a Topco Guarantor and its Restricted Subsidiaries than the original agreement in effect on the Original Issue Date, (iii) purchases of Aircraft by the Group from Fortunate Star Limited or (iv) any transaction between or among a Topco Guarantor and any Restricted Subsidiary or among Restricted Subsidiaries; *provided* that in the case of clause (iii), (a) such transaction is entered into in the ordinary course of business and (b) none of the minority shareholders or minority partners (if any) of or in such Subsidiary is a Person described in clauses (a) or (b) of the first paragraph of this covenant (other than by reason of such minority shareholder or minority partner being an officer or director of such Subsidiary). Furthermore, the requirements of clause (2)(B) of the first paragraph of this covenant will not apply to transactions in the ordinary course of business between a Topco Guarantor and any Restricted Subsidiary, on the one hand, and any Affiliate of a Topco Guarantor described in clause (b) of the first paragraph of this covenant that is engaged in a Permitted Business described in clauses (iii) and (iv) of the definition thereof or any Unrestricted Subsidiary, on the other hand.

Limitation on Liens

The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on the Collateral (other than Permitted Liens).

The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, incur, assume or permit to exist any Lien of any nature whatsoever on any of its assets or properties of any kind (including Group Intangible Assets but other than the Collateral), whether owned at the Original Issue Date or thereafter acquired, except Permitted Liens, unless the Notes are secured equally and ratably with (or, if the obligation or liability to be secured by such Lien is subordinated in right of payment to the Notes or any Guarantee, senior in priority to) the obligation or liability so secured for so long as such obligation or liability is so secured by such Lien.

Limitation on Sale and Leaseback Transactions

The Topco Guarantors will not, and will not permit any of their respective Restricted Subsidiaries to, enter into any Sale and Leaseback Transaction ; *provided* that any Topco Guarantor or any Restricted Subsidiary may enter into a Sale and Leaseback Transaction if:

(a) such Topco Guarantor or such Restricted Subsidiary could have (1) incurred Indebtedness in an amount equal to the Attributable Indebtedness relating to such Sale and Leaseback Transaction under the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock" and (2) incurred a Lien to secure such Indebtedness pursuant to the covenant described under the caption "— Limitation on Liens," in which case, the corresponding Indebtedness and Lien will be deemed incurred pursuant to those provisions;

(b) the gross cash proceeds of that Sale and Leaseback Transaction are at least equal to the Fair Market Value of the property that is the subject of such Sale and Leaseback Transaction; and

(c) the transfer of assets in that Sale and Leaseback Transaction is permitted by, and such Topco Guarantor or such Subsidiary Guarantor applies the proceeds of such transaction in compliance with, the covenant described under the caption "— Limitation on Asset Sales."

Limitation on Asset Sales

The Issuer and the Topco Guarantors will not, and the Topco Guarantors will not permit any of their respective Restricted Subsidiaries to, consummate any Asset Sale, unless:

(a) no Default will have occurred and be continuing or would occur as a result of such Asset Sale;

(b) the consideration received by such Topco Guarantor or such Restricted Subsidiary, as the case may be, is at least equal to the Fair Market Value of the assets sold or disposed of;

(c) at least 75% of the consideration received consists of cash, Temporary Cash Investments or Replacement Assets; *provided* that in the case of an Asset Sale in which such Topco Guarantor or such Restricted Subsidiary receives Replacement Assets involving aggregate consideration in excess of US$10.0 million (or the Dollar Equivalent thereof), such Topco Guarantor shall deliver to the Trustee an opinion as to the fairness to such Topco Guarantor or such Restricted Subsidiary of such Asset Sale from a financial point of view issued by an accounting, appraisal or investment banking firm of recognized national or international standing. For purposes of this provision, each of the following will be deemed to be cash:

(A) any liabilities, as shown on a Topco Guarantor's most recent consolidated balance sheet, of such Topco Guarantor or any of its Restricted Subsidiaries (other than contingent liabilities and liabilities that are by their terms subordinated to the Notes or any Guarantee) that are assumed by the transferee of any such assets pursuant to a customary assumption, assignment, novation or similar agreement that irrevocably and unconditionally releases such Topco Guarantor or such Restricted Subsidiary from further liability; and

(B) any securities, notes or other obligations received by such Topco Guarantor or any Restricted Subsidiary from such transferee that are promptly, but in any event within 30 days of closing, converted by such Topco Guarantor or such Restricted Subsidiary into cash, to the extent of the cash received in that conversion.

Within 360 days after the receipt of any Net Cash Proceeds from an Asset Sale, the applicable Topco Guarantor (or the applicable Restricted Subsidiary, as the case may be) may apply such Net Cash Proceeds to:

(1) permanently repay any Senior Indebtedness of a Topco Guarantor or a Restricted Subsidiary (and, if such Senior Indebtedness repaid is revolving credit Indebtedness, to correspondingly reduce commitments with respect thereto) in each case owing to a Person other than a Topco Guarantor or a Restricted Subsidiary;

(2) acquire properties and assets that replace the properties and assets that were the subject of such

Asset Sale or properties or assets (other than current assets) that will be used in the Permitted Business;

(3) acquire Capital Stock of any entity involved in the Permitted Business, if, after giving effect to any such acquisition of Capital Stock, such entity involved in the Permitted Business is or becomes a Restricted Subsidiary; or

(4) make capital expenditure relating to properties or assets that are used in the Permitted Business.

Properties, assets or Capital Stock referred to in clauses (2), (3) and (4) of the preceding paragraph constitute "Replacement Assets." Pending application of such Net Cash Proceeds as set forth in the preceding paragraph, the applicable Topco Guarantor (or applicable Restricted Subsidiary) may use such Net Cash Proceeds to make an Investment in cash or Temporary Cash Investments or to temporarily reduce revolving credit Indebtedness.

Any Net Cash Proceeds from Asset Sales that are not applied or invested as provided in the second preceding paragraph will constitute "Excess Proceeds." Excess Proceeds of less than US$10.0 million (or the Dollar Equivalent thereof) will be carried forward and accumulated. When accumulated Excess Proceeds equal or exceed US$10.0 million (or the Dollar Equivalent thereof), within 10 days thereof, a Topco Guarantor or the Issuer must make an Offer to Purchase Notes having a principal amount equal to:

(i) accumulated Excess Proceeds, multiplied by

(ii) a fraction (x) the numerator of which is equal to the outstanding principal amount of the Notes and (y) the denominator of which is equal to the outstanding principal amount of the Notes and all pari passu Indebtedness similarly required to be repaid, redeemed or tendered for in connection with the Asset Sale, rounded down to the nearest US$1,000.

The offer price in any Offer to Purchase will be equal to 100% of the principal amount plus accrued and unpaid interest to (but not including) the date of purchase, and will be payable in cash.

If any Excess Proceeds remain after consummation of an Offer to Purchase, the Topco Guarantors and any Restricted Subsidiary may use such Excess Proceeds for any purpose not otherwise prohibited by the Indenture. If the aggregate principal amount of Notes and any other *pari passu* Indebtedness tendered in (or required to be prepaid or redeemed in connection with) such Offer to Purchase exceeds the amount of Excess Proceeds, the Notes and such other *pari passu* Indebtedness will be purchased, respectively, on a pro rata basis based on the principal amount of Notes and such *pari passu* Indebtedness tendered (or required to be prepaid or redeemed), respectively. Upon completion of each Offer to Purchase, the amount of Excess Proceeds will be reset at zero.

The Topco Guarantors and the Issuer will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent those laws and regulations are applicable in connection with each repurchase of Notes pursuant to an Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the provisions of the covenant described hereunder, the Topco Guarantors and the Issuer will comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations described hereunder by virtue of its compliance with such laws and regulations.

Limitation on the Topco Guarantors Business Activities

The Topco Guarantors will not, and will not permit any of their respective Restricted Subsidiaries to, directly or indirectly, engage in any business other than a Permitted Business; *provided*, *however*, that the Topco Guarantors or any Restricted Subsidiary (other than the Issuer) may own Capital Stock of an Unrestricted Subsidiary or joint venture or other entity that is engaged in a business other than a Permitted Business as long as any Investment therein was not prohibited when made by the covenant under the caption "— Limitation on Restricted Payments."

Limitation on the Issuer

Notwithstanding anything contained in the Indenture to the contrary, the Issuer will not engage in any business activity or undertake any other activity, except any activity (a) relating to the offering, sale or issuance of the Notes, the incurrence of Indebtedness represented by the Notes or any Additional Notes issued under the Indenture, (b) relating to the offering, sale or issuance of debt obligations similar to the Notes in the future and the incurrence of Indebtedness represented by such debt obligations (and in connection with which the Issuer

contributes the proceeds thereof as provided in the following clause (c)), (c) lending or otherwise advancing the proceeds thereof to any of the Topco Guarantors or their respective Restricted Subsidiaries, (d) undertaken with the purpose of fulfilling any obligations under the Indebtedness referred to in clauses (a) and (b) or the Indenture or any future indenture related to such Indebtedness or for purposes of consent solicitation or tender for such Indebtedness or refinancing of such Indebtedness or (e) directly related to the establishment and/or maintenance of the Issuer's corporate existence. The Issuer will not issue any Capital Stock other than the issuance of its ordinary shares to PAL or a Wholly Owned Restricted Subsidiary of PAL.

The Issuer will at all times remain a Wholly Owned Restricted Subsidiary of PAL.

For so long as any Notes are outstanding, none of the Issuer or PAL will commence or take any action to cause a winding-up or liquidation of the Issuer except that the Issuer may be wound up or liquidated subsequent to a consolidation, merger or transfer of assets conducted in accordance with the first paragraph of the covenant described under the caption "— Consolidation, Merger and Sale of Assets."

Maintenance of Insurance

The Topco Guarantors will, and will cause each of their respective Restricted Subsidiaries, to maintain insurance with reputable and financially sound carriers against such risks and in such amounts as is customarily carried by similar companies engaged in similar business to the Permitted Business in the jurisdictions in which the Topco Guarantors or such Restricted Subsidiary conducts its businesses, including, without limitation, property and casualty insurance.

Air Carrier Status

Each Air Carrier Entity will use commercially reasonable efforts to maintain at all times its status and rights to operate as an "air carrier" in all jurisdictions in which it operates Routes from time to time, except to the extent the failure to maintain such rights would not reasonably be expected to result in a Material Adverse Effect. Each Air Carrier Entity will use commercially reasonable efforts to possess and maintain at all times, all necessary certificates, exemptions, licenses, designations, authorizations and consents required by the FAA, the DOT or any applicable Non-U.S. Aviation Authority or Airport Authority or any other Governmental Authority that are material to the operation of the scheduled services operated by it, and to the conduct of its business and operations as currently conducted, in each case, to the extent necessary for such Air Carrier Entity's operation of flights, except where a failure to so possess or maintain would not reasonably be expected to have a Material Adverse Effect. Each Air Carrier Entity will also:

(1) use commercially reasonable efforts to maintain Gates sufficient to ensure its ability to retain its right in and to the Routes and the Slots used in connection with such Routes, taken as a whole, except to the extent that any failure to maintain would not reasonably be expected to result in a Material Adverse Effect;

(2) use commercially reasonable efforts to utilize the Slots in a manner consistent with applicable regulations, rules, law and contracts in order to preserve its right to hold and use the Slots, (including, without limitation, if applicable, satisfying any applicable "use or lose" rule) taking into account any waivers or other relief granted to the Group by any applicable Governmental Authority or Airport Authority, except to the extent that any failure to utilize would not reasonably be expected to result in a Material Adverse Effect;

(3) use commercially reasonable efforts to utilize the Routes in a manner consistent with applicable law in order to preserve its rights to hold and operate its scheduled services, except to the extent that any failure to utilize would not reasonably be expected to result in a Material Adverse Effect; and

(4) use commercially reasonable efforts to preserve and keep in full force and effect its authority to operate the scheduled services of the Group except to the extent that any failure would not reasonably be expected to result in a Material Adverse Effect;

provided that, notwithstanding the foregoing, each Air Carrier Entity shall be permitted to dispose of Routes, Slots and Gates as contemplated under clause (k) of the definition of "Asset Sales" or otherwise as not prohibited by this Indenture.

Designation of Restricted and Unrestricted Subsidiaries

The Board of Directors of a Topco Guarantor may designate any Restricted Subsidiary of such Topco Guarantor (other than the Issuer, in the case of PAL) to be an Unrestricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) no Topco Guarantor nor any Restricted Subsidiary guarantees or provides credit support for the Indebtedness or other liabilities of such Restricted Subsidiary; (c) such Restricted Subsidiary has no outstanding Indebtedness that could trigger a cross-default to the Indebtedness of the Topco Guarantors or any other Restricted Subsidiary; (d) such Restricted Subsidiary does not own any Disqualified Stock of any Topco Guarantor or Preferred Stock of another Restricted Subsidiary or hold any Indebtedness of, or any Lien on any property of, any Topco Guarantor or any Restricted Subsidiary, if such Preferred Stock or Indebtedness could not be Incurred under the covenant described under "— Limitation on Indebtedness and Preferred Stock" or such Lien would violate the covenant described under "— Limitation of Liens"; (e) such Restricted Subsidiary does not own any Voting Stock of another Restricted Subsidiary, and all of its Subsidiaries are Unrestricted Subsidiaries or are being concurrently designated as Unrestricted Subsidiaries in accordance with this paragraph; (f) the Investment deemed to have been made thereby in such newly designated Unrestricted Subsidiary and each other newly designated Unrestricted Subsidiary being concurrently redesignated would be permitted to be made by the covenant described under the caption "— Limitation on Restricted Payments;" and (g) such Restricted Subsidiary does not own or operate or possess any material license, franchise or right used in connection with the ownership or operation of any material part of the Topco Guarantors' or any Restricted Subsidiary's business.

The Board of Directors of a Topco Guarantor may designate any Unrestricted Subsidiary of such Topco Guarantor to be a Restricted Subsidiary; *provided* that (a) no Default shall have occurred and be continuing at the time of or after giving effect to such designation; (b) any Indebtedness of such Unrestricted Subsidiary outstanding at the time of such designation which will be deemed to have been Incurred by such newly designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "— Limitation on Indebtedness and Preferred Stock"; (c) any Lien on the property of such Unrestricted Subsidiary at the time of such designation which will be deemed to have been Incurred by such newly-designated Restricted Subsidiary as a result of such designation would be permitted to be Incurred by the covenant described under the caption "—Limitation on Liens"; (d) such Unrestricted Subsidiary is not a Subsidiary of another Unrestricted Subsidiary (that is not concurrently being designated as a Restricted Subsidiary); and (e) such Restricted Subsidiary will, if required by the Indenture, upon such designation execute and deliver to the Trustee a supplemental indenture to the Indenture by which such Restricted Subsidiary will become a Subsidiary Guarantor.

All designations must be evidenced by a Board Resolution delivered to the Trustee certifying compliance with the preceding provisions.

Use of Proceeds

The Topco Guarantors will not, and will not permit any of their Restricted Subsidiaries to, use the net proceeds from the initial offering of the Notes, in any amount or for any purpose other than (a) for the purposes specified under the caption "Use of Proceeds" in this Offering Circular and (b) pending application of all of such net proceeds in such manner, to invest the portion of such net proceeds not yet so applied in Temporary Cash Investments.

Government Approvals and Licenses; Compliance with Law

The Issuer and the Topco Guarantors will, and the Topco Guarantors will cause each their respective Restricted Subsidiaries to, (a) obtain and maintain in full force and effect all governmental approvals, authorizations, consents, permits, concessions and licenses as are necessary to engage in the Permitted Business, (b) preserve and maintain good and valid title to its properties and assets (including land-use rights) free and clear of any Liens other than Liens not prohibited by the covenant described under "— Limitation on Liens" and (c) comply with all laws, regulations, orders, judgments and decrees of any governmental body, except to the extent that failure so to obtain, maintain, preserve and comply would not reasonably be expected to have a Material Adverse Effect.

Anti-Layering

The Issuer will not Incur, and the Topco Guarantors will not and will not permit any Subsidiary Guarantor to Incur, any Indebtedness if such Indebtedness is contractually subordinated in right of payment to any other Indebtedness of the Issuer, the Topco Guarantors or such Subsidiary Guarantor, as the case may be, unless such Indebtedness is also contractually subordinated in right of payment to the Notes or the applicable Guarantee, on substantially identical terms. This does not apply to distinctions between categories of Indebtedness that exist by reason of any Liens or guarantees securing or in favor of some but not all of such Indebtedness.

Suspension of Certain Covenants

If on any date following the date of the Indenture, the Notes have a rating of Investment Grade from both of the Rating Agencies and no Default or Event of Default has occurred and is continuing (a "Suspension Event"), then, beginning on that day and continuing until such time, if any, at which the Notes cease to have a rating of Investment Grade from either of the Rating Agencies, the provisions of the Indenture summarized under the following captions will be suspended:

(1) "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(2) "— Certain Covenants — Limitation on Restricted Payments";

(3) "— Certain Covenants — Limitation on Dividend and Other Payment Restrictions Affecting Restricted Subsidiaries";

(4) "— Certain Covenants — Limitation on Sales and Issuances of Capital Stock in Restricted Subsidiaries";

(5) "— Certain Covenants — Limitation on Issuances of Guarantees by Restricted Subsidiaries";

(6) "— Certain Covenants — Limitation on Asset Sales";

(7) "— Certain Covenants — Maintenance of Insurance";

(8) "— Certain Covenants — Anti-Layering"; and

(9) "— Certain Covenants — Air Carrier Status".

During any period that the foregoing covenants have been suspended, the Board of Directors of any Topco Guarantor may not designate any Restricted Subsidiary as an Unrestricted Subsidiary pursuant to the covenant described under the caption "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" or the definition of "Unrestricted Subsidiary."

Such covenants will be reinstituted and apply according to their terms as of and from the first day on which a Suspension Event ceases to be in effect. Such covenants will not, however, be of any effect with regard to actions of the Topco Guarantors, the Issuer or any Restricted Subsidiary properly taken in compliance with the provisions of the Indenture during the continuance of the Suspension Event, and following reinstatement the calculations under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments" will be made as if such covenant had been in effect since the date of the Indenture except that no Default or Event of Default will be deemed to have occurred solely by reason of a Restricted Payment made while that covenant was suspended. There can be no assurance that the Notes will ever achieve an Investment Grade rating or that, if achieved, any such rating will be maintained.

Provision of Financial Statements and Reports

(a) So long as any of the Notes remain outstanding, each Topco Guarantor will provide to the Trustee and furnish to the Holders upon request in the English language (and an English translation if in any other language):

(i) as soon as they are available, but in any event within 120 calendar days after the end of each fiscal year of such Topco Guarantor, annual reports containing audited consolidated balance sheets of such Topco Guarantor of the end of the two most recent fiscal years and audited consolidated income statements and statements of cash flow of such Topco Guarantor for the two most recent fiscal years, including (A) complete footnotes to such financial statements and

the audit report of a member firm of an internationally recognized firm of independent accountants on the financial statements and (B) a presentation of financial data and operational metrics, including Combined EBITDAR and Combined Total Debt (each as presented in "Other Financial Data" in the "Summary of Financial Information and Operating Data" in this Offering Memorandum"), Combined Fixed Charge Coverage Ratio and Combined Net Leverage Ratio for such fiscal years; and

(ii) as soon as they are available, but in any event within 60 calendar days after the end of the first three fiscal quarters of such Topco Guarantor, quarterly reports of such Topco Guarantor containing an unaudited condensed consolidated balance sheet as of the end of such fiscal quarter and unaudited condensed consolidated statements of income and statements of cash flow of such Topco Guarantor for the most recent fiscal quarter ending on the unaudited condensed consolidated balance sheet date, and the comparable prior year period, prepared on a basis consistent with the audited financial statements of such Topco Guarantor, together with (A) a certificate signed by the person then authorized to sign financial statements on behalf of such Topco Guarantor to the effect that such financial statements present fairly the financial position of such Topco Guarantor as at the end of, and the results of its operations for, the relevant quarterly period (with such exceptions as are required for end of period adjustments and lack of notes) and (B) a presentation of financial data and operational metrics, including Combined EBITDAR and Combined Total Debt (each as presented in "Other Financial Data" in the "Summary of Financial Information and Operating Data" in this Offering Memorandum") the Combined Fixed Charge Coverage Ratio and the Combined Net Leverage Ratio for such fiscal quarter and the comparable prior year period;

provided that if at any time the Common Stock of such Topco Guarantor is listed for trading on a recognized stock exchange, such Topco Guarantor will file with the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of such Topco Guarantor are filed with any recognized exchange on which such Topco Guarantor's Common Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange.

(b) In addition, so long as any of the Notes remain outstanding, (1) PAL will provide to the Trustee within 120 days after the close of each fiscal year, an Officers' Certificate stating the Combined Fixed Charge Coverage Ratio and the Combined Net Leverage Ratio with respect to the four most recent fiscal quarters and showing in reasonable detail the calculation of the Combined Fixed Charge Coverage Ratio and the Combined Net Leverage Ratio, including the arithmetic computations of each component of the Combined Fixed Charge Coverage Ratio and the Combined Net Leverage Ratio; and (2) each Topco Guarantor as soon as possible and in any event within 20 days after such Topco Guarantor becomes aware or should reasonably become aware of the occurrence of the occurrence of a Default and/or an Event of Default (and also within 14 days of any request in writing by the Trustee), an Officers' Certificate of such Topco Guarantor setting forth the details thereof and the action such Topco Guarantor is taking or proposes to take with respect thereto.

All historical financial statements shall be prepared in accordance with GAAP as in effect on the date of such report or financial statement (or otherwise on the basis of GAAP as then in effect) and on a consistent basis for the periods presented; *provided*, *however*, that the reports set forth in clauses (a)(1) and (a)(2) above may, in the event of a change in applicable GAAP, present earlier periods on a basis that applied to such periods.

Delivery of such reports, information and documents to the Trustee is for information purposes only and the Trustee's receipt of such shall not constitute constructive notice of any information contained therein or determinable from information contained therein, including the Issuer's compliance with any of its covenants hereunder (as to which the Trustee is entitled to rely exclusively on Officers' Certificates).

At any time that any of the Topco Guarantor's Subsidiaries are Unrestricted Subsidiaries and any such Unrestricted Subsidiary or group of Unrestricted Subsidiaries, if taken together as one Subsidiary, constitutes a Significant Subsidiary of such Topco Guarantor, then the annual and quarterly financial information required by clauses (a)(1) and (a)(2) above shall include a summary presentation, either on the face of the financial statements or in the footnotes thereto, an operating and financial review of the financial condition and results of operations of such Unrestricted Subsidiaries.

Events of Default

The following events will be defined as "Events of Default" in the Indenture:

(a) default in the payment of principal of (or premium, if any, on) the Notes when the same becomes due and payable at maturity, upon acceleration, redemption or otherwise;

(b) default in the payment of interest on any Note when the same becomes due and payable, and such default continues for a period of 30 consecutive days;

(c) default in the performance or breach of the provisions of the covenants described under the caption "—Consolidation, Merger and Sale of Assets" or the failure to make or consummate an Offer to Purchase in the manner described under the captions "— Repurchase of Notes upon a Change of Control Triggering Event" or "—Certain Covenants — Limitation on Asset Sales";

(d) any Topco Guarantor or any Restricted Subsidiary defaults in the performance of or breaches any other covenant or agreement in the Indenture or under the Notes (other than a default specified in clause (a), (b) or (c) above) and such default or breach continues for a period of 30 consecutive days after written notice of such default or breach by the Trustee or the Holders of 25% or more in aggregate principal amount of the Notes then outstanding;

(e) there occurs with respect to any Indebtedness of any Topco Guarantor or any Restricted Subsidiary having an outstanding principal amount of US$40.0 million (or the Dollar Equivalent thereof) or more in the aggregate for all such Indebtedness of all such Persons, whether such Indebtedness now exists or will hereafter be created, (1) an event of default that has caused the holder thereof to declare such Indebtedness to be due and payable prior to its Stated Maturity and/or (2) a failure to pay principal of, or interest or premium (subject to the applicable grace period in the relevant documents) on, such Indebtedness when the same becomes due;

(f) one or more final judgments or orders for the payment of money are rendered against any Topco Guarantor or any Restricted Subsidiary and are not paid or discharged, and there is a period of 60 consecutive days following entry of the final judgment or order that causes the aggregate amount for all such final judgments or orders outstanding and not paid or discharged against all such Persons to exceed US$40.0 million (or the Dollar Equivalent thereof) (net of any amounts which insurance carriers of any Topco Guarantor or any Restricted Subsidiary have paid or agreed to pay under applicable policies) during which a stay of enforcement, by reason of a pending appeal or otherwise, is not in effect;

(g) an involuntary case or other proceeding is commenced against any Topco Guarantor or any Restricted Subsidiary with respect to it or its debts under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect seeking the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any Topco Guarantor or any Restricted Subsidiary or for any substantial part of the property and assets of any Topco Guarantor or any Restricted Subsidiary and such involuntary case or other proceeding remains undismissed and unstayed for a period of 60 consecutive days; or an order for relief is entered against any Topco Guarantor or any Restricted Subsidiary under any applicable bankruptcy, insolvency or other similar law as now or hereafter in effect;

(h) any Topco Guarantor or any Restricted Subsidiary (1) commences a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or consents to the entry of an order for relief in an involuntary case under any such law, (2) consents to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official of any Topco Guarantor or any Restricted Subsidiary or for all or substantially all of the property and assets of any Topco Guarantor or any Restricted Subsidiary or (3) effects any general assignment for the benefit of creditors;

(i) any Guarantor denies or disaffirms in writing its obligations under its Guarantee or any Guarantee is finally determined in any judicial proceeding to be unenforceable or invalid or will for any reason cease to be in full force and effect, or the Issuer or any Guarantor repudiates the

Indenture, the Notes or any Guarantee or does or causes or permits to be done any act or thing evidencing an intention to repudiate such agreement, in each case except as permitted by the Indenture;

(j) a moratorium is agreed or declared in respect of any Indebtedness of the Issuer or any Guarantor or any governmental authority shall take any action to condemn, seize, nationalize or appropriate all or a substantial part of the assets of the Issuer or any Guarantor or all or a substantial part of the Capital Stock of the Issuer or any Guarantor, the Notes or any Guarantee, or the Issuer or any Guarantor shall be prevented from exercising normal control over all or a substantial part of its property;

(k) the capital and/or currency exchange controls in place in the Republic of Philippines on the Original Issue Date shall be modified or amended in a manner that prevents or will prevent the Issuer or any Guarantor from performing its payment obligations under the Indenture, the Notes or any Guarantee;

(l) the entire issued share capital of the Issuer ceases to be Wholly Owned, directly or indirectly, by PAL;

(m) it is or will become unlawful for the Issuer or any Guarantor to perform or comply with any of its material obligations under or in respect of the Indenture, the Notes or any Guarantor;

(n) any failure by the Issuer to maintain the Interest Reserve Account in accordance with the Indenture;

(o) any default by the Issuer in the performance of any of its obligations under the Security Documents that adversely affects the enforceability, validity, perfection or priority of the applicable Lien on the Collateral or that adversely affects the condition or value of the Collateral, taken as a whole, in any material respect; or

(p) the Issuer denies or disaffirms its obligations under any Security Documents or, other than in accordance with the Indenture and the Security Documents, any Security Document ceases to be or is not in full force and effect or the Collateral Agent ceases to have a first priority Lien over the Collateral (subject to any Permitted Lien).

If an Event of Default (other than an Event of Default specified in clause (g) or (h) above) occurs and is continuing under the Indenture, the Trustee or the Holders of at least 25% in aggregate principal amount of the Notes, then outstanding, by written notice to the Issuer (and to the Trustee if such notice is given by the Holders), may, and the Trustee at the written request of such Holders will (subject to the Trustee being indemnified and/or secured and/or pre-funding to its satisfaction), declare the principal of, premium, if any, and accrued and unpaid interest on the Notes to be immediately due and payable. Upon a declaration of acceleration, such principal of, premium, if any, and accrued and unpaid interest will be immediately due and payable. If an Event of Default specified in clause (g) or (h) above occurs with respect to any Topco Guarantor or any Restricted Subsidiary, the principal of, premium, if any, and accrued and unpaid interest on the Notes then outstanding will automatically become and be immediately due and payable without any declaration or other act on the part of the Trustee or any Holder.

The Holders of at least a majority in principal amount of the outstanding Notes by written notice to the Issuer and to the Trustee (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction by such Holders), may on behalf of all Holders waive all past defaults and rescind and annul a declaration of acceleration and its consequences if:

(x) all existing Events of Default, other than the non-payment of the principal of, premium, if any, and interest on the Notes that have become due solely by such declaration of acceleration, have been cured or waived; and

(y) the rescission would not conflict with any judgment or decree of a court of competent jurisdiction.

Upon such waiver, the Default will cease to exist, and any Event of Default arising therefrom will be deemed to have been cured, but no such waiver will extend to any subsequent or other Default or impair any right consequent

thereon.

If an Event of Default occurs and is continuing, the Trustee may pursue, in its own name or as trustee of an express trust, any available remedy by proceeding at law or in equity to collect the payment of principal of and interest on the Notes or to enforce the performance of any provision of the Notes or the Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Notes or does not produce any of them in the proceeding.

The Holders of at least a majority in aggregate principal amount of the outstanding Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction in advance of such proceedings. However, the Trustee may refuse to follow any direction that conflicts with law, the Indenture or the Security Documents that may involve the Trustee in personal liability and may take any other action it deems proper that is not inconsistent with any such direction received from Holders. Notwithstanding anything to the contrary in the Indenture or any other document relating to the Notes and the Security Documents, in the event the Trustee shall receive instructions and/or indemnity and/or prefunding from two or more groups of Holders, each holding at least 25% in aggregate principal amount of the then outstanding Notes, and the Trustee believes (in its sole discretion and subject to such legal or other advice as it may deem appropriate) that such instructions are conflicting, the Trustee may, in its sole discretion, exercise any one or more of the following options:

(i) refrain from acting on any such conflicting instructions;

(ii) take the action requested by the Holders of the highest percentage of the aggregate principal amount of the then outstanding Notes, notwithstanding any other provisions of the Indenture (and always subject to such indemnity, security and/or prefunding as is satisfactory to the Trustee); and

(iii) petition a court of competent jurisdiction for further instructions.

In all such instances where the Trustee has acted or refrained from acting as outlined above, the Trustee shall not be responsible or liable for any losses or liability of any nature whatsoever to any party. In addition, the Trustee will not be required to expend its own funds in following such direction if it does not believe that reimbursement or satisfactory indemnification and/or security and/or pre-funding is assured to it.

Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee will be under no obligation to exercise any of the rights or powers under the Indenture at the request or direction of any Holders unless such Holders have instructed the Trustee in writing and have offered to the Trustee security and/or indemnity (including by way of pre-funding) to its satisfaction against any loss, liability or expense. Except to enforce the right to receive payment of principal, premium, if any, or interest or Additional Amounts when due, no Holder shall pursue any remedy with respect to the Indenture or the Notes, unless:

(1) the Holder has previously given the Trustee written notice of a continuing Event of Default;

(2) the Holders of at least 25% in aggregate principal amount of outstanding Notes make a written request to the Trustee to pursue the remedy;

(3) such Holder or Holders offer the Trustee indemnity and/or security and/or prefunding satisfactory to the Trustee against any costs, liability or expense to be incurred in compliance with such request;

(4) the Trustee does not comply with the request within 60 days after receipt of the written request and the provision of indemnity and/or security and/or prefunding to its satisfaction; and

(5) during such 60-day period, the Holders of a majority in aggregate principal amount of the outstanding Notes do not give the Trustee a written direction that is inconsistent with the request.

However, such limitations do not apply to the right of any Holder to receive payment of the principal of, premium, if any, or interest, and Additional Amounts, if any, on, such Note or to bring suit for the enforcement of any such payment, on or after the due date expressed in the Notes, which right will not be impaired or affected without the consent of the Holder.

Two officers of each of the Issuer and the Topco Guarantors must certify to the Trustee in writing, on or before a date not more than 120 calendar days after the end of each fiscal year and within 14 days after receiving a written request from the Trustee, that a review has been conducted of the activities of the Topco Guarantors and their respective Restricted Subsidiaries and the Topco Guarantors and their respective Restricted Subsidiaries' performance under the Indenture and the Notes and that the Topco Guarantors and their respective Restricted Subsidiaries have fulfilled all obligations thereunder, or, if there has been a default in the fulfillment of any such obligation, specifying each such default and the nature and status thereof. The Issuer and the Topco Guarantors will also be obligated to notify the Trustee in writing of any default or defaults in the performance of any covenants or agreements under the Indenture and the Security Documents. See "— Provision of Financial Statements and Reports."

Consolidation, Merger and Sale of Assets

The Issuer will not consolidate with, merge with or into, another Person (other than a Topco Guarantor), permit any Person to merge with or into it, or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its properties and assets (as an entirety or substantially an entirety in one transaction or a series of related transactions) to any Person (other than a Topco Guarantor); *provided* that, in the event the Issuer so consolidates with, merges with or into, a Topco Guarantor or sells, conveys, transfers, leases or otherwise disposes of all or substantially all of its properties and assets to a Topco Guarantor, such Topco Guarantor immediately after such transaction, will (a) assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of the Issuer under the Indenture and the Notes, which shall remain in full force and effect and (b) deliver to the Trustee an Officers' Certificate and an Opinion of Counsel, in each case stating that such transaction and such supplemental indenture complies with this provision and that all conditions precedent provided for herein relating to such transaction have been complied with and that any such supplemental indenture implementing this provision constitutes the legal, valid and binding obligation of the successor entity.

No Topco Guarantor will not consolidate with, or merge with or into, another Person, permit any Person to merge with or into it or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions), unless:

(a) such Topco Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets (the "Surviving Person") will be a corporation organized and validly existing under the laws of Philippines and will expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Topco Guarantor under the Indenture, the Notes and its Topco Guarantee, as the case may be, and the Indenture, the Notes and such Topco Guarantee, as the case may be, will remain in full force and effect;

(b) immediately after giving effect to such transaction, no Default will have occurred and be continuing;

(c) immediately after giving effect to such transaction on a pro forma basis, the Topco Guarantors or the Surviving Person together with the other Topco Guarantor, as the case may be, will have a Combined Net Worth equal to or greater than the Consolidated Net Worth of the Topco Guarantors immediately prior to such transaction;

(d) immediately after giving effect to such transaction on a pro forma basis, such Topco Guarantor or the Surviving Person, as the case may be, could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(e) such Topco Guarantor delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (c) and (d) of this paragraph) and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and such supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with;

(f) each Subsidiary of such Topco Guarantor that is a Subsidiary Guarantor, unless such Subsidiary

Guarantor is the Person with which such Topco Guarantor has entered into a transaction described under this covenant, shall execute and deliver a supplemental indenture to the Indenture confirming that its Subsidiary Guarantee shall apply to the obligations of such Topco Guarantor or the Surviving Person in accordance with the Notes and the Indenture; and

(g) no Rating Decline will have occurred.

No Subsidiary Guarantor will consolidate with, merge with or into, another Person, permit any Person to merge with or into it or sell, convey, transfer, lease or otherwise dispose of all or substantially all of its and its Restricted Subsidiaries' properties and assets (computed on a consolidated basis) (as an entirety or substantially an entirety in one transaction or a series of related transactions) to another Person (other than a Topco Guarantor or another Subsidiary Guarantor), unless:

(A) such Subsidiary Guarantor will be the continuing Person, or the Person (if other than it) formed by such consolidation or merger or that acquired or leased such property and assets will be a Topco Guarantor or another Subsidiary Guarantor or will become a Subsidiary Guarantor concurrently with the transaction, and such Person shall expressly assume, by a supplemental indenture to the Indenture, executed and delivered to the Trustee, all the obligations of such Subsidiary Guarantor under the Indenture, the Notes and the Subsidiary Guarantee, as the case may be, including the obligation to pay Additional Amounts, and the Indenture, the Notes and the Subsidiary Guarantee, as the case may be, shall remain in full force and effect;

(B) immediately after giving effect to such transaction, no Default will have occurred and be continuing;

(C) immediately after giving effect to such transaction on a pro forma basis, the Topco Guarantors will have a Combined Net Worth equal to or greater than the Consolidated Net Worth of the Topco Guarantors immediately prior to such transaction;

(D) immediately after giving effect to such transaction on a pro forma basis, a Topco Guarantor could Incur at least US$1.00 of Indebtedness under the proviso in the first sentence of clause (a) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(E) the Issuer or a Topco Guarantor delivers to the Trustee (1) an Officers' Certificate (attaching the arithmetic computations to demonstrate compliance with clauses (C) and (D) of this paragraph and (2) an Opinion of Counsel, in each case stating that such consolidation, merger or transfer and the relevant supplemental indenture complies with this provision and that all conditions precedent provided for in the Indenture relating to such transaction have been complied with; and

(F) no Rating Decline will have occurred;

provided that this paragraph will not apply to (a) any sale, merger, consolidation, assignment, conveyance, lease or other disposition that complies with the "— Certain Covenants — Limitation on Asset Sales" covenant, (b) a consolidation or merger of any Subsidiary Guarantor whose Subsidiary Guarantee is unconditionally released in accordance with the provisions described under "— Subsidiary Guarantees — Release of Subsidiary Guarantees" and (c) a consolidation or merger of any Subsidiary Guarantor with and into a Topco Guarantor or any other Subsidiary Guarantor, so long as the resulting entity remains or becomes a Guarantor.

Although there is a limited body of case law interpreting the phrase "substantially all," there is no precise established definition of the phrase under New York law. Accordingly, in certain circumstances there may be a degree of uncertainty as to whether a particular transaction would involve "all or substantially all" of the property or assets of a Person.

The foregoing provisions would not necessarily afford Holders protection in the event of highly leveraged or other transactions involving the Topco Guarantors that may adversely affect Holders.

No Payments for Consents

The Topco Guarantors will not, and will not permit any of their respective Subsidiaries to, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any Holder for or as an inducement to any consent, waiver or amendment of any of the terms or provisions of the Indenture or the Notes, unless such consideration is offered to be paid or is paid to all Holders that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to such consent, waiver or amendment.

Notwithstanding the foregoing, the Topco Guarantors or any of their respective Subsidiaries shall be permitted, in any offer or payment of consideration for, or as an inducement to, any consent, waiver or amendment of any of the terms or provisions of the Indenture, to exclude (a) Holders or beneficial owners of the Notes that are not "qualified institutional buyers" as defined in Rule 144A of the Securities Act, or (b) Holders or beneficial owners of the Notes in any jurisdiction where (i) the solicitation of such consent, waiver or amendment in the manner deemed appropriate by a Topco Guarantor and the payment of consideration therefor would require the Issuer or a Topco Guarantor or any of its Subsidiaries to (A) file a registration statement, prospectus or similar document or subject the Issuer or a Topco Guarantor or any of its Subsidiaries to ongoing periodic reporting or similar requirements under any securities laws (including, but not limited to, the United States federal securities laws and the laws of the European Union or its member states), (B) qualify as a foreign corporation or other entity as a dealer in securities in such jurisdiction if it is not otherwise required to so qualify, (C) generally consent to service of process in any such jurisdiction or (D) subject the Issuer or a Topco Guarantor or any of its Subsidiaries to taxation in any such jurisdiction if it is not otherwise so subject; or (ii) such solicitation would otherwise not be permitted under applicable law in such jurisdiction, in each case as determined by a Topco Guarantor in its sole discretion.

Defeasance

Defeasance and Discharge

The Indenture will provide that the Issuer will be deemed to have paid and will be discharged from any and all obligations in respect of the Notes on the 183rd day after the deposit referred to below, and the provisions of the Indenture and the Security Documents will no longer be in effect with respect to the Notes (except for, among other matters, certain obligations to register the transfer or exchange of the Notes, to replace stolen, lost or mutilated Notes, to maintain paying agencies and to hold monies for payment in trust) if, among other things:

(a) the Issuer has (1) deposited into an account opened with the Trustee (or its agent), money and/or U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and (2) delivered to the Trustee an Opinion of Counsel or a certificate of an internationally recognized firm of independent accountants to the effect that the amount deposited by the Issuer is sufficient to provide payment for the principal of, premium, if any, and accrued interest on, the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes and an Opinion of Counsel to the effect that the Holders have a valid, perfected, exclusive security in the trust;

(b) the Issuer has delivered to the Trustee (1) either (x) an Opinion of Counsel of recognized international standing with respect to U.S. federal tax laws which is based on a change in applicable U.S. federal income tax law occurring after the Original Issue Date to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of the Issuer's exercise of its option under this "— Defeasance and Discharge" provision and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same time as would have been the case if such deposit, defeasance and discharge had not occurred or (y) a ruling directed to the Trustee received from the U.S. Internal Revenue Service to the same effect as the aforementioned Opinion of Counsel and (2) an Opinion of Counsel of recognized international standing to the effect that the creation of and the deposit of assets into the defeasance account does not violate the Investment Company Act, as amended, and after the passage of 183 days following the deposit, the fund or assets will not be subject to the effect of Section 547 of the United States Bankruptcy Code or Section 15 of the New York Debtor and Creditor Law;

(c) the Issuer shall have delivered to the Trustee an Officers' Certificate stating that the deposit was not made by it with the intent of preferring the Holders over any other of its creditors or with the intent of defeating, hindering, delaying or defrauding any other of its creditors or others;

(d) immediately after giving effect to such deposit on a pro forma basis, no Event of Default, or event that after the giving of notice or lapse of time or both would become an Event of Default, will have occurred and be continuing on the date of such deposit or during the period ending on the 183rd day after the date of such deposit, and such defeasance will not result in a breach or violation of, or constitute a default under, any other agreement or instrument to which any Topco Guarantor or any Restricted Subsidiary is a party or by which any Topco Guarantor or any Restricted Subsidiary is bound; and

(e) the Issuer must deliver to the Trustee an Officers' Certificate acceptable to the Trustee and an Opinion of Counsel, each stating that all conditions precedent relating to such defeasance have been complied with.

In case of either discharge or defeasance of the Notes, the Topco Guarantees and the Subsidiary Guarantees will terminate.

Defeasance of Certain Covenants

The Indenture further will provide that the provisions of the Indenture will no longer be in effect with respect to clauses (c), (d), (e)(1) and (g) under the second paragraph and clauses (C), (D), (E)(1) and (F) under the third paragraph under "— Consolidation, Merger and Sale of Assets" and all the covenants described herein under "— Certain Covenants" other than as described under "— Certain Covenants — Anti-Layering," clause (c) under "— Events of Default" with respect to such clauses (c), (d), (e)(1) and (g) under the second paragraph and clauses (C), (D), (E)(1) and (F) under the third paragraph under "— Consolidation, Merger and Sale of Assets" and with respect to the other events set forth in such clause, clause (d) under "— Events of Default" with respect to such other covenants and clauses (e) and (f) under "— Events of Default" will be deemed not to be Events of Default upon, among other things, the deposit into an account opened with the Trustee (or its agent), of money, U.S. Government Obligations or a combination thereof that through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay the principal of, premium, if any, Additional Amounts, if any, and accrued interest on the Notes on the Stated Maturity of such payments in accordance with the terms of the Indenture and the Notes, the satisfaction of the provisions described in clause (b)(2), (c) and (e) of the preceding paragraph and the delivery by the Issuer to the Trustee of an Opinion of Counsel of recognized international standing with respect to U.S. federal income tax matters to the effect that beneficial owners will not recognize income, gain or loss for U.S. federal income tax purposes as a result of such deposit and defeasance of certain covenants and Events of Default and will be subject to U.S. federal income tax on the same amounts and in the same manner and at the same times as would have been the case if such deposit and defeasance had not occurred.

Defeasance and Certain Other Events of Default

If in the event the Issuer exercises its option to omit compliance with certain covenants and provisions of the Indenture with respect to the Notes as described in the immediately preceding paragraph and the Notes are declared due and payable because of the occurrence of an Event of Default that remains applicable, the amount of money and/or U.S. Government Obligations on deposit with the Trustee will be sufficient to pay amounts due on the Notes at the time of their Stated Maturity but may not be sufficient to pay amounts due on the Notes at the time of the acceleration resulting from such Event of Default. However, the Issuer and the Guarantors under the Indenture will remain liable for such payments.

Satisfaction and discharge

The Indenture will be discharged, and will cease to be of further effect as to all Notes issued thereunder, when either:

(1) all Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes that have been replaced or paid and Notes for whose payment money has been deposited in trust) have been delivered to the Registrar for cancellation; or

(2) (a) all Notes not theretofore delivered to the Registrar for cancellation have become due and payable by reason of the giving of a notice of redemption or otherwise, will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption by the Trustee in the name, and at the expense, of the Issuer, and the Issuer or any Guarantor has irrevocably deposited or caused to be deposited with the Trustee, as trust funds in trust solely for the benefit of the Holders, cash in U.S. dollars, U.S. Government Obligations, or a combination thereof, in such amounts as will be sufficient, without consideration of any reinvestment of interest, to pay and discharge the entire Indebtedness on the Notes not theretofore delivered to the Registrar for cancellation for principal, premium, if any, and accrued interest to, but not including, the date of maturity or redemption, as the case may be;

(b) no Default or Event of Default has occurred and is continuing on the date of such deposit or will occur as a result of such deposit (other than a Default or an Event of Default resulting from the borrowing of funds to be applied to make such deposit and any similar and simultaneous deposit relating to other Indebtedness and, in each case, the granting of Liens in connection therewith) and the deposit will not result in a breach or violation of, or constitute a default under any material agreement or material instrument (other than the Indenture) to which the Issuer or any Guarantor is a party or by which the Issuer or any Guarantor is bound;

(c) the Issuer or any Guarantor has paid or caused to be paid all sums payable by the Issuer under the Indenture, including all amounts payable to the Trustee, the Collateral Agent and the Agents (which shall include fees, expenses and indemnities); and

(d) the Issuer has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity or the redemption date, as the case may be.

In addition, the Issuer shall deliver to the Trustee an Officers' Certificate and an Opinion of Counsel (which Opinion of Counsel may be subject to customary assumptions and exclusions) each stating that all conditions precedent to satisfaction and discharge have been satisfied.

Amendments and Waiver

Amendments Without Consent of Holders

Amendments of the Indenture, the Notes or any Security Document may be made by the Issuer, the Topco Guarantors, the Subsidiary Guarantors, the Collateral Agent and the Trustee, without the consent of any Holder, to:

(a) cure any ambiguity, defect, omission or inconsistency in the Indenture, the Notes or any Security Document;

(b) comply with the provisions described under "— Consolidation, Merger and Sale of Assets";

(c) evidence and provide for the acceptance of appointment by a successor Trustee;

(d) add any Guarantor or any Guarantee, or release any Guarantor from any Guarantee as provided or permitted by the terms of the Indenture;

(e) to add additional collateral to secure the Notes or the Guarantees;

(f) provide for the issuance of Additional Notes in accordance with the limitations set forth in the Indenture;

(g) in any other case where a supplemental indenture to the Indenture is required or permitted to be entered into pursuant to the provisions of the Indenture without the consent of any Holder;

(h) effect any changes to the Indenture in a manner necessary to comply with the procedures of DTC, Euroclear, Clearstream or any other depository for the Notes;

(i) make any other change that does not materially and adversely affect the rights of any Holder of Notes;

(j) conform the text of the Indenture, the Notes, the Guarantees or the Security Documents to any provision of this "Description of the Notes" to the extent that such provision in this "Description of the Notes" was intended to be a verbatim recitation of a provision of the Indenture, the Notes, the Guarantees or the Security Documents;

(k) provide for the assumption by a successor entity of the obligations of the Issuer or any Guarantor under the Indenture, the Notes, the Security Documents or the Guarantees in accordance with "— Certain covenants — Consolidation, Merger and Sale of Assets"; or

(l) evidence and provide for the acceptance of an appointment under the Indenture and the Security Documents of a successor trustee; *provided* that the successor trustee is otherwise qualified and eligible to act as such under the terms of the Indenture and the Security Documents.

(m) to make any changes necessary to effect any change in the Account Bank (including releasing and re-taking the Collateral).

Amendments With Consent of Holders

Amendments of the Indenture, the Notes or any Security Document may be made by the Issuer, the Topco Guarantors, the Subsidiary Guarantors, the Collateral Agent and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the outstanding Notes, and the holders of a majority in principal amount of the outstanding Notes may waive future compliance by the Issuer, the Topco Guarantors or the Subsidiary Guarantors with any provision of the Indenture, the Notes or the Guarantees; *provided*, *however*, that no such modification, amendment or waiver may, without the consent of each Holder:

(a) change the Stated Maturity of the principal of, or any installment of interest on, any Note;

(b) reduce the principal amount of, or premium, if any, or interest on, any Note;

(c) change the currency, time or place of payment of principal of, or premium, if any, or interest on, any Note;

(d) impair the right to institute suit for the enforcement of any payment on or after the Stated Maturity (or, in the case of a redemption, on or after the redemption date) of any Note or any Guarantee;

(e) reduce the above stated percentage of outstanding Notes the consent of whose Holders is necessary to modify or amend the Indenture;

(f) waive a default in the payment of principal of, premium, if any, or interest on the Notes;

(g) release any Guarantor from its Guarantee, except as provided in the Indenture;

(h) reduce the percentage or aggregate principal amount of outstanding Notes the consent of whose Holders is necessary for waiver of compliance with certain provisions of the Indenture or for waiver of certain defaults;

(i) amend, change or modify any Guarantee in a manner that adversely affects the Holders;

(j) release any Collateral, except as provided in the Indenture and the Security Documents;

(k) amend, change or modify any provision of any Security Document or any provision of the Indenture relating to the Collateral, in a manner that adversely affects the Holders, except in

accordance with the other provisions of the Indenture or such Security Document;

(l) reduce the amount payable upon a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale or, change the time or manner by which a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale may be made or by which the Notes must be repurchased pursuant to a Change of Control Offer or an Offer to Purchase with the Excess Proceeds from any Asset Sale whether through an amendment or waiver of provisions in the covenants, definitions or otherwise, unless such amendment, waiver or modification shall be in effect prior to the occurrence of a Change of Control or the event giving rise to the repurchase of the Notes under "—Limitation on Asset Sales";

(m) change the redemption date or the redemption price of the Notes from that stated under "— Optional Redemption" or "— Redemption for Taxation Reasons";

(n) amend, change or modify the obligation of the Issuer or any Guarantor to pay Additional Amounts; or

(o) amend, change or modify any provision of the Indenture, the Security Documents or the related definition affecting the ranking of the Notes or any Guarantee in a manner which adversely affects the Holders.

Unclaimed Money

Claims against the Issuer for the payment of principal of, premium, if any, or interest, on the Notes will become void unless presentation for payment is made as required under the Indenture within a period of six years.

No Personal Liability of Incorporators, Stockholders, Members, Officers, Directors or Employees

No recourse for the payment of the principal of, premium, if any, or interest on any of the Notes or for any claim based thereon or otherwise in respect thereof, and no recourse under or upon any obligation, covenant or agreement of the Issuer, the Topco Guarantors or any of the Subsidiary Guarantors in the Indenture, or in any of the Notes or the Guarantees or because of the creation of any Indebtedness represented thereby, will be had against any incorporator, stockholder, officer, director, employee or controlling person of the Issuer, the Topco Guarantors or any of the Subsidiary Guarantors or of any successor Person thereof. Each Holder, by accepting the Notes, waives and releases all such liability. The waiver and release are part of the consideration for the issuance of the Notes and the Guarantees. Such waiver may not be effective to waive liabilities under any applicable securities law.

Concerning the Trustee, the Collateral Agent, the Paying Agent, Registrar and Transfer Agent

The Bank of New York Mellon is to be appointed as Trustee under the Indenture, and will also be appointed as transfer agent (the "Transfer Agent", including any successor transfer Agent), paying agent (the "Paying Agent", including any successor paying agent), registrar (the "Registrar", including any successor registrar) with regard to the Notes and The Bank of New York Mellon will be appointed as Collateral Agent (together with the Transfer Agent, the Paying Agent and the Registrar, the "Agents", including any successor Agent) with regard to the Collateral under the Security Documents. Except during the continuance of an Event of Default, the Trustee will not be liable, except for the performance of such duties as are specifically set forth in the Indenture, the Notes and the Security Documents, as the case may be, and no implied covenants or obligations shall be read into the Indenture, the Notes and the Security Documents against the Trustee. If an Event of Default has occurred and is continuing, the Trustee will use the same degree of care and skill in its exercise of the rights and powers vested in it under the Indenture, the Notes and the Security Documents, as the case may be, as a prudent person would exercise under the circumstances in the conduct of such person's own affairs. Pursuant to the terms of the Indenture, the Security Documents or the Notes (as the case may be), the Issuer will reimburse the Trustee for all fees and expenses (including indemnity payments) incurred.

The Indenture contains limitations on the rights of the Trustee, should it become a creditor of the Issuer, the Topco Guarantors or any of the Subsidiary Guarantors, to obtain payment of claims in certain cases or to realize on certain property received by it in respect of any such claims, as security or otherwise. The Trustee and the Agents are permitted to engage in other transactions with the Topco Guarantors and their respective Affiliates; *provided*, *however*, that if it acquires any conflicting interest that may have a materially prejudicial effect upon the Holders

of the Notes, it must eliminate such conflict or resign. The Trustee and the Agents may have an interest in, may be providing, or may in the future provide financial or other services to other parties.

Notwithstanding anything to the contrary herein, whenever the Trustee is required or entitled by the terms of the Indenture to exercise any discretion or power, take any action of any nature, make any decision or give any direction or certification, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction or certification, to solicit Holders for direction, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction or certification where the Trustee is seeking such directions or the non-exercise of such discretion or power, or not taking any such action or making any such decision or giving any such direction or certification in the absence of any such directions from Holders. In any event, and as provided elsewhere herein, even where the Trustee has been directed by the Holders, the Trustee shall not be required to exercise any such discretion, power or take any such action as aforesaid unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

For so long as the Notes are listed on the SGX-ST and the rules of the SGX-ST so require, if a Global Note is exchanged for Certificated Notes, the Issuer will appoint and maintain a paying agent in Singapore, where the Notes may be presented or surrendered for payment or redemption, and make an announcement of such exchange through the SGX-ST that will include all material information with respect to the delivery of the Certificated Notes, including details of the paying agent in Singapore.

The Collateral Agent, acting in its capacity as such, shall have such duties with respect to the Collateral charged, assigned or granted pursuant to the Security Documents as are set forth in the Security Documents. Each Holder, by accepting the Note will agree, for the benefit of the Trustee and the Collateral Agent, that it is solely responsible for its own independent appraisal of and investigation into all risks arising under or in connection with the Notes, the Indenture and the Security Documents and has not relied on and will not at any time rely on the Trustee or the Collateral Agent in respect of such risks.

The Trustee and the Collateral Agent will be under no obligation to exercise any rights or powers conferred under the Indenture at the written request or direction of the Holders unless such Holders have offered to the Trustee and the Collateral Agent indemnity and/or security and/or prefunding satisfactory to the Trustee and the Collateral Agent against any loss, liability or expense that might be incurred by it in compliance with such request or direction. The foregoing prefunding requirements shall be in addition, and subject in all respects, to any other requirements of the Trustee regarding the indemnity, security and/or prefunding to be provided to it in connection with any such enforcement request, including requirements regarding the creditworthiness of the requesting Holders.

The Trustee and the Collateral Agent shall not be deemed or implied to have any duties or obligations under any documents to which it is a party. Furthermore, the Trustee and the Collateral Agent shall not be deemed to have knowledge of any event unless it has been actually notified in writing of such event. In the exercise of its duties, the Trustee and the Collateral Agent shall not be responsible for the verification of the accuracy or completeness of any certification or legal opinion submitted to it by the Issuer or the Topco Guarantors and is entitled to rely exclusively on, and take action based on the information contained in, the certification or legal opinion. Notwithstanding anything described herein, the Trustee and the Collateral Agent has no duty to monitor the performance or compliance of the Issuer or the Topco Guarantors in the fulfillment of the Issuer’s or the Topco Guarantor’s' obligations under the Indenture and the Security Documents.

The Trustee and the Collateral Agent shall not be responsible for the performance by any other person appointed by the Issuer or the Topco Guarantors in relation to the Notes and, unless notified in writing to the contrary, shall assume that the same are being duly performed. The Trustee and the Collateral Agent shall not be liable to any Holders or any other person for any action taken by the Holders or the Trustee in accordance with the instructions of the Holders.

The Trustee and the Collateral Agent are entitled to rely on all instructions, notices, declarations and certifications received pursuant to the Indenture and the Security Documents without investigating or being responsible for the accuracy, authenticity and validity of these instructions, notices, declarations and certifications.

Neither the Trustee, Collateral Agent nor the Agents will be responsible for making calculations or for verifying calculations performed by the Issuer or any other persons unless otherwise specified in the Indenture.

Book-Entry; Delivery and Form

The certificates representing the Notes will be issued in fully registered form without interest coupons. Notes sold in offshore transactions in reliance on Regulation S under the Securities Act will initially be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Regulation S Global Note") and will be deposited with The Bank of New York Mellon as custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream Luxembourg.

Notes sold into the United States or to U.S. persons in reliance on Rule 144A will be represented by one or more permanent global notes in definitive, fully registered form without interest coupons (each a "Rule 144A Global Note" and together with the Regulation S Global Notes, the "Global Notes") and will be deposited with The Bank of New York Mellon as custodian for, and registered in the name of a nominee of, DTC.

Each Global Note (and any Notes issued for exchange therefor) will be subject to certain restrictions on transfer set forth therein as described under "Transfer Restrictions." Under certain circumstances, transfers may be made only upon receipt by the Paying Agent of a written certification (in the form provided in the Indenture). By acquisition of an interest in a Global Note, the investor is deemed to understand that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

Beneficial interests in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note only upon receipt by the Paying Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that the transferor (i) reasonably believes that the transferee is a "qualified institutional buyer" (as such term is defined in Rule 144A)) purchasing for its own account (or for the account of one or more qualified institutional buyers, over which account it exercises sole investment discretion), (ii) transfers such note in a transaction meeting the requirements of Rule 144A and (iii) has notified the transferee of the restrictions on transfer set forth under "Transfer Restrictions."

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note without any written certification from the transferor or the transferee, and each transferee of a 144A Global Note, in making its purchase, will be subject to certain restrictions and must be able to make and will be deemed to have made certain acknowledgements, representations and agreements for itself and for each account for which it is purchasing as set forth under "Transfer Restrictions".

Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Paying Agent of a written certification (in the form provided in the Indenture) from the transferor to the effect that such transfer is being made in compliance with the restrictions set forth under "Transfer Restrictions" and in accordance with Rule 903 or 904 of Regulation S under the Securities Act or Rule 144 under the Securities Act. No representation can be made as to the availability of the exemption provided by Rule 144 for resale of an interest in a Rule 144A Global Note.

Any beneficial interest in one of the Global Notes that is transferred to an entity that takes delivery in the form of an interest in another Global Note will, upon transfer, cease to be an interest in such Global Note and become an interest in the other Global Note and, accordingly, will thereafter be subject to all transfer restrictions, if any, and other procedures applicable to beneficial interests in such other Global Note for as long as it remains such an interest.

Ownership of beneficial interests in a Global Note will be limited to persons who have accounts with DTC ("participants") or persons who hold interests through participants. Ownership of beneficial interests in a Global Note will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants). Beneficial owners may hold their interests in a Global Note directly through DTC if they are participants in such system, or indirectly through organizations which are participants in such system.

Euroclear and Clearstream Luxembourg will hold interests in the Global Notes on behalf of their participants through DTC.

So long as DTC, or its nominee, is the registered owner or holder of a Global Note, DTC or such nominee, as the case may be, will be considered the sole owner or holder of the Notes represented by such Global Note for all purposes under the Indenture and the Notes. No beneficial owner of an interest in a Global Note will be able to

transfer that interest except in accordance with DTC's applicable procedures, in addition to those provided for under the Indenture and, if applicable, those of Euroclear and Clearstream Luxembourg.

Payments of the principal of, and interest on, a Global Note will be made to DTC or its nominee, as the case may be, as the registered owner thereof. None of the Issuer, the Topco Guarantors nor any of the Subsidiary Guarantors, the Trustee nor any of the Agents nor the Collateral Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Global Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. In considering the interests of holders of the Notes while title to the Notes is registered in the name of a nominee of DTC, the Trustee and the Agents (as defined below) may (but will not be obliged to) rely conclusively upon any information made available to them by DTC as to the identity (either individually or by category) of its participants with entitlements to Notes and may (but will not be obliged to) consider such interests as if such accountholders were the holders of the Notes.

The Issuer expects that DTC or its nominee, upon receipt of any payment of principal or interest in respect of a Global Note, will credit participants' accounts with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Note as shown on the records of DTC or its nominee. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Note held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such participants.

The Issuer expects that DTC will take any action permitted to be taken by a holder of Notes (including the presentation of Notes for exchange as described below) only at the direction of one or more participants to whose account the DTC interests in a Global Note is credited and only in respect of such portion of the aggregate principal amount of Notes as to which such participant or participants has or have given such direction. However, if there is an Event of Default under the Notes, DTC will exchange the applicable Global Note for Certificated Notes, which it will distribute to its participants and which may be legended as set forth under the heading "Transfer Restrictions."

Although DTC, Euroclear and Clearstream are expected to follow the foregoing procedures in order to facilitate transfers of interests in a Global Note among participants of DTC, Euroclear and Clearstream Luxembourg, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Topco Guarantors, any of the Subsidiary Guarantors, the Trustee, the Agents or the Collateral Agent will have any responsibility for the performance by DTC, Euroclear or Clearstream Luxembourg or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

If DTC is at any time unwilling or unable to continue as a depositary for the Global Notes and a successor depositary is not appointed within 90 days, the Issuer will issue Certificated Notes in registered form, which may bear the legend referred to under "Transfer Restrictions", in exchange for the Global Notes. Holders of an interest in a Global Note may receive Certificated Notes, which may bear the legend referred to under "Transfer Restrictions", in accordance with the DTC's rules and procedures in addition to those provided for under the Indenture.

The Clearing Systems

General

DTC, Euroclear and Clearstream Luxembourg have advised the Issuer as follows:

DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a "banking organization" within the meaning of New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of securities certificates. DTC's participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom own DTC, and may include the Initial Purchasers. Indirect access to the DTC system is also available to others that clear through or maintain

a custodial relationship with a DTC participant, either directly or indirectly ("indirect participants"). Transfers of ownership or other interests in Notes in DTC may be made only through DTC participants. In addition, beneficial owners of Notes in DTC will receive all distributions of principal of and interest on the Notes from the Trustee through such DTC participant.

Euroclear and Clearstream Luxembourg. Euroclear and Clearstream Luxembourg hold securities for participating organizations and facilitate the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream Luxembourg provide to their participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream Luxembourg interface with domestic securities markets. Euroclear and Clearstream Luxembourg participants are financial institutions such as underwriters, securities brokers and dealers, banks, trust companies and certain other organizations. Indirect access to Euroclear or Clearstream Luxembourg is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a Euroclear or Clearstream participant, either directly or indirectly.

None of the Issuer, the Topco Guarantors, the Trustee or any of their respective agents will have responsibility for the performance of Euroclear or Clearstream Luxembourg or their respective participants of their respective obligations under the rules and procedures governing their operations, including rules and procedures relating to book-entry interests.

Initial Settlement

Initial settlement of the Notes will be made in immediately available funds. Investors' interests in Notes held in book-entry form by DTC will be represented through financial institutions acting on their behalf as direct and indirect participants in DTC. As a result, Euroclear and Clearstream will hold positions on behalf of their participants through DTC.

Investors electing to hold their Notes through DTC (other than through accounts at Euroclear or Clearstream) Luxembourg must follow the settlement practices applicable to United States corporate debt obligations. The securities custody accounts of investors will be credited with their holdings against payment in same day funds on the settlement date.

Investors electing to hold their Notes through Euroclear or Clearstream Luxembourg accounts will follow the settlement procedures applicable to conventional Eurobonds in registered form. Notes will be credited to the securities custody accounts of Euroclear Holders and of Clearstream Luxembourg Holders on the Business Day following the settlement date against payment for value on the settlement date.

Secondary Market Trading

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC rules. Secondary market trading between Clearstream Luxembourg participants and/or Euroclear participants will occur in the ordinary way in accordance with the applicable rules and operating procedures of Clearstream Luxembourg and Euroclear and will be settled using the procedures applicable to conventional eurobonds.

Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Luxembourg participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by its U.S. depositary; however, such cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in such system in accordance with its rules and procedures and within its established deadlines (European time). The relevant European international clearing system will, if a transaction meets its settlement requirements, deliver instructions to its U.S. depositary to take action to effect final settlement on its behalf by delivering or receiving Notes in DTC, and making or receiving payment in accordance with normal procedures for same-day funds settlement applicable to DTC. Clearstream Luxembourg participants and Euroclear participants may not deliver instructions directly to the U.S. depositaries.

Because of time zone differences, credits of Notes received in Clearstream Luxembourg or Euroclear as a result of a transaction with a DTC participant will be made during subsequent securities settlement processing and dated the Business Day following the DTC settlement date. Such credits or any transactions in such Notes settled during such processing will be reported to the relevant Clearstream Luxembourg participants or Euroclear participants

on such Business Day. Cash received in Clearstream Luxembourg or Euroclear as a result of sales of Notes by or through a Clearstream Luxembourg participant or a Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream Luxembourg or Euroclear cash account only as of the Business Day following settlement in DTC.

Notices

All notices or demands required or permitted by the terms of the Notes or the Indenture to be given to or by the Holders are required to be in writing and may be given or served by being sent by prepaid courier or by being deposited, first-class postage prepaid, in the United States mails (if intended for the Issuer, any Topco Guarantor or any Subsidiary Guarantor) addressed to the Issuer, such Topco Guarantor or such Subsidiary Guarantor at the registered office of PAL; or (if intended for the Trustee) addressed to the Trustee, at the corporate trust office of the Trustee; and (if intended for any Holder) addressed to such Holder at such Holder's last address as it appears in the Note register.

Any such notice or demand, including the notice and other communications may also be sent via electronic means in accordance with the terms of the Indenture. Any such notice or demand will be deemed to have been sufficiently given or served when so sent or deposited. If the notice or demand is intended for the Holders, it will be considered delivered when delivered in accordance with the applicable rules and procedures of DTC. Any such notice or demand will be deemed to have been delivered on the day such notice or demand is delivered to DTC or if by mail, when so sent or deposited.

Consent to Jurisdiction; Service of Process

The Issuer, the Topco Guarantors and each of the Subsidiary Guarantors will irrevocably (i) submit to the non-exclusive jurisdiction of any U.S. federal or New York state court located in the Borough of Manhattan, The City of New York in connection with any suit, action or proceeding arising out of, or relating to, the Notes, any Guarantee or the Indenture or any transaction contemplated thereby and (ii) designate and appoint Philippine Airlines, Inc., 561 Seventh Avenue, Floor 2, New York, NY 10018 for receipt of service of process in any such suit, action or proceeding.

Governing Law

Each of the Notes, the Guarantees and the Indenture provides that such instrument will be governed by, and construed in accordance with, the laws of the State of New York. The Security Documents will be governed by the laws of the State of New York.

Definitions

Set forth below are defined terms used in the covenants and other provisions of the Indenture. Reference is made to the Indenture for other capitalized terms used in this "Description of the Notes" for which no definition is provided.

"*2027 Financial Statements Available Date*" means the date when audited consolidated financial statements for the fiscal year ended December 31, 2027 of each Topco Guarantor (which each Topco Guarantor will use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee pursuant to the covenant described under the caption "— Certain Covenants — Provision of Financial Statements and Reports."

"*Acquired Indebtedness*" means Indebtedness of a Person existing at the time such Person becomes a Restricted Subsidiary or Indebtedness of a Restricted Subsidiary assumed in connection with an Asset Acquisition by such Restricted Subsidiary, whether or not Incurred in connection with, or in contemplation of, the Person merging with or into or becoming a Restricted Subsidiary.

"*Adjusted Treasury Rate*" means, with respect to any redemption date, (i) the yield, under the heading which represents the average for the immediately preceding week, appearing in the most recently published statistical release designated "H.15" or any successor publication which is published weekly by the Board of Governors of the Federal Reserve System and which establishes yields on actively traded United States Treasury securities adjusted to constant maturity under "Treasury Constant Maturities," for the maturity corresponding to the Comparable Treasury Issue (if no maturity is within three (3) months before or after July 16, 2028, yields for the

two published maturities most closely corresponding to the Comparable Treasury Issue shall be determined and the Adjusted Treasury Rate shall be interpolated or extrapolated from such yields on a straight line basis, rounding to the nearest month) or (ii) if such release (or any successor release) is not published during the week preceding the calculation date or does not contain such yields, the rate per year equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date, in each case calculated on the third Business Day immediately preceding the redemption date.

"*Affiliate*" means, with respect to any Person, any other Person (i) directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person; (ii) who is a director or officer of such Person or any Subsidiary of such Person or of any Person referred to in clause (i) of this definition; or (iii) who is a spouse or any person cohabiting as a spouse, child, parent, brother, sister, parent-in-law, grandchild, grandparent, uncle, aunt, nephew or niece of a Person described in clause (i) or (ii). For purposes of this definition, "control" (including, with correlative meanings, the terms "controlling," "controlled by" and "under common control with"), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"*Air Carrier Entity*" means any member of the Group that owns or operates Aircraft.

"*Aircraft*" means any contrivance invented, used, or designed to navigate, or fly in, the air, including, without duplication, the airframes related thereto.

"*Aircraft Financing*" means (i) any Indebtedness, guarantee, finance lease, operating lease, sale and lease back or other financing arrangements (including any bonds, debentures, notes or similar instruments) in respect of or secured by Engines, Spare Parts, Aircraft, airframes or Appliances, parts, components, instruments, appurtenances, furnishings, other equipment installed on such Engines, Spare Parts, Aircraft, airframes or any other related assets, (ii) any financing arrangements assumed or incurred in connection with the acquisition, construction (including any pre-delivery payments in connection with such acquisition or construction), modifications or improvement of any Engines, Spare Parts, Aircraft, airframes or Appliances, parts, components, instruments, appurtenances, furnishings, other equipment installed on such Engines, Spare Parts, Aircraft, airframes or any other related assets, and (iii) extensions, renewals and replacements of such financing arrangements under clauses (i) and (ii); *provided* that, in each case under clauses (i), (ii) or (iii), such financing arrangement, if secured, is secured on a usual and customary basis (which may include the collateralization thereof with cash, Temporary Cash Investments or letters of credit) as determined by PAL in good faith for such financing arrangement or Indebtedness in respect of Engines, Spare Parts, Aircraft, airframes or Appliances, parts, components, instruments, appurtenances, furnishings, other equipment installed on such Engines, Spare Parts, Aircraft, airframes or any other related assets.

"*Airport Authority*" means any city or any public or private board or other body or organization chartered or otherwise established for the purpose of administering, operating or managing airports or related facilities, which in each case is an owner, administrator, operator or manager of one or more airports or related facilities.

"*Appliance*" means any instrument, equipment, apparatus, part, appurtenance or accessory used, capable of being used, or intended to be used, in operating or controlling Aircraft in flight, including a parachute, communication equipment and another mechanism installed in or attached to an Aircraft during flight, and not a part of an Aircraft, Engine or Propeller.

"*Applicable Premium*" means, with respect to a Note at any redemption date, the greater of (i) 1.00% of the principal amount of such Note and (ii) the excess of (A) the present value at such redemption date of the redemption price of such Note on July 16, 2028, (such redemption price being described in the first paragraph in the "— Optional Redemption" section exclusive of any accrued interest), plus all required remaining scheduled interest payments due on such Note through July 16, 2028, (but excluding accrued and unpaid interest to the redemption date), computed using a discount rate equal to the Adjusted Treasury Rate plus 50 basis points, over (B) the principal amount of such Note on such redemption date.

"*Asset Acquisition*" means (i) an Investment by any Topco Guarantor or any Restricted Subsidiary in any other Person pursuant to which such Person will become a Restricted Subsidiary or will be merged into or consolidated with any Topco Guarantor or any Restricted Subsidiary, or (ii) an acquisition by any Topco Guarantor or any Restricted Subsidiary of the property and assets of any Person other than any Topco Guarantor or any Restricted

Subsidiary that constitute substantially all of a division or line of business of such Person.

"*Asset Disposition*" means the sale or other disposition by any Topco Guarantor or any Restricted Subsidiary (other than to a Topco Guarantor or a Restricted Subsidiary) of (a) all or substantially all of the Capital Stock of any Restricted Subsidiary or (b) all or substantially all of the assets that constitute a division or line of business of any Topco Guarantor any Restricted Subsidiary.

"*Asset Sale*" means any sale, transfer or other disposition of any of its property or assets (including by way of merger, consolidation or Sale and Leaseback Transaction and including any sale or issuance of Capital Stock by a Restricted Subsidiary) in one transaction or a series of related transactions by any Topco Guarantor or any Restricted Subsidiary to any Person; *provided* that "*Asset Sale*" will not include:

(a) any sale, transfer or other disposition of Spare Parts, inventory, receivables and other current assets (including inventory) in the ordinary course of business;

(b) any sale, transfer or other disposition of assets constituting a Permitted Investment or Restricted Payment permitted to be made under the covenant described under the caption "— Certain Covenants — Limitation on Restricted Payments";

(c) any sale, transfer or other disposition of assets with a Fair Market Value not in excess of US$10.0 million (or the Dollar Equivalent thereof) in any transaction or series of related transactions;

(d) any sale, transfer or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of the Topco Guarantors or their respective Restricted Subsidiaries;

(e) any sale, transfer or other disposition deemed to occur in connection with creating or granting any Lien not prohibited by the "Certain Covenants — Limitations on Liens" covenant;

(f) a transaction covered by the covenant under the caption "— Consolidation, Merger and Sale of Assets";

(g) the sale, transfer or other disposition of Temporary Cash Investments in the ordinary course of business;

(h) dispositions of receivables in connection with the compromise, settlement or collection thereof in the ordinary course of business or in bankruptcy or similar proceedings and exclusive of factoring or similar arrangements;

(i) the licensing, sublicensing or cross-licensing of intellectual property or other general intangibles and licenses, leases or subleases of other property in the ordinary course of business which do not materially interfere with the business of the Topco Guarantors and the Restricted Subsidiaries;

(j) any sale, transfer or other disposition of any assets by any Topco Guarantor or any Restricted Subsidiary to any Topco Guarantor or to a Subsidiary Guarantor;

(k) the disposition or abandonment of Slots and Gates; *provided* that such disposition or abandonment (i) is in the ordinary course of business consistent with past practices, (ii) is reasonably determined by PAL to relate to Slots and Gates of de minimis value or surplus to the Group's needs, (iii) is required by a Governmental Authority, or (iv) would not reasonably be expected to result in a Material Adverse Effect;

(l) (i) any lease or sub-lease of, or use or license agreements with respect to, assets and properties that constitute Slots or Gates in the ordinary course of business and (ii) swap agreements or similar arrangements with respect to Slots in the ordinary course of business; provided that in each case such lease, sublease, use or license agreement or swap agreement or similar arrangement (as applicable) is for purposes of operations by another airline operating under a brand associated with PAL or otherwise operating routes under a joint business arrangement or

at PAL's direction under a code share agreement, capacity purchase agreement, pro-rate agreement or similar arrangement between such airline and PAL;

(m) any lease, sub-lease, interchange, pooling, exchange or charter of Engines, Spare Parts, Aircraft, airframes or Appliances, parts, components, instruments, appurtenances, furnishings, other equipment installed on such Engines, Spare Parts, Aircraft, airframes or any other related assets to the extent any Topco Guarantor or Restricted Subsidiary is the lessor or owner (including, for the avoidance of doubt, as lessee under a finance lease) of such Engines, Spare Parts, Aircraft, airframes or Appliances, parts, components, instruments, appurtenances, furnishings, other equipment installed on such Engines, Spare Parts, Aircraft, airframes or any other related assets.

"*Attributable Indebtedness*" means, in respect of a Sale and Leaseback Transaction, at the time of determination, the present value, discounted at the interest rate implicit in such Sale and Leaseback Transaction, of the total obligations of the lessee for rental payments during the remaining term of the lease in such Sale and Leaseback Transaction, including any period for which such lease has been extended or may, at the option of the lessor, be extended, determined in accordance with GAAP.

"*Average Life*" means, at any date of determination with respect to any Indebtedness, the quotient obtained by dividing (1) the sum of the products of (a) the number of years from such date of determination to the dates of each successive scheduled principal payment of such Indebtedness and (b) the amount of such principal payment by (2) the sum of all such principal payments.

"*Beneficial Owner*" has the meaning assigned to such term in Rule 13d-3 and Rule 13d-5 under the Exchange Act, except that in calculating the beneficial ownership of any particular "person" (as that term is used in Section 13(d)(3) of the Exchange Act), such "person" will be deemed to have beneficial ownership of all securities that such "person" has the right to acquire by conversion or exercise of other securities, whether such right is currently exercisable or exercisable only upon the occurrence of a subsequent condition. The terms "*Beneficially Owns*" and "*Beneficially Owned*" will have a corresponding meaning.

"*Board of Directors*" means the board of directors of a Topco Guarantor elected or appointed by the stockholders of such Topco Guarantor to manage the business of such Topco Guarantor or any committee of such board duly authorized to take the action purported to be taken by such committee.

"*Board Resolution*" means any resolution of the Board of Directors of a Topco Guarantor taking an action which it is authorized to take and adopted at a meeting duly called and held at which a quorum of disinterested members (if so required) was present and acting throughout or adopted by written resolution executed by every member of the Board of Directors.

"*Brand Intellectual Property*" means all trademarks, service marks, brand names, designs and logos worldwide that are owned by the Group (including the "Philippine Airlines" trademark) and any related assets.

"*Business Day*" means any day which is not a Saturday, Sunday, legal holiday or other day on which banking institutions in The City of New York, Hong Kong, Singapore or Philippines (or in any other place in which payments on the Notes are to be made) are authorized by law or governmental regulation to close.

"*Capital Stock*" means, with respect to any Person, any and all shares, interests, participations or other equivalents (however designated, whether voting or non-voting) in equity of such Person, whether outstanding on the Original Issue Date or issued thereafter, including, without limitation, all Common Stock and Preferred Stock, but excluding debt securities convertible into such equity.

"*Capitalized Lease*" means, with respect to any Person, any lease of any property (whether real, personal or mixed), which, in conformity with GAAP, is required to be capitalized on the balance sheet of such Person.

"*Capitalized Lease Obligations*" means the discounted present value of the rental obligations under a Capitalized Lease.

"*Change of Control*" means the occurrence of one or more of the following events:

(1) the direct or indirect sale, transfer, conveyance or other disposition (other than by way of merger

or consolidation), in one or a series of related transactions, of all or substantially all of the properties or assets of the Group, taken as a whole, to any "person" within the meaning Section 13(d) of the Exchange Act, other than to one or more Permitted Holders;

(2) any Topco Guarantor consolidates with, or merges with or into, any Person (other than the other Topco Guarantor or one or more Permitted Holders), or any Person consolidates with, or merges with or into, any Topco Guarantor, in any such event pursuant to a transaction in which any of the outstanding Voting Stock of such Topco Guarantor or such other Person is converted into or exchanged for cash, securities or other property, other than any such transaction where the Voting Stock of such Topco Guarantor outstanding immediately prior to such transaction is converted into or exchanged for (or continues as) Voting Stock (other than Disqualified Stock) of the surviving or transferee Person constituting a majority of the outstanding shares of Voting Stock of such surviving or transferee Person (immediately after giving effect to such issuance) and in substantially the same proportion as before the transaction;

(3) the Permitted Holders cease to be the Beneficial Owner, directly or indirectly, of at least 50.1% in the aggregate of the voting power of the Voting Stock of any Topco Guarantor; or

(4) the adoption of a plan relating to the liquidation or dissolution of a Topco Guarantor.

"*Change of Control Triggering Event*" means the occurrence of both a Change of Control and Rating Decline.

"*Clearstream*" means Clearstream Banking S.A. or any successor thereof.

"*Combined EBITDAR*" means, for any period, Combined Net Income for such period plus, to the extent such amount was deducted in calculating such Combined Net Income:

(1) Combined Interest Expense;

(2) income taxes (other than income taxes attributable to extraordinary and non-recurring gains (or losses) or sales of assets);

(3) depreciation expense and amortization expense, excluding depreciation expense attributable to Ground Property Lease Obligations;

(4) all other non-cash items reducing Combined Net Income (other than non-cash items in a period which reflect cash expenses paid or to be paid in another period), *less* all non-cash items increasing Combined Net Income (other than accrual of revenue in the ordinary course of business); and

(5) lease charges under flying operations appearing in the consolidated financial statements of each Topco Guarantor,

all as determined on a combined basis for the Topco Guarantors and their respective Restricted Subsidiaries in conformity with GAAP; *provided* that if any Restricted Subsidiary is not a Wholly Owned Restricted Subsidiary, Combined EBITDAR will be reduced (to the extent not otherwise reduced in accordance with GAAP) by an amount equal to (A) the amount of the Combined Net Income attributable to such Restricted Subsidiary multiplied by (B) the percentage ownership interest in the income of such Restricted Subsidiary not owned on the last day of such period by the applicable Topco Guarantor or any Restricted Subsidiary.

"*Combined Fixed Charge Coverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Combined EBITDAR for the Four Quarter Period with respect to such Transaction Date to (2) the aggregate Combined Fixed Charges during such Four Quarter Period. In making the foregoing calculation:

(A) *pro forma* effect will be given to any Indebtedness or Preferred Stock Incurred, repaid or redeemed during the Reference Period relating to such Four Quarter Period in each case as if such Indebtedness or Preferred Stock had been Incurred, repaid or redeemed on the first day of such Reference Period (other than Indebtedness Incurred or repaid under a revolving credit or similar arrangement or any predecessor revolving credit or similar arrangement); *provided* that,

in the event of any such repayment or redemption, Combined EBITDAR for such period will be calculated as if the Topco Guarantors or their respective Restricted Subsidiaries had not earned any interest income actually earned during such period in respect of the funds used to repay or redeem such Indebtedness;

(B) Combined Interest Expense attributable to interest on any Indebtedness (whether existing or being Incurred) computed on a *pro forma* basis and bearing a floating interest rate will be computed as if the rate in effect on the Transaction Date (taking into account any Interest Rate Agreement applicable to such Indebtedness if such Interest Rate Agreement has a remaining term in excess of 12 months or, if shorter, at least equal to the remaining term of such Indebtedness) had been the applicable rate for the entire period;

(C) *pro forma* effect will be given to the creation, designation or redesignation of Restricted and Unrestricted Subsidiaries during the Reference Period as if such creation, designation or redesignation had occurred on the first day of such Reference Period;

(D) *pro forma* effect will be given to Asset Dispositions and Asset Acquisitions (including giving *pro forma* effect to the application of proceeds of any Asset Disposition) that occur during such Reference Period as if they had occurred and such proceeds had been applied on the first day of such Reference Period; and

(E) *pro forma* effect will be given to asset dispositions and asset acquisitions (including giving pro forma effect to the application of proceeds of any asset sale) that have been made by any Person that has become a Restricted Subsidiary or has been merged or consolidated with or into any Topco Guarantor or any Restricted Subsidiary during such Reference Period and that would have constituted Asset Dispositions or Asset Acquisitions had such transactions occurred when such Person was a Restricted Subsidiary as if such asset dispositions or asset acquisitions were Asset Dispositions or Asset Acquisitions that occurred on the first day of such Reference Period;

provided that to the extent that clause (D) or (E) of this sentence requires that *pro forma* effect be given to an Asset Acquisition or Asset Disposition (or asset acquisition or asset disposition), such *pro forma* calculation will be based upon the Four Quarter Period immediately preceding the Transaction Date of the Person, or division or line of business of the Person, that is acquired or disposed for which financial information is available.

"*Combined Fixed Charges*" means, for any period, the sum (without duplication) of (i) Combined Interest Expense for such period and (ii) all cash and non-cash dividends paid, declared, accrued or accumulated during such period on any Disqualified Stock of the Topco Guarantors or Preferred Stock of any Restricted Subsidiary held by Persons other than the Topco Guarantors or any Wholly Owned Restricted Subsidiary, except for dividends payable in any Topco Guarantor's Capital Stock (other than Disqualified Stock).

"*Combined Interest Expense*" means, for any period, the amount that would be included in gross interest expense on a combined income statement prepared in accordance with GAAP for such period of the Group, plus, to the extent not included in such gross interest expense, and to the extent incurred, accrued or payable during such period by the Topco Guarantor and their respective Restricted Subsidiaries, without duplication, (i) interest expense attributable to Capitalized Lease Obligations and imputed interest with respect to Attributable Indebtedness, (ii) amortization of debt issuance costs and original issue discount expense and non-cash interest payments in respect of any Indebtedness, (iii) the interest portion of any deferred payment obligation, (iv) all commissions, discounts and other fees and charges with respect to letters of credit or similar instruments issued for financing purposes or in respect of any Indebtedness, (v) the net costs associated with Hedging Obligations (including the amortization of fees) to the extent, but only to the extent in respect of interest rate or currency protection in respect of Indebtedness (net of payments received under such Hedging Obligations), (vi) interest accruing on Indebtedness of any other Person that is guaranteed by any Topco Guarantor or any Restricted Subsidiary or secured by a Lien on assets of any Topco Guarantor or any Restricted Subsidiary proportionate to the extent that such Indebtedness is guaranteed or secured, (vii) any capitalized interest and (viii) all other non-cash interest expense; *provided* that (x) interest expense attributable to interest on any Indebtedness bearing a floating interest rate will be computed on a *pro forma* basis as if the rate in effect on the date of determination had been the applicable rate for the entire relevant period and (y) all interest expense attributable to Ground Property Lease Obligations shall be excluded from Combined Interest Expense.

"*Combined Net Income*" means, for any period, the aggregate of the net income (or loss) of the Group for such

period, on a combined basis, determined in conformity with GAAP; *provided* that the following items will be excluded in computing Combined Net Income (without duplication):

(1) the net income (or loss) of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting, except to the extent of the amount of net income actually paid in cash to, or the amount of loss actually funded in cash by, a Topco Guarantor or a Restricted Subsidiary during such period;

(2) the net income (or loss) of any Person accrued prior to the date it becomes a Restricted Subsidiary or is merged into or consolidated with any Topco Guarantor or any Restricted Subsidiary or all or substantially all of the property and assets of such Person are acquired by any Topco Guarantor or any Restricted Subsidiary;

(3) the net income (but not loss) of any Restricted Subsidiary which is not a Subsidiary Guarantor (or the Issuer) to the extent that the declaration or payment of dividends or similar distributions by such Restricted Subsidiary of such net income is not at the time permitted by the operation of the terms of its charter, articles of association or other similar constitutive documents or any agreement, instrument, judgment, decree, order, statute, rule or governmental regulation applicable to such Restricted Subsidiary;

(4) the cumulative effect of a change in accounting principles;

(5) any net after tax gains or losses realized on the sale or other disposition of (A) any property or assets of any Topco Guarantor or any Restricted Subsidiary which is not sold in the ordinary course of business or (B) any Capital Stock of any Person (including any gains or losses by a Topco Guarantor realized on sales of Capital Stock of any Topco Guarantor or any Restricted Subsidiary);

(6) any translation gains or losses due solely to fluctuations in currency values and related tax effects;

(7) any income or loss from the early extinguishment of Indebtedness or early termination of Hedging Obligations or other derivative instruments or any gains or losses from the effect of mark-to-market adjustments relating to Hedging Obligations until realized in cash; and

(8) any net after-tax extraordinary or non-recurring gains or losses.

"*Combined Net Leverage Ratio*" means, on any Transaction Date, the ratio of (1) the aggregate amount of Indebtedness of the Group on a combined basis outstanding on such Transaction Date, less cash and Temporary Cash Investments of the Group on a combined basis on such Transaction Date, to (2) the aggregate Combined EBITDAR for the Four Quarter Period with respect to such Transaction Date, in each case with such *pro forma* adjustments as are appropriate and consistent with the pro forma adjustments set forth in the definition of "Combined Fixed Charge Coverage Ratio" including, without limitation, giving *pro forma* effect to any Indebtedness Incurred, repaid or redeemed on such date and the receipt and application of any proceeds therefrom.

"*Combined Net Worth*" means, at any date of determination, the amount that would be included as stockholders' equity on a combined balance sheet prepared in accordance with GAAP as of the end of the most recent fiscal quarter of the Group, plus, to the extent not included, any Preferred Stock of the Topco Guarantors, less any amounts attributable to Disqualified Stock or any equity security convertible into or exchangeable for Indebtedness, the cost of treasury stock and the principal amount of any promissory notes receivable from the sale of the Capital Stock of any Topco Guarantor or any Restricted Subsidiary, each item to be determined in conformity with GAAP.

"*Commodity Agreement*" means any forward or futures contract, commodity swap agreement, commodity option agreement or other similar agreement or arrangement designed to protect against fluctuations in commodity prices and not for speculation.

"*Common Stock*" means, with respect to any Person, any and all shares, interests or other participations in, and other equivalents (however designated and whether voting or non-voting) of such Person's common stock or ordinary shares, whether or not outstanding on the Original Issue Date, and include, without limitation, all series

and classes of such common stock or ordinary shares.

"*Comparable Treasury Issue*" means the U.S. Treasury security having a maturity comparable to the remaining term of the Notes to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of the Notes from the redemption date to July 16, 2028.

"*Comparable Treasury Price*" means, with respect to any redemption date, if clause (ii) of the Adjusted Treasury Rate is applicable, the average of three, or such lesser number as is obtained by the Issuer, Reference Treasury Dealer Quotations for such redemption date.

"*Consolidated Assets*" means, with respect to any Restricted Subsidiary at any date of determination, the total consolidated assets of such Restricted Subsidiary and its Restricted Subsidiaries measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of each Topco Guarantor (which each Topco Guarantor shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee.

"*Currency*" means miles, points and/or other units that are a medium of exchange constituting a convertible, virtual and private currency that is tradable property and that can be sold or issued to Persons.

"*Currency Agreement*" means any foreign exchange forward contract, currency swap agreement, currency hedge agreement, currency option agreement or other similar agreement or arrangement designed to protect against fluctuations in foreign exchange rates and not for speculation.

"*Default*" means any event that is, or after notice or passage of time or both would be, an Event of Default.

"*Disqualified Stock*" means any class or series of Capital Stock of any Person that by its terms or otherwise is (1) required to be redeemed on or prior to the date that is 183 days after the Stated Maturity of the Notes, (2) redeemable at the option of the holder of such class or series of Capital Stock on or prior to the date that is 183 days after the Stated Maturity of the Notes or (3) convertible into or exchangeable for Capital Stock referred to in clause (1) or (2) above or Indebtedness having a scheduled maturity on or prior to the date that is 183 days after the Stated Maturity of the Notes; *provided* that any Capital Stock that would not constitute Disqualified Stock but for provisions thereof giving holders thereof the right to require such Person to repurchase or redeem such Capital Stock upon the occurrence of an "asset sale" or "change of control" occurring prior to the Stated Maturity of the Notes will not constitute Disqualified Stock if the "asset sale" or "change of control" provisions applicable to such Capital Stock are no more favorable to the holders of such Capital Stock than the provisions contained in "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes upon a Change of Control Triggering Event" covenants and such Capital Stock specifically provides that such Person will not repurchase or redeem any such stock pursuant to such provision prior to the Issuer's repurchase of the Notes as are required to be repurchased pursuant to the "— Certain Covenants — Limitation on Asset Sales" and "— Repurchase of Notes Upon a Change of Control Triggering Event" covenants.

"*Dollar Equivalent*" means, with respect to any monetary amount in a currency other than U.S. dollars, at any time for the determination thereof, the amount of U.S. dollars obtained by converting such foreign currency involved in such computation into U.S. dollars at the base rate for the purchase of U.S. dollars with the applicable foreign currency as quoted by Bangko Sentral ng Pilipinas or its successor on the date of determination.

"*DOT*" means the U.S. Department of Transportation and any successor thereto.

"*DTC*" means The Depository Trust Company and its successors.

"*Engine*" means an engine used, or intended to be used, to propel an Aircraft, including a part, appurtenance, and accessory of such Engine and any records relating to such Engine, except a Propeller.

"*Equity Interests*" means Capital Stock and all warrants, options or other rights to acquire Capital Stock (but excluding any debt security that is convertible into, or exchangeable for, Capital Stock).

"*Equity Offering*" means any underwritten public offering or private placement of Common Stock (or options, warrants or rights related to Common Stock) of PAL after the Original Issue Date to any Person other than to a Wholly Owned Restricted Subsidiary or any Permitted Holder; *provided* that the aggregate gross cash proceeds

received by PAL from such transaction will be no less than US$20 million (or the Dollar Equivalent thereof)

"*Euroclear*" means Euroclear Bank SA/NV, as operator of the Euroclear System, or any successor thereof.

"*Exchange Act*" means the United States Securities Exchange Act of 1934, as amended.

"*Excluded Subsidiary*" means (i) any Restricted Subsidiary of a Topco Guarantor that is prohibited from becoming a Guarantor under applicable law and (ii) any Restricted Subsidiary with Consolidated Assets of less than 5.0% of Total Assets, *provided* that at any time while any Notes are outstanding, the Consolidated Assets of all Restricted Subsidiaries which are "Excluded Subsidiaries" pursuant to this clause (ii) do not in the aggregate exceed 15.0% of Total Assets (the "Non-Guarantor Threshold"). For the avoidance of doubt, a Topco Guarantor may at any time elect to cause one or more Excluded Subsidiaries to execute and deliver to the Trustee a supplemental indenture to the Indenture, pursuant to which such Excluded Subsidiaries will guarantee the payment of the Notes and become a Subsidiary Guarantor. For the avoidance of doubt, (a) Excluded Subsidiaries in clause (i) of the first sentence of this definition and (b) any entity that hold Aircrafts in connection with any Aircraft Financing and do not guarantee any other Indebtedness of the Group shall not be included in the calculation of the Non-Guarantor Threshold.

"*FAA*" means the Federal Aviation Administration of the United States of America and any successor thereto.

"*Fair Market Value*" means the price that would be paid in an arm's-length transaction between an informed and willing seller under no compulsion to sell and an informed and willing buyer under no compulsion to buy, as determined in good faith by the Board of Directors, whose determination will be conclusive if evidenced by a Board Resolution.

"*Finance Subsidiary*" means a Wholly Owned Restricted Subsidiary of a Topco Guarantor or another Finance Subsidiary (other than the Issuer) (i) the operations of which are primarily comprised of Incurring Indebtedness to Persons other than any Topco Guarantor or any of its Subsidiaries from time to time to finance the operations of any Topco Guarantor and/or its Restricted Subsidiaries and other activities incidental, related to or ancillary to such operations; and (ii) which conducts no business and owns no material assets other than (w) any Equity Interests in another Finance Subsidiary, (x) intercompany loans or other securities representing the proceeds of Indebtedness described in clause (i), (y) any such debt obligations upon a repurchase, redemption or other acquisition thereof and prior to cancelation thereof, and (z) cash or Temporary Cash Investments.

"*Fitch*" means Fitch Ratings Ltd. and its affiliates.

"*Four Quarter Period*" means, as of any Transaction Date, the then most recent four fiscal quarters prior to such Transaction Date for which consolidated financial statements of each Topco Guarantor (which each Topco Guarantor will use its reasonable best efforts to compile in a timely manner and which may be internal financial statements) are available and have been provided to the Trustee.

"*GAAP*" means Philippines Financial Reporting Standards as in effect from time to time. All ratios and computations contained or referred to in the Indenture will be computed in conformity with GAAP applied on a consistent basis.

"*Gates*" means, at any time, all of the right, title, privilege, interest and authority, now held or hereafter acquired, of any member of the Group in connection with the right to use or occupy holdroom and passenger boarding and deplaning space in an airport terminal at any airport at which any member of the Group conducts scheduled operations.

"*Governmental Authority*" means the government of the Republic of Philippines, the United Kingdom, the United States of America and any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank organization, or other entity exercising executive, legislative, judicial, taxing or regulatory powers or functions of or pertaining to government. Governmental Authority shall not include any Person in its capacity as an Airport Authority.

"*Ground Property Lease Obligations"* means right-of-use assets and lease liabilities pursuant to long-term ground property lease agreements entered into by any Topco Guarantor or any of its Restricted Subsidiaries with any airport authority in the Philippines, including the Manila International Airport Authority and/or New NAIA Infra Corp., with respect to aircraft parking and maintenance, cargo, hangar, administrative, training and similar

facilities on land situated on or nearby any airport in the Philippines, including Ninoy Aquino International Airport in Manila.

"*Group"* means the Topco Guarantors and their respective Restricted Subsidiaries as a group.

"*Group Intangible Assets*" means the Group's Brand Intellectual Property, Loyalty Program Assets and Network Assets (SGRs)".

"*guarantee*" means any obligation, contingent or otherwise, of any Person directly or indirectly guaranteeing any Indebtedness or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (1) to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation of such other Person (whether arising by virtue of partnership arrangements, or by agreements to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement conditions or otherwise) or (2) entered into for purposes of assuring in any other manner the obligee of such Indebtedness or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); *provided* that the term "guarantee" will not include endorsements for collection or deposit in the ordinary course of business. The term "guarantee" used as a verb has a corresponding meaning.

"*Guarantees*" means the Topco Guarantees and the Subsidiary Guarantees.

"*Hedging Obligation*" of any Person means the obligations of such Person pursuant to any Commodity Agreement, Currency Agreement or Interest Rate Agreement.

"*Holder*" means the Person in whose name a Note is registered in the Note register.

"*Incur*" means, with respect to any Indebtedness or Capital Stock, to incur, create, issue, assume, guarantee or otherwise become liable for or with respect to, or become responsible for, the payment of, contingently or otherwise, such Indebtedness or Capital Stock; *provided* that (1) any Indebtedness and Capital Stock of a Person existing at the time such Person becomes a Restricted Subsidiary will be deemed to be Incurred by such Restricted Subsidiary at the time it becomes a Restricted Subsidiary and (2) the accretion of original issue discount the accrual of interest, the accrual of dividends, the payment of interest in the form of additional Indebtedness and the payment of dividends on Preferred Stock in the form of additional shares of Preferred Stock (to the extent provided for when the Indebtedness or Preferred Stock on which such interest or dividend is paid was originally issued) will not be considered an Incurrence of Indebtedness. The terms "Incurrence," "Incurred" and "Incurring" have meanings correlative with the foregoing.

"*Indebtedness*" means, with respect to any Person at any date of determination (without duplication):

(1) all indebtedness of such Person for borrowed money;

(2) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;

(3) all obligations of such Person in respect of letters of credit, bankers' acceptances or other similar instruments;

(4) all obligations of such Person to pay the deferred and unpaid purchase price of property or services, except Trade Payables;

(5) all Capitalized Lease Obligations and Attributable Indebtedness;

(6) all Indebtedness of other Persons secured by a Lien on any asset of such Person, whether or not such Indebtedness is assumed by such Person; *provided* that the amount of such Indebtedness will be the lesser of (A) the Fair Market Value of such asset at such date of determination and (B) the amount of such Indebtedness;

(7) all Indebtedness of other Persons guaranteed by such Person to the extent such Indebtedness is guaranteed by such Person;

(8) to the extent not otherwise included in this definition, Hedging Obligations;

(9) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary liquidation preference and its maximum fixed repurchase or redemption price plus accrued dividends; and

(10) all obligations of such Person under conditional sale or other title retention agreements relating to assets purchased by such Person,

if and to the extent any of the items in clauses (1), (2), (3), (4), (5) and (8) above (other than letters of credit and Hedging Obligations) would appear as a liability upon a balance sheet of the specified Person prepared in accordance with GAAP.

The amount of Indebtedness of any Person at any time will be the outstanding balance at such time of all unconditional obligations as described above and, with respect to contingent obligations, the maximum liability upon the occurrence of the contingency giving rise to the obligation; *provided*:

(A) that the amount outstanding at any time of any Indebtedness issued with original issue discount is the face amount of such Indebtedness less the remaining unamortized portion of the original issue discount of such Indebtedness at such time as determined in conformity with GAAP;

(B) that money borrowed and set aside at the time of the Incurrence of any Indebtedness in order to prefund the payment of the interest on such Indebtedness will not be deemed to be "Indebtedness" so long as such money is held to secure the payment of such interest; and

(C) the amount of Indebtedness with respect to any Hedging Obligation shall be equal to the net amount payable if the Commodity Agreement, Currency Agreement or Interest Rate Agreement giving rise to such Hedging Obligation terminated at that time due to default by such Person.

Notwithstanding the foregoing, "Indebtedness" shall not include any Ground Property Lease Obligations.

"*Interest Rate Agreement*" means any interest rate protection agreement, interest rate future agreement, interest rate option agreement, interest rate swap agreement, interest rate cap agreement, interest rate collar agreement, interest rate hedge agreement, option or future contract or other similar agreement or arrangement designed to protect against fluctuations in interest rates.

"*Investment*" means:

(i) any direct or indirect advance, loan or other extension of credit to another Person;

(ii) any capital contribution to another Person (by means of any transfer of cash or other property to others or any payment for property or services for the account or use of others);

(iii) any purchase or acquisition of Capital Stock (or options, warrants or other rights to acquire such Capital Stock), Indebtedness, bonds, notes, debentures or other similar instruments or securities issued by another Person;

(iv) any guarantee of any obligation of another Person to the extent such obligation is outstanding and to the extent guaranteed by such Person; or

(v) all other items that would be classified as investments (including purchases of assets outside the ordinary course of business) on a balance sheet of such Person prepared in accordance with GAAP.

For the purposes of the provisions of the "— Certain Covenants — Designation of Restricted and Unrestricted Subsidiaries" and "— Certain Covenants — Limitation on Restricted Payments" covenants: (i) a Topco Guarantor will be deemed to have made an Investment in an Unrestricted Subsidiary in an amount equal to the Fair Market Value of such Topco Guarantor's proportionate interest in the assets (net of such Topco Guarantor's proportionate interest in the liabilities owed to any Person other than such Topco Guarantor or a Restricted Subsidiary and that

are not guaranteed by such Topco Guarantor or a Restricted Subsidiary) of a Restricted Subsidiary that is designated an Unrestricted Subsidiary at the time of such designation, and (ii) any property transferred to or from any Person will be valued at its Fair Market Value at the time of such transfer, as determined in good faith by the Board of Directors.

"*Investment Company Act*" means the U.S. Investment Company Act of 1940, as amended.

"*Investment Grade*" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by Fitch or any of its successors or assigns, a rating of "Aaa," or "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns, or a rating of "AAA," "AA," "A," "BBB," as modified by a "+" or "-" indication, or a rating of "AAA," "AA," "A," or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns.

"*Lien*" means any mortgage, pledge, fiduciary security, security interest, encumbrance, lien or charge of any kind (including, without limitation, any conditional sale or other title retention agreement or lease in the nature thereof or any agreement to create any mortgage, pledge, security interest, lien, charge, easement or encumbrance of any kind).

"Loyalty Program" shall mean any customer loyalty program, including with respect to the Group, the Mabuhay Miles program existing as of the Original Issue Date, available to individuals (i.e., natural persons) that grants members in such program Currency based on a member's purchasing and/or travel behavior and that entitles a member to accrue and redeem such Currency for a benefit or reward, including flights and/or other goods and services.

"*Loyalty Program Assets*" means the assets of Mabuhay Miles Inc., and its Restricted Subsidiaries ("Mabuhay Miles Entities"), including without limitation, the equity interests in the Mabuhay Miles Entities and the Mabuhay Miles program assets consisting of intellectual property, data, agreements, receivables owing to the Mabuhay Miles Entities arising out of the Mabuhay Miles program (including intercompany receivables) and the assets of any Loyalty Program held by the Group consisting of intellectual property, data, agreements and receivables.

"*Material Adverse Effect*" means a material adverse effect on (1) the business or results of operations of the Topco Guarantors and their respective Restricted Subsidiaries, taken as a whole, or (2) the validity or enforceability of the Notes, the Guarantees, the Indenture or the Security Documents or the material rights or remedies of the Trustee, the Collateral Agent and the Holders of the Notes, or (3) the ability of the Issuer, the Topco Guarantors or any Subsidiary Guarantor to perform their obligations under the Notes, the relevant Guarantee or the Indenture.

"*Moody's*" means Moody's Investors Service, Inc. and its affiliates.

"*Net Cash Proceeds*" means:

(a) with respect to any Asset Sale, the proceeds of such Asset Sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of:

(1) brokerage commissions and other fees and expenses (including fees and expenses of counsel and investment banks) related to such Asset Sale;

(2) provisions for all taxes (whether or not such taxes will actually be paid or are payable) as a result of such Asset Sale without regard to the consolidated results of operations of the each Topco Guarantor and its Restricted Subsidiaries, taken as a whole;

(3) payments made to repay Indebtedness or any other obligation outstanding at the time of such Asset Sale that either (x) is secured by a Lien on the property or assets sold or (y) is required to be paid as a result of such sale; and

(4) appropriate amounts to be provided by any Topco Guarantor or any Restricted

Subsidiary as a reserve against any liabilities associated with such Asset Sale, including, without limitation, pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale, all as determined in conformity with GAAP, and amounts placed in escrow prior to termination of such escrow; and

(b) with respect to any issuance or sale of Capital Stock, the proceeds of such issuance or sale in the form of cash or Temporary Cash Investments, including payments in respect of deferred payment obligations (to the extent corresponding to the principal, but not interest, component thereof) when received in the form of cash or Temporary Cash Investments and proceeds from the conversion of other property received when converted to cash or Temporary Cash Investments, net of attorneys' fees, accountants' fees, underwriters' or placement agents' fees, discounts or commissions and brokerage, consultant and other fees incurred in connection with such issuance or sale and net of taxes paid or payable as a result thereof.

"*Network Assets (SGRs)*" means, at any time, the Slots, Gates and Routes of the Group or any Guarantor at such time.

"*Non-U.S. Aviation Authority*" means any non-U.S. governmental, quasi-governmental, regulatory or other agency, public corporation or private entity that exercises jurisdiction over the issuance or authorization (a) to serve any non-U.S. point on any flights that the Group is serving at any time and/or to conduct operations related to Routes or Gates related to such operations and/or (b) to hold and operate any non-U.S. Route or Slots at any time.

"*Offer to Purchase*" means an offer to purchase the Notes by the Issuer or a Topco Guarantor from the Holders commenced by the Issuer or such Topco Guarantor mailing a notice by first class mail, postage prepaid, to the Trustee and each Holder at its last address appearing in the Note register stating:

(1) the provision of the Indenture pursuant to which the offer is being made and that all Notes validly tendered will be accepted for payment on a *pro rata* basis, subject to the provisos in clause (7) and the penultimate paragraph of this definition;

(2) the purchase price and the date of purchase (which will be a Business Day no earlier than 30 days nor later than 60 days from the date such notice is mailed) (the "Offer to Purchase Payment Date");

(3) that any Note not tendered will continue to accrue interest pursuant to its terms;

(4) that, unless the Issuer or a Topco Guarantor defaults in the payment of the purchase price, any Note accepted for payment pursuant to the Offer to Purchase will cease to accrue interest on and after the Offer to Purchase Payment Date;

(5) that Holders electing to have a Note purchased pursuant to the Offer to Purchase will be required to surrender the Note, together with the form entitled "Option of the Holder to Elect Purchase" on the reverse side of the Note completed, to the tender agent at the address specified in the notice prior to the close of business on the Business Day immediately preceding the Offer to Purchase Payment Date;

(6) that Holders will be entitled to withdraw their election if the tender agent receives, not later than the close of business on the third Business Day immediately preceding the Offer to Purchase Payment Date, an electronic transmission or letter setting forth the name of such Holder, the principal amount of Notes delivered for purchase and a statement that such Holder is withdrawing his election to have such Notes purchased; and

(7) that Holders whose Notes are being purchased only in part will be issued new Notes equal in principal amount to the unpurchased portion of the Notes surrendered; *provided* that each Note purchased and each new Note issued will be in a principal amount of US$200,000 or integral multiples of US$1,000.

One Business Day prior to the Offer to Purchase Payment Date, the Issuer or such Topco Guarantor will deposit

with the tender agent money sufficient to pay the purchase price of all Notes or portions thereof to be accepted by the Issuer or such Topco Guarantor for payment on the Offer to Purchase Payment Date. On the Offer to Purchase Payment Date, the Issuer or such Topco Guarantor will (a) accept for payment on a *pro rata* basis (subject to the proviso in the next sentence) Notes or portions thereof tendered pursuant to an Offer to Purchase; and (b) deliver, or cause to be delivered, to the Trustee all Notes or portions thereof so accepted together with an Officers' Certificate specifying the Notes or portions thereof accepted for payment by the Issuer or such Topco Guarantor. The tender agent will as soon as reasonably practicable mail to the Holders of Notes so accepted payment in an amount equal to the purchase price, and the Trustee will as soon as reasonably practicable authenticate and mail to such Holders a new Note equal in principal amount to any unpurchased portion of the Note surrendered; *provided* that each Note purchased and each new Note issued will be in a principal amount of US$200,000 or integral multiples of US$1,000.

The materials used in connection with an Offer to Purchase are required to contain or incorporate by reference information concerning the business of the Topco Guarantors and their respective Subsidiaries which the Issuer or such Topco Guarantor in good faith believes will assist such Holders to make an informed decision with respect to the Offer to Purchase, including a brief description of the events requiring the Issuer or such Topco Guarantor to make the Offer to Purchase, and any other information required by applicable law to be included therein. The offer is required to contain all instructions and materials necessary to enable such Holders to tender Notes pursuant to the Offer to Purchase. To the extent that the provisions of any securities laws or regulations conflict with the requirements of the Indenture governing the relevant Offer to Purchase, such Topco Guarantor and the Issuer will comply with the applicable securities laws and regulations and shall not be deemed to have breached their obligations under the Notes, the Indenture and the Guarantees by virtue of their compliance with such securities laws or regulations.

"*Officer*" means the managing director of the Issuer, in the case of the Issuer, or one of the executive officers of a Topco Guarantor, in the case of a Topco Guarantor or, in the case of a Subsidiary Guarantor, one of the directors or executive officers of such Subsidiary Guarantor.

"*Officers' Certificate*" means a certificate signed by two Officers, one of whom is, in the case of the Issuer, a managing director.

"*Opinion of Counsel*" means a written opinion from legal counsel who is acceptable to the Trustee and that meets the requirements of the Indenture.

"*Original Issue Date*" means the date on which the Notes are originally issued under the Indenture.

"*Topco Guarantee*" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by a Topco Guarantor.

"*Permitted Business*" means any business conducted or proposed to be conducted (as described in this Offering Circular) by each of the Topco Guarantors and its respective Restricted Subsidiaries on the Original Issue Date and any other business reasonably related, ancillary or complementary to any such business.

"*Permitted Holders*" means any or all of the following:

(1) Dr. Lucio Tan and Mrs. Carmen Tan;

(2) any children, grandchildren or further descendants of any of the persons named in clause (1) above;

(3) any trust established for the benefit of any of the persons named in clause (1) or (2); and

(4) any Person the Voting Stock of which are majority owned by one or more of the Persons named in clauses (1), (2) or (3) above.

"*Permitted Investment*" means:

(1) any Investment in a Topco Guarantor, the Issuer or a Restricted Subsidiary that is primarily engaged in a Permitted Business or a Person which will, upon the making of such Investment, become a Restricted Subsidiary that is primarily engaged in a Permitted Business (including

any acquisition of Capital Stock of a Topco Guarantor or any of its Restricted Subsidiary from any of their respective shareholders, to the extent such acquisition results in such Topco Guarantor or Restricted Subsidiary becoming directly or indirectly a Restricted Subsidiary of the other Topco Guarantor) or be merged or consolidated with or into or transfer or convey all or substantially all its assets to a Topco Guarantor or a Restricted Subsidiary that is primarily engaged in a Permitted Business;

(2) cash or Temporary Cash Investments;

(3) stock, obligations or securities received in satisfaction of judgments;

(4) an Investment in an Unrestricted Subsidiary consisting solely of an Investment in another Unrestricted Subsidiary;

(5) any Investment pursuant to a Hedging Obligation designed solely to protect any Topco Guarantor or any Restricted Subsidiary against fluctuations in interest rates, foreign currency exchange rates or commodity prices and not for speculation;

(6) receivables owing to any Topco Guarantor or any Restricted Subsidiary, if created or acquired in the ordinary course of business and payable or dischargeable in accordance with customary trade terms;

(7) any securities or other Investments received as consideration in, or retained in connection with, sales or other dispositions of property or assets, including Asset Sales made in compliance with the covenant described under the caption "— Certain Covenants — Limitation on Asset Sales";

(8) pledges or deposits (x) with respect to leases or utilities provided to third parties in the ordinary course of business, (y) provided to third parties with respect to purchases, construction, development, installation, improvement or replacement of machinery, equipment (including spare parts), land, properties or other assets used in the Permitted Business, or (z) otherwise described in the definition of "Permitted Liens" or made in connection with Liens permitted under the covenant described under the caption "— Certain Covenants— Limitation on Liens";

(9) advances to contractors and suppliers for the acquisition of assets or consumables or services in the ordinary course of a Permitted Business that are recorded as deposits or prepaid expenses on a Topco Guarantor's consolidated balance sheet;

(10) deposits made in order to comply with statutory or regulatory obligations to maintain deposits for workers, compensation claims and other purposes specified by statute or regulation from time to time in the ordinary course of a Permitted Business;

(11) deposits made in order to secure the performance of a Topco Guarantor or any Restricted Subsidiary in connection with the direct or indirect acquisition of land, properties or other assets by any Topco Guarantor or any Restricted Subsidiary, in each case, in the ordinary course of a Permitted Business;

(12) Investments in securities of trade creditors, trade debtors or customers received in compromise or settlement of debts or pursuant to any plan of reorganization or similar arrangement upon the bankruptcy or insolvency of such trade creditor, trade debtor or customer;

(13) guarantees of Indebtedness made in compliance with the covenant described under "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(14) repurchases of the Notes;

(15) advance or prepaid sales of inventory in the ordinary course of business;

(16) Investments constituting or related to Aircraft Financings;

(17) advances of expenses to counterparties under joint operating agreements or similar agreements

in the ordinary course of business; and

(18) the acquisition by a Receivables Subsidiary in connection with a Qualified Receivables Transaction of Equity Interests of a trust or other Person established by such Receivables Subsidiary to effect such Qualified Receivables Transaction; and any other Investment by any Topco Guarantor or any Restricted Subsidiary in a Receivables Subsidiary or any Investment by a Receivables Subsidiary in any other Person in connection with a Qualified Receivables Transaction.

"*Permitted Liens*" means:

(1) Liens for taxes, assessments, governmental charges or claims that are being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as will be required in conformity with GAAP will have been made;

(2) statutory and common law Liens of landlords and carriers, warehousemen, mechanics, suppliers, repairmen or other similar Liens arising in the ordinary course of business and with respect to amounts not yet delinquent or being contested in good faith by appropriate legal or administrative proceedings promptly instituted and diligently conducted and for which a reserve or other appropriate provision, if any, as required in conformity with GAAP will have been made;

(3) Liens incurred or deposits made to secure the performance of tenders, bids, leases, statutory or regulatory obligations, bankers' acceptances, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of a similar nature incurred in the ordinary course of business (exclusive of obligations for the payment of borrowed money);

(4) leases or subleases granted to others that do not materially interfere with the ordinary course of business of any Topco Guarantor or its Restricted Subsidiaries, taken as a whole;

(5) any interest or title of a lessor in the property subject to any operating lease;

(6) Liens on property of, or on shares of Capital Stock or Indebtedness of, any Person existing at the time such Person becomes, or becomes a part of, any Restricted Subsidiary; *provided* that such Liens do not extend to or cover any property or assets of any Topco Guarantor or any Restricted Subsidiary other than the property or assets acquired (plus improvements and appurtenances thereto); *provided further* that such Liens were not created in contemplation of or in connection with the transactions or series of transactions pursuant to which such Person became a Restricted Subsidiary;

(7) Liens in favor of any Topco Guarantor, the Issuer or any Subsidiary Guarantor;

(8) Liens arising from attachment or the rendering of a final judgment or order against any Topco Guarantor or any Restricted Subsidiary that does not give rise to an Event of Default;

(9) Liens existing on the Original Issue Date;

(10) Liens securing Indebtedness which is Incurred to Refinance secured Indebtedness which is permitted to be Incurred under clause (b)(4) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock"; *provided* that such Liens do not extend to or cover any property or assets of any Topco Guarantor or any Restricted Subsidiary other than the property or assets securing the Indebtedness being Refinanced (plus improvements and appurtenances thereto);

(11) easements, rights-of-way, municipal and zoning ordinances or other restrictions as to the use of properties in favor of governmental agencies or utility companies that do not materially adversely affect the value of such properties or materially impair the use for the purposes of which such properties are held by any Topco Guarantor or any Restricted Subsidiary;

(12) Liens encumbering customary initial deposits and margin deposits, and other Liens that are within the general parameters customary in the industry and incurred in the ordinary course of business, in each case, securing Indebtedness under Hedging Obligations permitted by clause (b)(5) of the covenant described under the caption "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(13) Liens on deposits made in order to comply with statutory obligations to maintain deposits for workers' compensation claims and other purposes specified by statute made in the ordinary course of business and not securing Indebtedness of any Topco Guarantor or any Restricted Subsidiary;

(14) Liens on deposits made in order to secure the performance of any Topco Guarantor or any Restricted Subsidiary in connection with the acquisition of properties or other assets by any Topco Guarantor or any Restricted Subsidiary in the ordinary course of business and not securing Indebtedness of any Topco Guarantor or any Restricted Subsidiary;

(15) Liens securing Notes (including Additional Notes) or any Guarantee;

(16) Liens securing reimbursement obligations with respect to letters of credit that encumber documents and other property relating to such letters of credit and the products and proceeds thereof;

(17) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods;

(18) Liens on (i) Capital Stock of a Finance Subsidiary (other than the Issuer) and any intercompany loans or advances from such Finance Subsidiary to any Topco Guarantor or any Restricted Subsidiary and any intercompany loans or advances of such proceeds on-lent from such Restricted Subsidiary to a Topco Guarantor or another Restricted Subsidiary or from a Topco Guarantor to a Restricted Subsidiary, (ii) Capital Stock of a Wholly Owned Subsidiary of a Finance Subsidiary and on any intercompany loans or advances made by such Wholly Owned Subsidiary to any Topco Guarantor or any Restricted Subsidiary representing the proceeds of Indebtedness Incurred by such Finance Subsidiary; and (iii) any interest reserve, debt service reserve or similar account used to service interest payments or debt obligations with respect to such Indebtedness or any escrow account holding all or any part of the proceeds of such Indebtedness (and investment returns thereon), in each case securing Indebtedness of such Finance Subsidiary (and guarantees by the Topco Guarantors or Subsidiary Guarantors of such Indebtedness) permitted to be Incurred under the covenant described under the caption entitled "— Certain Covenants — Limitation on Indebtedness and Preferred Stock";

(19) Liens on advances, security deposits and pre-payments made by customers in connection with the purchase of inventory or real or personal property in the ordinary course of business;

(20) (x) Liens on property or assets securing Indebtedness used or to be used to defease or satisfy and discharge the Notes; *provided* that (a) the Incurrence of such Indebtedness was not prohibited by the Indenture and (b) such defeasance or satisfaction and discharge is not prohibited by the Indenture and (y) Liens on cash and Temporary Cash Investments arising in connection with the defeasance, discharge or redemption of Indebtedness;

(21) Liens securing Ground Property Lease Obligations;

(22) to the extent any Topco Guarantor or any of its Restricted Subsidiaries is an obligor in respect of any Aircraft Financing, pledges of, collateral assignments of or other Liens securing such Aircraft Financing on any lease, sublease, interchange, license, contract, arrangement or agreement related to such financed Aircraft, Engine or Spare Parts;

(23) Liens in favor of credit card processors and/or acquiring banks in connection with credit card processing services incurred in the ordinary course of business and consistent with past practices (including holdback arrangements)

(24) Liens on real property and/or real property leasehold improvements securing Indebtedness (other than any USD Bond Indebtedness) of any Topco Guarantor or any of its Restricted Subsidiaries; *provided* that the Incurrence of such Indebtedness was not prohibited by the Indenture;

(25) Liens on receivables and related assets of the type specified in the definition of "Qualified Receivables Transaction," incurred in connection with a Qualified Receivables Transaction permitted under the Indenture; and

(26) salvage or similar rights of insurers;

provided that for purposes of (i) the Collateral, Permitted Liens shall mean Liens described in clauses (1), (2), (8), (13), (15) and (17) above only and (ii) Group Intangible Assets, Permitted Liens shall mean Liens described in clauses (1), (2), (8), (15) and (17) above only.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization or government or any agency or political subdivision thereof.

"*Preferred Stock*" as applied to the Capital Stock of any Person means Capital Stock of any class or classes that by its terms is preferred as to the payment of dividends, or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over any other class of Capital Stock of such Person.

"*Propeller*" means any propeller, including any part, appurtenance, and accessory of a propeller.

"*Qualified Receivables Transaction*" means any transaction or series of transactions entered into by a Topco Guarantor or any of its Restricted Subsidiaries pursuant to which a Topco Guarantor or any of its Restricted Subsidiaries (1) sells, conveys or otherwise transfers to (A) a Receivables Subsidiary or any other Person (in the case of a transfer by a Topco Guarantor or any of its Restricted Subsidiaries) or (B) any other Person (in the case of a transfer by a Receivables Subsidiary) or (2) grants a security interest in any accounts receivable (whether now existing or arising in the future) of a Topco Guarantor or any of its Restricted Subsidiaries, and any assets related thereto, including, without limitation, all Equity Interests and other investments in a Receivables Subsidiary, all collateral securing such accounts receivable or other assets, all contracts and all guarantees or other obligations in respect of such assets, proceeds of such assets, and other assets which are customarily transferred or in respect of which security interests are customarily granted in connection with asset securitization transactions involving accounts receivable, royalties or revenue streams.

"*Rating Agencies*" means (i) Moody's, (ii) Fitch and (iii) if Moody's or Fitch or both will not make a rating of the Notes publicly available, one or more "nationally recognized statistical rating organizations," as the case may be, within the meaning of Section 3(a)(62) under the Exchange Act, selected by PAL, which will be substituted for Moody's or Fitch or both, as the case may be.

"*Rating Category*" means (i) with respect toto Moody's, any of the following categories: "Ba," "B," "Caa," "Ca," "C" and "D" (or equivalent successor categories); (ii) with respect to Fitch, any of the following categories: "BB," "B," "CCC," "CC," "C" and "D" (or equivalent successor categories); and (iii) the equivalent of any such category of Moody's or Fitch used by another Rating Agency. In determining whether the rating of the Notes has decreased by one or more gradations, gradations within Rating Categories ("1," "2" and "3" for Moody's; "+" and "—" for Fitch; or the equivalent gradations for another Rating Agency) will be taken into account (e.g., with respect to Fitch, a decline in a rating from "BB+" to "BB," as well as from "BB-" to "B+," will constitute a decrease of one gradation).

"*Rating Date*" means (i) in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (x) a Change of Control and (y) a public notice of the occurrence of a Change of Control or of the intention by a Topco Guarantor or any other Person or Persons to effect a Change of Control or (ii) in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," that date which is 90 days prior to the earlier of (x) the occurrence of any such actions as set forth therein and (y) a public notice of the occurrence of any such actions.

"*Rating Decline*" means (i) in connection with a Change of Control Triggering Event, the occurrence on, or within six months after, the date, or public notice of the occurrence of, a Change of Control or the intention by a Topco

Guarantor or any other Person or Persons to effect a Change of Control (which period will be extended so long as the rating of the Notes is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below, or (ii)in connection with actions contemplated under the caption "— Consolidation, Merger and Sale of Assets," the notification by any of the Rating Agencies that such proposed actions will result in any of the events listed below:

(a) in the event the Notes are rated by both Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by either Rating Agency shall cease to be Investment Grade;

(b) in the event the Notes are rated by either, but not both, of the Rating Agencies on the Rating Date as Investment Grade, the rating of the Notes by any of such Rating Agency shall cease to be Investment Grade; or

(c) in the event the Notes are rated by one or more Rating Agencies and are rated below Investment Grade by such Rating Agency/Agencies on the Rating Date, the rating of the Notes by any such Rating Agency shall be decreased by one or more gradations (including gradations within Rating Categories as well as between Rating Categories).

"*Receivables Subsidiary*" means a Subsidiary of a Topco Guarantor which engages in no activities other than in connection with the financing of accounts receivable and which is designated by the Board of Directors (as provided below) as a Receivables Subsidiary; provided that (a) no portion of its Indebtedness or any other obligations (contingent or otherwise) (i) is guaranteed by a Topco Guarantor or any of its Restricted Subsidiaries that is not a Receivables Subsidiary (other than comprising a pledge of the Capital Stock or other interests in such Receivables Subsidiary (an "incidental pledge"), and excluding any guarantees of obligations (other than the principal of, and interest on, Indebtedness) pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction), (ii) is recourse to or obligates a Topco Guarantor or any of its Restricted Subsidiaries in any way other than through an incidental pledge or pursuant to representations, warranties, covenants, indemnities or other obligations that are usual and customary for a limited recourse financing in the applicable jurisdiction in connection with a Qualified Receivables Transaction or (iii) subjects any property or asset of a Topco Guarantor or any of its Restricted Subsidiaries that is not a Receivables Subsidiary (other than accounts receivable and related assets as provided in the definition of "Qualified Receivables Transaction"), directly or indirectly, contingently or otherwise, to the satisfaction thereof, other than pursuant to representations, warranties, covenants and indemnities entered into in the ordinary course of business in connection with a Qualified Receivables Transaction, (b) with which neither a Topco Guarantor nor any of its Restricted Subsidiaries that is not a Receivables Subsidiary has any material contract, agreement, arrangement or understanding (other than pursuant to the Qualified Receivables Transaction) other than (i) on terms no less favorable to a Topco Guarantor or such Subsidiary than those that might be obtained at the time from Persons who are not Affiliates of the Topco Guarantors, and (ii) fees payable in the ordinary course of business in connection with servicing accounts receivable and (c) with which neither a Topco Guarantor nor any of its Restricted Subsidiaries has any obligation to maintain or preserve such Subsidiary's financial condition, other than a minimum capitalization in customary amounts, or to cause such Subsidiary to achieve certain levels of operating results. Any such designation by the Board of Directors will be evidenced to the Trustee by delivering to the Trustee a certified copy of the resolution of the Board of Directors giving effect to such designation and an officer's certificate certifying that such designation complied with the foregoing conditions.

"*Reference Period*" means, as of any Transaction Date, the period commencing on and including the first day of the Four Quarter Period with respect to such Transaction Date and ending on and including the Transaction Date.

"*Reference Treasury Dealer*" means each of any three investment banks of recognized standing that is a primary U.S. Government securities dealer in The City of New York, selected by the Issuer in good faith.

"*Reference Treasury Dealer Quotations*" means, with respect to each Reference Treasury Dealer and any redemption date, the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing by such Reference Treasury Dealer at 5:00 p.m. New York City time on the third Business Day preceding such redemption date.

"*Refinance*" means in respect of any Indebtedness, to refinance, refund, replace, exchange, renew, repay, prepay, purchase, defease, discharge or extend or issue other Indebtedness in exchange or replacement for, such Indebtedness. "Refinancing," "Refinances" and "Refinanced" shall have a correlative meaning.

"*Refinancing Indebtedness*" means Indebtedness that Refinances any Indebtedness of any Topco Guarantor or any Restricted Subsidiary existing on the Original Issue Date or Incurred in compliance with the Indenture including any Indebtedness that Refinances Refinancing Indebtedness; *provided*, *however*, that (i) such Refinancing Indebtedness has an aggregate principal amount (or if Incurred with original issue discount, an aggregate issue price) that is equal to or less than the aggregate principal amount (or if Incurred to with original issue discount), the aggregate accreted value) then outstanding (plus premiums, accrued interest, fees (including underwriting discounts), costs (including defeasance costs) and expenses) under the Indebtedness being Refinanced, (ii) Indebtedness the proceeds of which are used to Refinance the Notes or Indebtedness that is *pari passu* with, or subordinated in right of payment to, the Notes or any Guarantee, shall only be permitted if (A) in case the Notes are Refinanced in part or the Indebtedness to be Refinanced is *pari passu* with the Notes or any Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is outstanding, is expressly made *pari passu* with, or subordinate in right of payment to, the remaining Notes or such Guarantee, as the case may be, or (B) in case the Indebtedness to be Refinanced is subordinated in right of payment to the Notes or any Guarantee, such new Indebtedness, by its terms or by the terms of any agreement or instrument pursuant to which such new Indebtedness is issued or remains outstanding, is expressly made subordinate in right of payment to the Notes or such Guarantee, as the case may be, at least to the extent that the Indebtedness to be Refinanced is subordinated to the Notes or such Guarantee, as the case may be, (iii) such new Indebtedness, determined as of the date of Incurrence of such new Indebtedness, does not mature prior to the Stated Maturity of the Indebtedness to be Refinanced, and the Average Life of such new Indebtedness is at least equal to the remaining Average Life of the Indebtedness to be Refinanced and (iv) in no event may Indebtedness of the Issuer or any Guarantor be Refinanced by means of any Indebtedness of any Restricted Subsidiary that is not the Issuer or a Guarantor; and (v) in no event may unsecured Indebtedness of the Issuer or any Guarantor be Refinanced with secured Indebtedness.

"*Restricted Subsidiary*" means any Subsidiary of a Topco Guarantor other than an Unrestricted Subsidiary.

"*Routes*" shall mean the authority of any member of the Group pursuant to Title 49 or other applicable law, to operate scheduled service between a specifically designated pair of terminal points and intermediate points, if any, including applicable frequencies, exemption and certificate authorities, and "Route" shall mean any of such route authorities as the context requires, in each case whether or not such route authority is utilized at such time by any member of the Group and including, without limitation, any other route authority held by any member of the Group pursuant to certificates, orders, notices and approvals issued to any member of the Group from time to time, but in each case solely to the extent relating to such route authority.

"*S&P*" means Standard & Poor's Ratings Services and its affiliates.

"*Sale and Leaseback Transaction*" means any direct or indirect arrangement relating to property (whether real, personal or mixed), now owned or hereafter acquired whereby any Topco Guarantor or any Restricted Subsidiary transfers such property to another Person and any Topco Guarantor or any Restricted Subsidiary leases it from such Person.

"*Secured Indebtedness*" means any Indebtedness of the Issuer or a Guarantor secured by a Lien.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Security Documents*" means, collectively, the pledge or charge agreements and any other agreements or instruments that, including the Indenture, may evidence or create any security interest granted to the Collateral Agent for the benefit of itself, the Trustee and/or any Holders in any or all of the Collateral.

"*Senior Indebtedness*" of any Topco Guarantor or any Restricted Subsidiary, as the case may be, means all Indebtedness of such Topco Guarantor or such Restricted Subsidiary, as relevant, whether outstanding on the Original Issue Date or thereafter created, except for Indebtedness which, in the instrument creating or evidencing the same, is expressly stated to be subordinated in right of payment to the Notes or, in respect of a Topco Guarantor, its Topco Guarantee or, in respect of any Restricted Subsidiary that is a Subsidiary Guarantor, its Subsidiary Guarantee; *provided* that Senior Indebtedness does not include (a) any obligation to a Topco Guarantor or any Restricted Subsidiary, (b) trade payables or (c) Indebtedness Incurred in violation of the Indenture.

"*Significant Subsidiary*" means any Restricted Subsidiary that would be a "significant subsidiary" as defined in Article 1, Rule 1-02 of Regulation S-X, promulgated under the Securities Act, as such regulation is in effect on the Original Issue Date; *provided* that in each instance in such definition in which the term "10 percent" is used,

the term "5 percent" shall be substituted therefor.

"*Slot*" means, at any date of determination, the right and operational authority to conduct one landing or takeoff operation at a specific time or during a specific time period at an airport and including, without limitation, slots, arrival authorizations and operating authorizations, whether pursuant to FAA or DOT regulations or orders pursuant to Title 14, Title 49, other federal statutes or regulations, or other laws, regulations or orders of any applicable Non-U.S. Aviation Authority now or hereinafter in effect, but excluding in all cases any slot that was obtained by a Person from another air carrier pursuant to an agreement and is held by such Person on a temporary basis.

"*Spare Parts*" means all accessories, appurtenances or parts of an Aircraft (except an Engine or Propeller), Engine (except a Propeller), Propeller, or Appliance, in each case, that are to be installed at a later time in an Aircraft, Engine, Propeller or Appliance.

"*Stated Maturity*" means, (1) with respect to any Indebtedness, the date specified in such debt security as the fixed date on which the final installment of principal of such Indebtedness is due and payable as set forth in the documentation governing such Indebtedness and (2) with respect to any scheduled installment of principal of or interest on any Indebtedness, the date specified as the fixed date on which such installment is due and payable as set forth in the documentation governing such Indebtedness.

"*Subordinated Indebtedness*" means any Indebtedness of the Issuer, any Topco Guarantor or any Subsidiary Guarantor which is contractually subordinated or junior in right of payment to the Notes, the Topco Guarantee or any Subsidiary Guarantee, as applicable, pursuant to a written agreement to such effect.

"*Subsidiary*" means, with respect to any Person, any corporation, association or other business entity of which more than 50% of the voting power of the outstanding Voting Stock is owned, directly or indirectly, by such Person and one or more other Subsidiaries of such Person.

"*Subsidiary Guarantee*" means any guarantee of the obligations of the Issuer under the Indenture and the Notes by any Subsidiary Guarantor.

"*Subsidiary Guarantor*" means any initial Subsidiary Guarantor named herein and any other Restricted Subsidiary which guarantees the payment of the Notes pursuant to the Indenture and the Notes; *provided* that Subsidiary Guarantor will not include any Person whose Subsidiary Guarantee has been released in accordance with the Indenture and the Notes.

"*Temporary Cash Investments*" means any of the following:

(1) direct obligations of the United States of America, Singapore or any agency thereof or obligations fully and unconditionally guaranteed by the United States of America, Singapore or any agency thereof, in each case maturing within one year;

(2) demand or time deposit accounts, certificates of deposit and money market deposits maturing within 180 days of the date of acquisition thereof issued by a bank or trust company which is organized under the laws of the United States of America or any state thereof, the United Kingdom, Hong Kong or Singapore, and which bank or trust company has capital, surplus and undivided profits aggregating in excess of US$500 million (or the Dollar Equivalent thereof) and has outstanding debt which is rated "A" (or such similar equivalent rating) or higher by at least one nationally recognized statistical rating organization (as defined in Section 3(a)(62) of the Exchange Act) or any money market fund sponsored by a registered broker dealer or mutual fund distributor;

(3) repurchase obligations with a term of not more than 30 days for underlying securities of the types described in clause (1) above entered into with a bank or trust company meeting the qualifications described in clause (2) above;

(4) commercial paper, maturing within 180 days of the date of acquisition thereof, issued by a corporation (other than an Affiliate of a Topco Guarantor) organized and in existence under the laws of the United States of America, any state thereof or any foreign country recognized by the United States of America with a rating at the time as of which any investment therein is

made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P;

(5) securities maturing within one year of the date of acquisition thereof, issued or fully and unconditionally guaranteed by any state, commonwealth or territory of the United States of America, or by any political subdivision or taxing authority thereof, and rated at least "A" by S&P or Moody's;

(6) any mutual fund that has at least 95% of its assets continuously invested in investments of the types described in clauses (1) through (5) above; and

(7) demand or time deposit accounts, certificates of deposit and money market deposits with (i) Bank of China, Manila branch, BNP Paribas, China Banking Corporation, Citibank, Credit Agricole, DBS Bank, Deutsche Bank, HSBC, Industrial and Commercial Bank of China, JP Morgan Chase, MUFG Bank, Ltd., Philippine National Bank, Royal Bank of Canada, Royal Bank of Canada - New York Branch and UnionBank of the Philippines, (ii) any other bank or trust company organized or licensed to operate under the laws of the Republic of Philippines whose long-term debt rating by Moody's or S&P is rated as high or higher than any of those banks listed in subclause (i) of this clause (7) or (iii) any other bank organized or licensed to operate under the laws of the Republic of Philippines; *provided* that, in the case of clause (iii), such deposits do not exceed US$10.0 million (or the Dollar Equivalent thereof) with any single bank or US$30.0 million (or the Dollar Equivalent thereof) in the aggregate, at any date of determination thereafter.

"*Title 49*" means Title 49 of the U.S. Code, which, among other things, recodified and replaced the U.S. Federal Aviation Act of 1958, and the rules and regulations promulgated pursuant thereto, and any subsequent legislation that amends, supplements or supersedes such provisions.

"*Total Assets*" means, as of any date of determination, the total combined assets of the Topco Guarantors and their respective Restricted Subsidiaries (excluding any assets of any Person that is not a Restricted Subsidiary or that is accounted for by the equity method of accounting) measured in accordance with GAAP as of the last day of the most recent fiscal quarter for which consolidated financial statements of each Topco Guarantor (which each Topco Guarantor shall use its reasonable best efforts to compile in a timely manner) are available and have been provided to the Trustee, the calculation of which shall include such *pro forma* adjustments as are appropriate and consistent with the pro forma adjustments set forth in the definition of "Combined Fixed Charge Coverage Ratio" including, without limitation, giving *pro forma* effect to any Indebtedness Incurred, repaid or redeemed on such date and the receipt and application of any proceeds therefrom.

"*Trade Payables*" means, with respect to any Person, any accounts payable or any other indebtedness or monetary obligation to trade creditors created, assumed or guaranteed by such Person or any of its Subsidiaries arising in the ordinary course of business in connection with the acquisition of goods or services and payable within 90 days.

"*Transaction Date*" means, with respect to (i) the Incurrence of any Indebtedness, the date such Indebtedness is to be Incurred, (ii) any Restricted Payment, the date such Restricted Payment is to be made, and (iii) the incurrence or assumption of any Lien, the date such Lien is to be incurred or assumed.

"*Unrestricted Subsidiary*" means (1) the Initial Unrestricted Subsidiaries; (2) any Subsidiary of a Topco Guarantor that at the time of determination will be designated an Unrestricted Subsidiary by the applicable Board of Directors in the manner provided in the Indenture; and (3) any Subsidiary of an Unrestricted Subsidiary.

"*U.S. Government Obligations*" means securities that are (1) direct obligations of the United States of America for the payment of which its full faith and credit is pledged or (2) obligations of a Person controlled or supervised by and acting as an agency or instrumentality of the United States of America the payment of which is unconditionally guaranteed as a full faith and credit obligation by the United States of America, which, in either case, are not callable or redeemable at the option of the holder thereof at any time prior to the Stated Maturity of the Notes, and will also include a depository receipt issued by a bank or trust company as custodian with respect to any such U.S. Government Obligation or a specific payment of interest on or principal of any such U.S. Government Obligation held by such custodian for the account of the holder of a depository receipt; *provided* that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depository receipt from any amount received by the custodian in respect of the U.S. Government

Obligation or the specific payment of interest on or principal of the U.S. Government Obligation evidenced by such depository receipt.

"*USD Bond Indebtedness*" means any Indebtedness, including the Notes, which is in the form of, or represented or evidenced by, bonds, notes, debentures or other investment securities, which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and are denominated, payable or optionally payable in U.S. dollars.

"*Voting Stock*" means, with respect to any Person, Capital Stock of any class or kind ordinarily having the power to vote for the election of directors, managers or other voting members of the governing body of such Person.

"*Wholly Owned*" means, with respect to any Subsidiary of any Person, the ownership of all of the outstanding Capital Stock of such Subsidiary (other than any (1) director's qualifying shares or (2) Investments by foreign nationals or shares owned by a second shareholder, in each case as mandated by applicable law) by such Person or one or more Wholly Owned Subsidiaries of such Person.

"*Wholly Owned Restricted Subsidiary*" means a Restricted Subsidiary that is Wholly Owned by a Topco Guarantor.

TAXATION

The information below does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase, own or dispose of the Notes. In particular, the information does not consider any specific facts or circumstances that may apply to a particular purchaser and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities) may be subject to special rules. Neither these statements nor any other statements in this Offering Memorandum are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes, under the tax laws applicable in India, Singapore and each country of which they are residents or countries of purchase, holding or disposition of the Notes. Additionally, in view of the number of jurisdictions where local laws may apply, this Offering Memorandum does not discuss the local tax consequences to a potential holder, purchaser and seller arising from the acquisition, holding or disposition of the Notes. Prospective investors must therefore inform themselves as to any tax, exchange control legislation or other laws and regulations in force relating to the purchase, holding or disposition of Notes at their place of ordinance, and the countries of which they are citizens or countries of purchase, holding or disposition of Notes.

PHILIPPINE TAXATION

The following is a general description of certain Philippine tax aspects of the Notes. It is based on the current provisions of the National Internal Revenue Code of 1997, as amended by, among others, Republic Act No. 10963 (or the Tax Reform for Acceleration and Inclusion or TRAIN Law), Republic Act No. 11534 (or the Corporate Recovery and Tax Incentives for Enterprises Act or the CREATE Act), Republic Act No. 11976 (or the Ease of Paying Taxes Act or the EOPT Act), Republic Act No. 12066 (or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy or CREATE MORE Act), and Republic Act No. 12214 (or the Capital Markets Efficiency Promotion Act or CMEPA) (the "**Philippine Tax Code**"), the regulations promulgated thereunder and judicial and ruling authorities in force as of the date of this Offering Memorandum, all of which are subject to changes occurring after such date, which changes could be made on a retroactive basis.

As used in this section, the term "resident alien" refers to an individual whose residence is within the Philippines and who is not a citizen of the Philippines while the term "non-resident alien" means an individual whose residence is not within the Philippines and who is not a citizen of the Philippines. A non-resident alien who stays in the Philippines for an aggregate period of more than 180 days during any calendar year is considered a "non-resident alien doing business in the Philippines"; otherwise, such non-resident alien who is actually within the Philippines for an aggregate period of 180 days or less during any calendar year is considered a "non-resident alien not engaged in trade or business within the Philippines". A "resident foreign corporation" is a foreign corporation engaged in trade or business in the Philippines and a "non-resident foreign corporation" is a foreign corporation that is not engaged in trade or business within the Philippines. The term "non-Philippine holders" refers to beneficial owners of the Notes who are (1) non-resident aliens not engaged in trade or business within the Philippines or (2) non-resident foreign corporations.

Documentary Stamp Tax

Documentary stamp tax is collectible wherever the document is made, signed, issued, accepted or transferred when the obligation or right arises from Philippine sources, the property is situated in the Philippines, or where the object of the contract is located or used in the Philippines.

Republic Act No. 12214 or the Capital Markets Efficiency Promotion Act or CMEPA took effect on July 1, 2025. The CMEPA rationalized the tax rates across financial instruments, and among others, amended the documentary stamp tax rates. This includes amending the documentary stamp tax imposed upon every original issue of debt instruments, such as bonds and notes, to the rate of 75% of 1% of the issue price of such debt instruments; provided, that for debt instruments with terms of less than one year, the documentary stamp tax to be collected shall be proportionate to the ratio of the debt instrument's term in number of days to 365 days.

No documentary stamp tax is imposed in the Philippines upon the issuance of the Notes as the situs of the documentary stamp tax is outside the Philippines.

In respect of certificates of indebtedness issued in foreign countries, such as the Notes, the Philippine Tax Code imposes a documentary stamp tax at the rate of 75% of 1% of the value of the transaction on the person selling or transferring such certificate of indebtedness issued in any foreign country.

Repayment of the Principal on the Notes

The Issuer's payment of the principal on the Notes will not subject the Noteholder to taxation in the Philippines by reason solely of the holding of the Notes or the receipt of principal.

Interest on the Notes

Interest derived from bonds, notes or other interest-bearing obligations of Philippine residents is considered Philippine-sourced income under the Philippine Tax Code. Since the Issuer is a non-resident foreign corporation, and therefore not a Philippine resident, the interest on the Notes will generally not be considered as Philippine-sourced income.

Under the Philippine Tax Code, non-resident Philippine citizens, alien individuals, and foreign corporations are subject to Philippine income tax on Philippine-sourced income only. Resident citizens and domestic corporations of the Philippines are subject to Philippine tax on their income, whether Philippine-sourced or not. As such, interest income on the Notes paid by the Issuer will form part of a resident Philippine citizen's or a domestic corporation's gross income, which, after being reduced by the applicable deductions, will be subject to the applicable Philippine income tax rates. The taxable income of resident Philippine citizens is subject to graduated tax rates ranging from 0-35%, while the taxable income of domestic corporations is subject to a regular corporate income tax rate of 25%, or 20% for domestic corporations classified as small and medium enterprises i.e., domestic corporations with net taxable income not exceeding ₱5 million and with total assets not exceeding ₱100 million, excluding land on which the particular business entity's office, plant, and equipment are situated during the taxable year for which the tax is imposed), or 20% for registered business enterprises under the enhanced deduction regime implemented by the CREATE MORE Act (if such interest on the Notes constitutes income from their registered activities).

Interest income on the Notes received by domestic corporations also generally forms part of their gross income (i.e., gross sales or gross receipts less cost of goods sold, cost of goods manufactured and sold, or cost of services) for purposes of computing the 2% minimum corporate income tax ("**MCIT**") which may be imposed on a corporation beginning on its fourth taxable year immediately following the year in which such corporation commenced its business operations. A domestic corporation pays the MCIT instead of the regular corporate income tax when the MCIT is greater than the regular corporate income tax.

Sale or Other Disposition of the Notes

A holder of a Note will recognise a gain or loss upon the sale or other disposition (including a redemption at maturity) of the Notes in an amount equal to the difference between the amount realised from such disposition and such holder's basis in the Notes.

The tax treatment of gains from the sale or disposition of the Notes will generally depend on the status of the Noteholder, whether the Notes are held as an ordinary or capital asset, and the place of sale of the Notes.

Any gain, profit or income from sale or disposition of personal property will generally be considered as Philippine-sourced income only if sold within the Philippines. If the Noteholder is a non-resident foreign corporation, and presumably the situs of any transfer involving the Notes will be facilitated in and take place outside the Philippines, any gain, profit or income from any sale or disposition of the Notes outside the Philippines will generally not be considered as Philippine-sourced income insofar as the Philippine-sourced taxpayers (i.e., taxpayers other than resident citizens and domestic corporations) are concerned and thus the receipt by said taxpayers of any gain from sale of the Notes outside the Philippines will not be subject to Philippine tax.

On the other hand, since resident citizens and domestic corporation are subject to Philippine tax on their income whether these are Philippine-sourced income or not, their realization of any gain, profit or income from sale or disposition of the Notes will generally be subject to Philippine tax. A holder of the Notes will recognize a gain or loss upon the sale or other disposition (including a redemption at maturity or otherwise) of the Notes in an amount equal to the difference between the amount realized from such disposition and such holder's basis in the Notes.

If the Notes are considered ordinary assets, gains from the sale or disposition of such Notes within the Philippines that are subject to Philippine income tax will be included in the computation of gross income, which, after being reduced by the applicable deductions, is subject to the following graduated tax rates for Philippine citizens (whether residents or non-residents), or resident foreign individuals or non-resident aliens engaged in trade or business in the Philippines effective 1 January 2023 and onwards:

Not over ₱250,000	0%
Over ₱250,000 but not over ₱400,000	15% of the excess over ₱250,000
Over ₱400,000 but not over ₱800,000	₱22,500 + 20% of the excess over ₱400,000
Over ₱800,000 but not over ₱2,000,000	₱102,500 + 25% of the excess over ₱800,000
Over ₱2,000,000 but not over ₱8,000,000	₱402,500 + 30% of the excess over ₱2,000,000
Over ₱8,000,000	₱2,202,500 + 35% of the excess over ₱8,000,000

For non-resident aliens not engaged in trade or business, the gain from the sale of Notes within the Philippines shall be subject to the 25% final withholding tax.

If the Notes are considered as capital assets of individual Noteholders, gains from the sale or disposition of such Notes shall be subject to the same income tax rates as if the Notes were held as ordinary assets, except that if the gain is realized by an individual who held the Notes for a period of more than twelve (12) months prior to the sale, only 50% of the gain will be recognised and included in the computation of gross income, subject to the applicable deductions. On the other hand, if the Notes were held by an individual for a period of twelve (12) months or less, 100% of the gain will be included in the computation of the taxable income.

Gains derived by domestic or resident foreign corporations on the sale or other disposition of the Notes within the Philippines are included in the computation of gross income which, after being reduced by the applicable deductions, is subject to a 25% regular corporate income tax for domestic corporations (on income sourced within or outside the Philippines) or resident foreign corporations (on income sourced within the Philippines), 20% corporate income tax for domestic corporations with total assets not exceeding ₱100 million and total net taxable income not exceeding ₱5 million, or 2% MCIT if the MCIT is greater than the regular corporate income tax. Gains derived by non-resident foreign corporations on the sale or other disposition of the Notes within the Philippines shall form part of their gross income which is subject to a 25% final withholding tax, unless such foreign corporation is entitled to preferential tax treatment pursuant to a tax treaty subject, which preferential tax treatment must be applied for and is subject to the foreign corporation's submission of such other documentary requirements as may be reasonably required under the applicable regulations of the relevant taxing or other authorities for purposes of claiming tax treaty relief.

Estate and Donor's Tax

As the Notes are issued by a corporation organized outside the Philippines, they generally do not have a Philippine situs. Having no Philippine situs, the transfer of the Notes (1) to the estate or heirs of a deceased non-resident alien holder should not be subject to Philippine estate taxes and (2) by way of donation should not be subject to Philippine donor's taxes.

However, the following obligations of a foreign corporation are deemed to have a Philippine situs and are subject to Philippine estate or donor's gift taxes upon their transfer: (1) obligations of a foreign corporation, 85% of the business of which is located in the Philippines, and (2) obligations issued by a foreign corporation, if such obligation has acquired a business situs in the Philippines. The Notes may acquire a Philippine situs if the foregoing circumstances become applicable to the Issuer or the Notes.

If the Notes are deemed to have a Philippine situs, the transfer of the Notes by a deceased Noteholder to his heirs by way of succession shall be subject to a Philippine estate tax at a fixed rate of 6% of the net estate.

If the Notes are deemed to have a Philippine situs, a Noteholder who transfers the Notes by way of gift or donation shall be subject to Philippine donor's tax at the fixed rate of 6% based on the total gifts or donations in excess of ₱250,000 exempt gifts made during the calendar year, whether the donor is a stranger or not.

The estate or donor's taxes payable in the Philippines may be credited with the amount of any estate or donor's taxes imposed by the authority of a foreign country, subject to limitations on the amount to be credited, and the tax status of the donor. The estate tax and the donor's tax, in respect of the Notes, shall not be collected in respect of intangible property, such as the Notes, (1) if the deceased, at the time of death, or the donor, at the time of the donation, was a citizen and resident of a foreign country which, at the time of his death or donation, did not impose a transfer tax of any character in respect of intangible personal property of citizens of the Philippines not residing

in that foreign country; or (2) if the laws of the foreign country of which the deceased or donor was a citizen and resident, at the time of his death or donation, allows a similar exemption from transfer or death taxes of every character or description in respect of intangible personal property owned by citizens of the Philippines not residing in the foreign country.

Subject to the qualifications discussed above, in case the Notes are transferred for less than adequate and full consideration in money or money's worth, the amount by which the fair market value of the Notes exceeded the value of the consideration may be deemed a gift and donor's taxes may be imposed on the transferor of the Notes. Transfer of the Notes made in the ordinary course of business (a transaction which is *bona fide*, at arm's length, and free from any donative intent) is considered as made for an adequate and full consideration in money or money's worth.

CAYMAN ISLANDS TAXATION

The following is a discussion of certain Cayman Islands income tax consequences of an investment in the Notes. The discussion is a general summary of present law, which is subject to prospective and retroactive change. It is not intended as tax advice, does not consider any investor's particular circumstances, and does not consider tax consequences other than those arising under Cayman Islands law.

Under existing Cayman Islands laws:

- payments of interest and principal on the Notes will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of interest or principal to any holder of the Notes, nor will gains derived from the disposal of the Notes be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance tax or gift tax.

- no stamp duty is payable in respect of the issue or transfer of the Notes although duty may be payable if an instrument of transfer in respect of a Note or the Global Certificate in respect of the Notes are executed in or brought into the Cayman Islands.

Cayman Islands Anti-Money Laundering Legislation

The Issuer is subject to the Anti-Money Laundering Regulations (As Revised) of the Cayman Islands (together with The Guidance Notes on the Prevention and Detection of

Money Laundering, Terrorist Financing and Proliferation Financing in the Cayman Islands (or equivalent legislation and guidance, as applicable), and each as amended and revised from time to time, "**Cayman AML Regulations**"). The Cayman AML Regulations apply to anyone conducting "relevant financial business" in or from the Cayman Islands intending to form a business relationship or carry out a one-off transaction. The Cayman AML Regulations require a financial service provider to maintain certain anti-money laundering procedures including those for the purposes of verifying the identity and source of funds of an "applicant for business"; e.g. an investor, as well as the identity of the beneficial owner/controller of the investor, where applicable. Except in certain circumstances, including where an entity is regulated by a recognised overseas regulatory authority and/or listed on a recognised stock exchange in an approved jurisdiction, the Issuer, or its agents will likely be required to verify each investor's identity and may be required to verify the source of the payment used by such investor in a manner similar to the obligations imposed under the laws of other major financial centers. Application of an identity verification exemption at the time of purchase of the Notes may nevertheless require verification of identity prior to payment of proceeds from the Notes. In addition, if any person in the Cayman Islands knows or suspects, or has reasonable grounds for knowing or suspecting that another person is engaged in criminal conduct or money laundering, or is involved with terrorism or terrorist financing and property, and the information for that knowledge or suspicion came to their attention in the course of business in the regulated sector, or other trade, profession, business or employment, the person will be required to report such knowledge or suspicion to (i) the Financial Reporting Authority of the Cayman Islands ("**FRA**"), pursuant to the Proceeds of Crime Act (As Revised) of the Cayman Islands ("**PCA**"), if the disclosure relates to criminal conduct or money laundering, or (ii) a police officer of the rank of constable or higher, or the FRA, pursuant to the Terrorism Act (As Revised) of the Cayman Islands ("**Terrorism Act**"), if the disclosure relates to involvement with terrorism or terrorist financing and property. If the Issuer were determined by the Cayman Islands authorities to be in violation of the PCA, the Terrorism Act or the Cayman AML Regulations, the Issuer could be subject to substantial criminal penalties and/or administrative fines. The Issuer may be subject to similar restrictions in other jurisdictions. Such

a violation could materially adversely affect the timing and amount of payments by the Issuer to the holders of the Notes.

TAXATION OUTSIDE THE PHILIPPINES AND CAYMAN ISLANDS

The tax treatment of a non-resident holder of any of the Notes by jurisdiction outside the Philippines and the Cayman Islands will vary depending on the tax laws applicable to such holder by reason of domicile or business activities and may vary depending upon such holder's situation. Each holder of any of the Notes should consult its own tax adviser as to the particular tax consequences on such holder acquiring, owning and disposing of the Notes, including the applicability and effect of any state, local and national laws.

SINGAPORE TAXATION

The following summary is based on tax laws of Singapore as in effect on the date of this Offering Memorandum, and is subject to changes in Singapore laws, including changes that could have retroactive effect. The following summary does not take into account or discuss the tax laws of any countries other than Singapore. Prospective purchasers in all jurisdictions are advised to consult their own tax advisers as to Singapore or other tax consequence of the acquisition, ownership and disposition of the Notes.

The statements below are general in nature and are based on certain aspects of current tax laws in Singapore and administrative guidelines and circulars issued by Inland Revenue Authority of Singapore ("IRAS") and the Monetary Authority of Singapore (the "MAS") in force as at the date of this Offering Memorandum and are subject to any changes in such laws, announcements, administrative guidelines or circulars, or the interpretation of those laws, announcements, administrative guidelines or circulars, occurring after such date, which changes could be made on a retroactive basis. These laws, announcements, administrative guidelines and circulars are also subject to various interpretations and no assurance can be given that the relevant tax authorities or the courts will agree with the explanations or conclusions set out below. Neither these statements nor any other statements in this Offering Memorandum are intended or are to be regarded as advice on the tax position of any holder of the Notes or of any person acquiring, selling or otherwise dealing with the Notes or on any tax implications arising from the acquisition, sale or other dealings in respect of the Notes. The statements made herein do not purport to be a comprehensive or exhaustive description of all the tax considerations that may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and do not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or financial institutions in Singapore which have been granted the relevant financial sector incentive(s) or hold a specified license) may be subject to special rules or tax rates. The statements should not be regarded as advice on the tax position of any person and should be treated with appropriate caution. The statements also do not consider any specific facts or circumstances that may apply to any particular purchaser. Holders and prospective holders of the Notes are advised to consult their own tax advisors as to the Singapore or other tax consequences of the acquisition, ownership of or disposal of the Notes, including, in particular, the effect of any foreign, state or local tax laws to which they are subject. It is emphasised that none of the Issuer, the Guarantors, the Initial Purchasers and any other persons involved in the issue of the Notes accepts responsibility for any tax effects or liabilities resulting from the subscription for, purchase, holding or disposal of the Notes.

Interest and Other Payments

Subject to the following paragraphs, under Section 12(6) of the ITA, the following payments are deemed to be derived from Singapore:

(a) any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness which is (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore) or (ii) deductible against any income accruing in or derived from Singapore; or

(b) any income derived from loans where the funds provided by such loans are brought into or used in Singapore.

Such payments, where made to a person not known to the paying party to be a resident in Singapore for tax purposes, are generally subject to withholding tax in Singapore. The rate at which tax is to be withheld for such payments (other than those subject to the 15 per cent. final withholding tax described below) to non-resident

persons (other than non-resident individuals) is currently 17 per cent. The applicable rate for non-resident individuals is currently 24 per cent. However, if the payment is derived by a person not resident in Singapore otherwise than from any trade, business, profession or vocation carried on or exercised by such person in Singapore and is not effectively connected with any permanent establishment in Singapore of that person, the payment is subject to a final withholding tax of 15 per cent. The rate of 15 per cent. may be reduced by applicable tax treaties.

Certain Singapore-sourced investment income derived by individuals from financial instruments is exempt from Singapore income tax, including interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium derived from debt securities, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession in Singapore.

Qualifying Debt Scheme

As more than half of the lead managers for the issue of the Notes are specified licensed entities, and the Notes are issued as debt securities before 31 December 2028, the Notes would be qualifying debt securities for the purposes of the ITA, to which the following treatments shall apply:

(a) subject to certain prescribed conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require, and the inclusion by the Issuer in all offering documents relating to the Notes of a statement to the effect that where interest, discount income, early redemption fee or redemption premium from the Notes is derived by a person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore, the tax exemption for qualifying debt securities shall not apply if the non-resident person acquires the Notes using the funds and profits of such person's operations through the Singapore permanent establishment), interest, discount income (not including discount income arising from secondary trading), early redemption fee and redemption premium (collectively, the "**Qualifying Income**") from the Notes derived by a Noteholder who is not resident in Singapore and who (i) does not have any permanent establishment in Singapore, or (ii) carries on any operation in Singapore through a permanent establishment in Singapore but the funds used by that person to acquire the Notes are not obtained from such person's operation through a permanent establishment in Singapore, are exempt from Singapore tax;

(b) subject to certain conditions having been fulfilled (including the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require), Qualifying Income from the Notes derived by any company or body of persons (as defined in the ITA) in Singapore is subject to income tax at a concessionary rate of 10 per cent. (except for holders of the relevant financial sector incentive(s) who may be taxed at different rates); and

(c) subject to:

- the Issuer including in all offering documents relating to the Notes a statement to the effect that any person whose interest, discount income, early redemption fee or redemption premium derived from the Notes is not exempt from tax shall include such income in a return of income made under the ITA; and

- the furnishing by the Issuer, or such other person as the MAS may direct, to the MAS of a return on debt securities for the Notes in the prescribed format within such period as the MAS may specify and such other particulars in connection with the Notes as the MAS may require,

payments of Qualifying Income derived from the Notes are not subject to withholding of tax by the Issuer.

Where interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) is derived from the Notes by any person who (i) is not resident in Singapore and (ii) carries on any operations in Singapore through a permanent establishment in Singapore, the tax exemption available for qualifying debt securities (subject to certain conditions) under the ITA shall not apply if such person acquires the Notes using the funds and profits of such person's operations through a permanent establishment in Singapore. Any person whose

interest, discount income, early redemption fee or redemption premium (i.e. the Qualifying Income) derived from the Notes is not exempt from tax (including for the reasons described above) is required include such income in a return of income made under the ITA.

Notwithstanding the foregoing:

(a) if during the primary launch of the Notes, the Notes are issued to fewer than four persons and 50 per cent. or more of the issue of the Notes is beneficially held or funded, directly or indirectly, by related parties of the Issuer, such Notes would not qualify as qualifying debt securities; and

(b) even though the Notes are qualifying debt securities, if at any time during the tenure of the Notes, 50 per cent. or more of such Notes which are outstanding at any time during the life of their issue is held beneficially or funded, directly or indirectly, by any related party(ies) of the Issuer, Qualifying Income derived from the Notes held by:

- any related party of the Issuer; or
- any other person where the funds used by such person to acquire the Notes are obtained, directly or indirectly, from any related party of the Issuer,

shall not be eligible for the tax exemption or concessionary rate of tax as described above.

For the purposes of the ITA and/or this Singapore tax disclosure:

(a) The term **related party**, in **relation** to a person ("*A*") means any person (a) who directly or indirectly controls A, (b) who is being controlled directly or indirectly by A, or (c) who, together with A, is directly or indirectly under the control of a common person;

(b) **early redemption fee** means, in relation to debt securities and qualifying debt securities, any fee payable by the issuer of the securities on the early redemption of the securities;

(c) **redemption premium** means, in **relation** to debt securities and qualifying debt securities, any premium payable by the issuer of the securities on the redemption of the securities upon their maturity or on the early redemption of the securities; and

(d) **specified licensed entities** means any of the **following** persons:

- a bank or merchant bank licensed under the Banking Act 1970 of Singapore;
- a finance company licensed under the Finance Companies Act 1967 of Singapore;
- a person who holds a capital markets services license under the SFA to carry on a business in any of the following regulated activities:
  - advising on corporate finance; or
  - dealing in capital markets products.

Capital Gains

Any gains considered to be in the nature of capital made from the sale of the Notes will generally not be taxable in Singapore. However, any gains derived by any person from the sale of the Notes which are gains from any trade, business, profession or vocation carried on by that person, if accruing in or derived from Singapore, may be taxable as such gains are considered revenue in nature.

Noteholders who apply or are required to apply Singapore Financial Reporting Standard ("**FRS 109**") or Singapore Financial Reporting Standard (International) 9 (Financial Instruments) ("**SFRS(I) 9**") (as the case may be) may for Singapore income tax purposes be required to recognise gains or losses (not being gains or losses in the nature of capital) on the Notes, irrespective of disposal, in accordance with FRS 109 or SFRS(I) 9 (as the case may be) (as modified by the applicable provisions of Singapore income tax law). Please see the section below on "*Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes*".

Adoption of FRS 109 or SFRS(I) 9 for Singapore Income Tax Purposes

Section 34A of the ITA requires taxpayers who adopt or are required to comply with

FRS 109 or SFRS(I) 9 (as the case may be) for financial reporting purposes to calculate their profit, loss or expense for Singapore income tax purposes in respect of financial instruments in accordance with FRS 109 or SFRS(I) 9 (as the case may be), subject to certain exceptions. The IRAS has also issued a circular entitled "*Income Tax: Income Tax Treatment Arising from Adoption of FRS 109 – Financial Instruments*".

Holders of the Notes who may be subject to the tax treatment under Section 34AA of the ITA should consult their own accounting and tax advisers regarding the Singapore income tax consequences of their acquisition, holding or disposal of the Notes.

CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS TO U.S. HOLDERS

The following discussion is a summary of certain material U.S. federal income tax consequences of the purchase, ownership and disposition of the Notes by a U.S. holder (defined below), (except for discussions of FATCA (as defined below under "*—Foreign Account Tax Compliance Act*"), which apply to all holders), but does not purport to be a complete analysis of all potential tax effects. This summary is based upon the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), Treasury Regulations issued or proposed thereunder, and judicial and administrative interpretations thereof, each of the date hereof, and all of which are subject to change, possibly with retroactive effect. No rulings from the U.S. Internal Revenue Service (the "**IRS**") have been or are expected to be sought with respect to the matters discussed below. There can be no assurance that the IRS will not take a different position concerning the tax consequences of the purchase, ownership or disposition of the Notes or that any such position would not be sustained.

This discussion does not address all of the U.S. federal income tax consequences that may be relevant to a U.S. holder in light of such U.S. holder's particular circumstances, including the impact of the unearned income Medicare contribution tax or any alternative minimum tax, or to U.S. holders subject to special rules, such as banks and certain financial institutions, individual retirement accounts and other tax-deferred accounts, U.S. expatriates, insurance companies, dealers in securities or currencies, traders in securities, U.S. holders whose functional currency is not the U.S. dollar, tax-exempt entities, regulated investment companies, real estate investment trusts, partnerships or other pass-through entities, persons that are resident in or have a permanent establishment in or are holding Notes in connection with a trade or business conducted in a jurisdiction outside the United States, and persons holding the Notes as part of a "straddle," "hedge," "conversion transaction" or other integrated transaction. In addition, this discussion does not address state, local or non-U.S. tax consequences or estate or gift tax laws and is limited to persons who purchase Notes for cash pursuant to this Offering Memorandum at original issue, at their "issue price" (the first price at which a substantial part of the Notes are sold to the public for cash, excluding sales to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Notes as capital assets within the meaning of Section 1221 of the Code (generally for investment).

For purposes of this discussion, a "**U.S. holder**" is a beneficial owner of a Note that is, for U.S. federal income tax purposes:

(a) an individual who is a citizen or resident of the United States;

(b) a corporation created or organized in the United States or under the laws of the United States, any state thereof or the District of Columbia;

(c) any estate the income of which is subject to U.S. federal income taxation regardless of its source; or

(d) any trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or (ii) a valid election is in place to treat the trust as a United States person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds Notes, the tax treatment of a partner in the partnership will generally depend upon the status of the partner and the activities of the partnership. A holder that is a partnership, and partners in such partnerships, should consult their tax advisers regarding the tax consequences of the purchase, ownership and disposition of Notes.

Prospective purchasers of Notes should consult their tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Notes in light of their particular circumstances, including the application of the

U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Characterization of the Notes

In certain circumstances (see, e.g., "*Description of the Notes – Repurchase at the Option of Holders*" and "*Description of the Notes – Additional Amounts*"), we may be obligated to make payments on the Notes in excess of stated interest and principal, including (but not limited to) upon a Change of Control Triggering Event. We intend to take the position that the Notes should not be treated as contingent payment debt instruments ("**CPDIs**") for U.S. federal income tax purposes because of these possible additional payments. Our position is binding on a U.S. holder, unless the U.S. holder discloses in the proper manner to the IRS that it is taking a different position. If the IRS successfully challenged this position, and the Notes were treated as CPDIs, U.S. holders would be required to accrue interest income currently (potentially at a rate higher than the stated interest), without regard to their usual method of accounting, and to treat as ordinary income, rather than capital gain, any gain recognized on a sale, exchange or redemption of the Notes. The remainder of this discussion assumes that the Notes are not treated as CPDIs. U.S. holders are strongly urged to consult their tax advisor regarding the characterization of the Notes for U.S. federal income tax purposes.

Payments of Interest

It is expected, and the following discussion assumes, that the Notes will be issued with no original issue discount or original issue discount that is less than a statutorily defined de minimis amount. Payments of stated interest on the Notes generally will be includible in the gross income of a U.S. holder as ordinary income at the time that such payments are received or accrued, in accordance with such U.S. holder's method of accounting for U.S. federal income tax purposes.

Interest income on a Note generally will constitute foreign source income and generally will be considered "passive category income" for purposes of the foreign tax credit limitation rules.

Foreign withholding tax (at a rate not exceeding any applicable tax treaty rate) may, subject to complex limitations and conditions, be creditable against the U.S. holder's US federal income tax liability or, at such U.S. holder's election, deductible in computing its taxable income. There are significant, complex and evolving limitations on a U.S. holder's ability to obtain foreign tax credits and the rules governing foreign tax credits are very complex. For example, certain Treasury Regulations that apply to foreign income taxes paid or accrued in taxable years beginning on or after December 28, 2021 restrict the availability of any such credit based on the nature of the tax imposed by the foreign jurisdiction, although the IRS has provided temporary relief from the application of certain aspects of these regulations until new guidance or regulations are issued. U.S. holders should consult their tax advisers regarding the creditability or deductibility of any withholding taxes and any applicable limitations in their particular circumstances.

Sale, Exchange, Redemption or Other Disposition of Notes

Generally, upon the sale, exchange, redemption or other disposition of a Note, a U.S. holder will recognize taxable gain or loss equal to the difference between the amount realized on the sale, exchange, redemption or other disposition (less any amount attributable to accrued but unpaid interest, which will be taxable as interest to the extent not previously included in income) and such U.S. holder's adjusted tax basis in the Note. A U.S. holder's adjusted tax basis in a Note generally will equal the cost of such Note to such U.S. holder, less any principal payments received by the U.S. holder.

Such gain or loss generally will be U.S. source capital gain or loss and will be long-term capital gain or loss if at the time of the sale, exchange, redemption or other disposition the Note has been held by such U.S. holder for more than one year. Long-term capital gain recognized by a non-corporate U.S. holder will generally be subject to taxation at a reduced rate. The deductibility of capital losses is subject to limitation.

The creditability of foreign taxes imposed on disposition gains is subject to significant, complex and evolving limitations and therefore a U.S. holder may not be able to obtain a credit if such taxes are imposed. U.S. holders should consult their tax advisers regarding the U.S. federal income tax implications (including creditability, deductibility and determination of the amount realized and any applicable limitations) of any foreign taxes imposed on disposition gains in their particular circumstances.

Information Reporting and Backup Withholding

In general, payments made in the United States or through certain U.S.-related financial intermediaries of interest or principal and the proceeds from sale, exchange, redemption or other disposition of Notes held by a U.S. holder will be required to be reported to the IRS unless the U.S. holder is an exempt recipient and when required, demonstrates this fact. In addition, a U.S. holder that is not an exempt recipient may be subject to backup

withholding unless it provides a taxpayer identification number and otherwise complies with applicable certification requirements.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. holder's U.S. federal income tax liability and may entitle the U.S. holder to a refund, provided that the appropriate information is timely furnished to the IRS. U.S. holders should consult their tax advisors regarding their qualification for an exemption from backup withholding and the procedures for obtaining such an exemption or refund.

Tax Return Disclosure Requirements

Certain U.S. holders that own "specified foreign financial assets" with an aggregate value in excess of certain thresholds are generally required to file an information report (on IRS Form 8938) with respect to such assets with their tax returns. If a U.S. holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such holder for the related tax year may not close before the date which is three years after the date on which such report is filed. The Notes generally will constitute specified foreign financial assets subject to these reporting requirements, unless the Notes are held in certain accounts maintained by certain financial institutions (in which case the accounts could be reportable if maintained by non-U.S. financial institutions). Under certain circumstances, an entity may be treated as an individual for purposes of these rules. U.S. holders that are individuals are urged to consult their tax advisors regarding the application of this legislation to their ownership of the securities.

Foreign Account Tax Compliance Act

Pursuant to Sections 1471 through 1474 of the Code (commonly referred to as "**FATCA**") and subject to the proposed regulations discussed below, a "foreign financial institution" (including an intermediary through which Notes are held) may be required to withhold U.S. tax at a rate of 30% on certain "foreign pass-thru payments". The term "foreign pass-thru payment" has not yet been defined. Obligations issued on or prior to the date that is six months after the date on which applicable final regulations defining foreign pass-thru payments are filed with the U.S. Federal Register generally would be "grandfathered" unless materially modified after such date. Accordingly, FATCA could apply to payments on the Notes if there is a significant modification of the Notes for U.S. federal income tax purposes after the expiration of this grandfathering period. Under proposed regulations, any withholding on foreign pass-thru payments on Notes that are not otherwise grandfathered would apply to pass-thru payments made on or after the date that is two years after the date of publication in the U.S. Federal Register of applicable final regulations defining foreign pass-thru payments. Taxpayers generally may rely on these proposed regulations until final regulations are issued. Non-U.S. governments (including the Cayman Islands) have entered into intergovernmental agreements with the United States to implement FATCA in a manner that may alter the rules described herein. Holders should consult their tax advisers on how these rules may apply to their investment in the Notes. Notwithstanding anything herein to the contrary, in the event any withholding under FATCA is imposed with respect to any payments on the Notes, there will be no Additional Amounts payable to compensate for the withheld amount.

CERTAIN ERISA AND RELATED CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the notes (including any interest in a note) by employee benefit plans that are subject to Part 4 of Subtitle B of Title I of the U.S. Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), and entities whose underlying assets are considered to include "plan assets" of any such plan, account or arrangement plans, individual retirement accounts and other arrangements that are subject to Section 4975 of the Internal Revenue Code of 1986, as amended (the "**Code**") (each, an "**ERISA Plan**"), and non-U.S. plans, governmental plans (as defined in Section 3(32) of ERISA) and certain church plans (as defined in Section 3(33) of ERISA) (each a "**Non ERISA Plan**") subject to the provisions under any other federal, state, local or non-U.S. law or regulation that contains one or more provisions that are similar to Section 4975 of the Code or Part 4 of Subtitle B of Title I of ERISA (collectively, "**Similar Laws**") (each, a "**Plan**").

General Fiduciary Matters

ERISA and the Code impose certain duties on persons who are fiduciaries of an ERISA Plan and prohibit certain transactions involving the assets of an ERISA Plan and its fiduciaries, service providers or other related parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such an ERISA Plan or the management or disposition of the assets of such an ERISA Plan, or who renders investment advice for a fee or other compensation to such an ERISA Plan, is generally considered to be a fiduciary of the ERISA Plan.

In considering an investment in the notes of a portion of the assets of any Plan, a fiduciary must determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary's duties to the Plan including, to the extent applicable, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws.

Plan Assets

Under the U.S. Department of Labor regulations set forth at 29 C.F.R. § 2510.3-101 (as modified by Section 3(42) of ERISA) (the "**Plan Assets Regulation**"), when an ERISA Plan or other plan subject to Part 4, Subtitle B of Title I of ERISA or Section 4975 of the Code acquires an "equity interest" in an entity, the underlying assets of such entity may be deemed to constitute "plan assets" of the investing plan. The Plan Assets Regulation defines an "equity interest" as any interest in an entity other than an instrument that is treated as indebtedness under applicable local law and that has no substantial equity features.

The Issuer believes that the Notes should be treated as indebtedness without substantial equity features for purposes of the Plan Assets Regulation. The Notes (i) are structured as senior secured debt obligations of the Issuer, (ii) bear interest at a stated fixed rate payable semi-annually, (iii) have a stated maturity date, (iv) do not provide the holders thereof with voting rights or other indicia of equity ownership in the Issuer, (v) are not convertible into or exchangeable for equity interests of the Issuer or any Guarantor, and (vi) do not provide for any participation in the profits or losses of the Issuer.

However, no assurance can be given that the Notes will be treated as indebtedness without substantial equity features under the Plan Assets Regulation, or that the assets of the Issuer will not be deemed to constitute "plan assets" of any investing ERISA Plan. In particular, the Notes contain certain provisions that may require the Issuer to make payments in excess of stated interest and principal, including upon the occurrence of a Change of Control Triggering Event and in connection with the payment of Additional Amounts or the Applicable Premium upon optional redemption prior to stated maturity. While the Issuer does not believe these features give rise to substantial equity characteristics, there can be no assurance that the U.S. Department of Labor, the IRS, or a court would not take a contrary position.

If the assets of the Issuer were deemed to constitute "plan assets" of any ERISA Plan, certain transactions that the Issuer might enter into in the ordinary course of its business and operations might constitute non-exempt "prohibited transactions" under Section 406 of ERISA or Section 4975 of the Code, which could result in excise taxes or other liabilities under ERISA and the Code for such ERISA Plan or for persons involved in such transactions.

Prohibited Transaction Issues

Section 406 of ERISA and Section 4975 of the Code prohibit ERISA Plans from engaging in specified transactions involving plan assets with persons or entities who are "parties in interest", within the meaning of ERISA, or "disqualified persons", within the meaning of Section 4975 of the Code, unless an exemption is available. A party in interest or disqualified person who engages in a non-exempt prohibited transaction with an ERISA Plan may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. In addition, the fiduciary of the ERISA Plan that engages in such a non-exempt prohibited transaction may be subject to penalties and liabilities under ERISA and the Code. Non ERISA Plans, while not subject to the prohibited transaction provisions of ERISA and Section 4975 of the Code, may nevertheless be subject to similar restrictions under applicable Similar Law. For example, the acquisition and holding of the notes (or any interest therein) by an ERISA Plan with respect to which the Company, an initial purchaser, any of their agents, or certain of their affiliates is a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code unless a statutory or administrative exemption is applicable to the transaction. In this regard, the U.S. Department of Labor has issued prohibited transaction class exemptions, ("**PTCEs**"), that may apply to the acquisition of the notes. These class exemptions include, without limitation, PTCE 84-14 respecting transactions determined by independent qualified professional asset managers, PTCE 90-1 respecting insurance company pooled separate accounts, PTCE 91-38 respecting bank collective investment funds, PTCE 95-60 respecting life insurance company general accounts and PTCE 96-23 respecting transactions determined by in-house asset managers.

In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide relief from the prohibited transaction provisions of ERISA and Section 4975 of the Code for certain transactions between an ERISA Plan and a person that is a party in interest or disqualified person with respect to the ERISA Plan solely by reason of providing services to the ERISA Plan or a relationship with such a service provider, *provided* that neither the person transacting with the ERISA Plan nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the ERISA Plan involved in the transaction and *provided further* that the ERISA Plan pays no more and receives no less than adequate consideration in connection with the transaction.

There can be no assurance that any of the foregoing exemptions or any other exemption will be available with respect to the acquisition, holding and disposition of the notes (or any interest therein) or that all of the conditions of any such exemptions will be satisfied. Accordingly, the notes (or any interest therein) should not be acquired by any person investing "plan assets" of any Plan, unless such acquisition does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or the Code or a similar violation of any applicable Similar Laws.

Investor Representations

By acquiring the notes (or any interest therein), each purchaser and subsequent transferee of the notes (or any interest therein) will be deemed to (and may be required to) represent and warrant that either (i) no portion of the assets used by such purchaser or transferee to acquire the notes (or any interest therein) constitutes assets of any Plan or (ii) the acquisition, holding and disposition of the notes (or any interest therein) by such purchaser or transferee will not constitute a breach of the fiduciary rules under ERISA or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

Each purchaser of the notes (or any interest therein) that is an ERISA Plan by acceptance of a note (or any interest therein), will be deemed to have represented and warranted that a fiduciary acting on its behalf is causing it to purchase the notes (or any interest therein) and that such fiduciary is independent of the Company, the Initial Purchasers and their respective affiliates (the "**Transaction Parties**") and none of the Transaction Parties has given or will give advice in a fiduciary capacity, in connection with the purchaser's purchase of the notes.

The foregoing discussion is general in nature and is not intended to be all inclusive. Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries, or other persons considering purchasing the notes (or any interest therein) on behalf of, or with the assets of, any Plan, consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment, and to confirm that such purchase does not and will not constitute or result in a non-exempt prohibited transaction under ERISA or Section 4975 of the Code or a similar violation under any applicable Similar Laws.

The sale of the notes to a Plan is in no respect a representation or recommendation by the Company, the Initial Purchasers, the agents or any other person that such an investment meets all relevant legal requirements with respect to investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan.

PLAN OF DISTRIBUTION

Under the terms and subject to the conditions contained in a purchase agreement dated July 7, 2026 (the "**Purchase Agreement**") between us and the Initial Purchasers, each of the Initial Purchasers has agreed to purchase from us, severally and not jointly, and we have agreed to sell to each of the Initial Purchasers, the principal amount of the Notes set forth opposite its name below:

Initial Purchasers	**Principal Amount of the Notes (U.S.$)**
Deutsche Bank AG, Singapore Branch	250,000,000
BNP PARIBAS	50,000,000
Total	**300,000,000**

The Purchase Agreement provides that the obligation of the Initial Purchasers to purchase for the Notes is subject to the approval of certain legal matters by its counsel and certain other conditions. The Initial Purchasers have agreed to purchase all of the Notes if any are taken. After the initial offering, the offering price and other selling terms may be varied from time to time by the Initial Purchasers.

We have agreed not to for a period of 45 days after the date of this Offering Memorandum, without the prior written consent of the Initial Purchasers directly or indirectly, offer for sale, sell, or otherwise dispose of (or enter into any transaction or device that is designed to, or would be expected to, result in the disposition by any person at any time in the future of) any United States dollars-denominated debt securities of the Issuer or the Topco Guarantors substantially similar to the Securities or securities convertible into or exchangeable for such debt securities, or sell or grant options, rights or warrants with respect to such debt securities or securities convertible into or exchangeable for such debt securities.

The Notes are a new issue of securities with no established trading market. Approval in-principle has been obtained for the listing and quotation of the Notes on the SGX-ST. We have been advised that the Initial Purchasers intend to make a market in the Notes, as permitted by applicable laws and regulations. The Initial Purchasers are not obligated, however, to make a market in the Notes, and any such market making may be discontinued at any time without prior notice at the sole discretion of the Initial Purchasers. Accordingly, no assurance can be given as to the liquidity of, or trading markets for, the Notes. We have been advised by the Initial Purchasers that, in connection with the offering of the Notes, the Initial Purchasers may engage in transactions that stabilize, maintain or otherwise affect the price of the Notes. Specifically, the Initial Purchasers may overallot the offering, creating a syndicate short position. In addition, the Initial Purchasers may bid for, and purchase, the Notes in the open market to cover syndicate shorts or to stabilize the price of the Notes. Any of these activities may stabilize or maintain the market price of the Notes above independent market levels. The Initial Purchasers are not required to engage in these activities, and may end any of these activities at any time. No assurance can be given as to the liquidity of, or the trading market for, the Notes.

The Initial Purchasers or certain of their affiliates may purchase the Notes and be allocated Notes for asset management and/or proprietary purposes but not with a view to distribution.

The Initial Purchasers have entered into certain arrangements with the Domestic Lead Managers in connection with the sale of the Notes in the Philippines, for which the Domestic Lead Managers will receive customary fees.

We expect that delivery of the Notes will be made against payment therefor on or about the closing date specified on the cover page of this Offering Memorandum, which will be on or about the seventh business day following the pricing date of the Notes (this settlement cycle being referred to as "**T+7**"). Under Rule 15c6-1 of the U.S. Securities Exchange Act of 1934, trades in the secondary market generally are required to settle in one business day, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes initially will settle in T+7, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the Notes who wish to trade the Notes on the date of pricing date or the next succeeding business day should consult their own legal advisor.

Other relationships

The Initial Purchasers and their affiliates engage, have in the past engaged and may in the future engage in transactions with us and our affiliates, and perform, have performed and may in the future perform services, including lending, cash management, financial advisory and investment banking services, for us and our affiliates, in their ordinary course of business. We may enter into hedging or other derivative transactions as part of our risk management strategy with the Initial Purchasers, which may include transactions relating to our obligations under the Notes. Our obligations under these transactions may be secured by cash or other collateral.

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct - Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposes on CMIs, which require the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantors, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantors, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Notes. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantors or any CMI (including its group companies) and inform the Initial Purchasers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this Offering Circular.

CMIs should ensure that orders placed are *bona fide*, are not inflated and do not constitute duplicated orders (i.e. two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Notes (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages. CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantors. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Notes. The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Initial Purchasers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Notes, private banks should disclose, at the same time, if such order is placed other than on a "**principal**" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "**principal**" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code. Private banks should be aware that placing an order on a "**principal**" basis may require the relevant affiliated Manager(s) (if any) to categorize it as a proprietary order and apply the "proprietary orders" requirements of the SFC Code to such order and will result in that private bank not being entitled to, and not being paid, any rebate.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- The name of each underlying investor;
- A unique identification number for each investor;

- Whether an underlying investor has any "**Associations**" (as used in the SFC Code);
- Whether any underlying investor order is a "**Proprietary Order**" (as used in the SFC Code); and
- Whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to asiasyn.omnibus@list.db.com and dl.asia.syndicate@asia.bnpparibas.com .

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantors, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Initial Purchasers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Manager with such evidence within the timeline requested.

By placing an order, prospective investors (including any underlying investors in relation to omnibus orders) are deemed to represent to the Initial Purchasers that it is not a Sanctions Restricted Person. A "**Sanctions Restricted Person**" means an individual or entity (a "**Person**"): (a) that is, or is directly or indirectly owned or controlled by a Person that is, described or designated in (i) the most current "Specially Designated Nationals and Blocked Persons" list (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/sdnlist.pdf) or (ii) the Foreign Sanctions Evaders List (which as of the date hereof can be found at: http://www.treasury.gov/ofac/downloads/fse/fselist.pdf) or (iii) the most current "Consolidated list of persons, groups and entities subject to EU financial sanctions" (which as of the date hereof can be found at: https://data.europa.eu/data/datasets/consolidated-list-of- persons-groups-and-entities-subject-to-eu-financial-sanctions?locale=en); or (b) that is otherwise the subject of any sanctions administered or enforced by any Sanctions Authority, other than solely by virtue of the following (i) – (vi) to the extent that it will not result in violation of any sanctions by the CMIs: (i) their inclusion in the most current "Sectoral Sanctions Identifications" list (which as of the date hereof can be found at: https://www.treasury.gov/ofac/downloads/ssi/ssilist.pdf) (the "**SSI List**"), (ii) their inclusion in Annexes 3, 4, 5 and 6 of Council Regulation No. 833/2014, as amended by Council Regulation No. 960/2014 (the "**EU Annexes**"), (iii) their inclusion in any other list maintained by a Sanctions Authority, with similar effect to the SSI List or the EU Annexes, (iv) them being the subject of restrictions imposed by the U.S. Department of Commerce's Bureau of Industry and Security ("**BIS**") under which BIS has restricted exports, re-exports or transfers of certain controlled goods, technology or software to such individuals or entities; (v) them being an entity listed in the Annex to the new Executive Order of 3 June 2021 entitled "Addressing the Threat from Securities Investments that Finance Certain Companies of the People's Republic of China" (known as the Non-SDN Chinese Military-Industrial Complex Companies List), which amends the Executive Order 13959 of 12 November 2020 entitled "Addressing the threat from Securities Investments that Finance Chinese Military Companies"; or (vi) them being subject to restrictions imposed on the operation of an online service, Internet application or other information or communication services in the United States directed at preventing a foreign government from accessing the data of U.S. persons; or (c) that is located, organized or a resident in a comprehensively sanctioned country or territory, including Cuba, Iran, North Korea, Syria, the Crimea region of Ukraine, the Donetsk's People's Republic or Luhansk People's Republic. "**Sanctions Authority**" means: (a) the United Nations; (b) the United States; (c) the European Union (or any of its member states); (d) the United Kingdom; (e) the People's Republic of China; (f) any other equivalent governmental or regulatory authority, institution or agency which administers economic, financial or trade sanctions; and (g) the respective governmental institutions and agencies of any of the foregoing including, without limitation, the Office of Foreign Assets Control of the U.S. Department of the Treasury, the United States Department of State, the United States Department of Commerce and His Majesty's Treasury.

Selling restrictions

General

No action has been taken or will be taken in any jurisdiction by the Issuer, the Guarantors or the Initial Purchasers that would permit a public offering of Notes, or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Notes or this offering, in any jurisdiction where action for that purpose is required. Accordingly, the Notes may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the issuer in such jurisdiction.

United States

The Notes and the Guarantees have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in transactions exempt from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. For a description of other restrictions on the transfer of Notes, see "*Transfer Restrictions*".

Accordingly, the Notes are being offered and sold only to (1) "qualified institutional buyers" in accordance with and in reliance upon Rule 144A or another available exemption from the registration requirements of the Securities Act, and (2) outside the United States in offshore transactions in accordance with and in reliance upon Regulation S. Resales of the Notes are restricted as described under "*Transfer Restrictions*".

Until 40 days after the commencement of this Offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or pursuant to another exemption from registration under the Securities Act.

Terms used in this paragraph have the meanings given to them by Regulation S. Prohibition of Sales to EEA Retail Investors

Each Initial Purchaser has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

  (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**EU MiFID II**");

  (ii) a customer within the meaning of Directive 2016/97/EU (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or or

  (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended, the "**Prospectus Regulation**"); and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes.

Prohibition of Sales to UK Retail Investors

The Initial Purchasers have represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the United Kingdom. For the purposes of this provision:

(c) the expression "**retail investor**" means a person who is one (or both) of the following:

(i) not a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or

(ii) not a qualified investor as defined in paragraph 15 of Schedule 1 to the Public Offers and Admissions to Trading Regulations 2024; and

(d) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to buy or subscribe for the Notes.

Other UK regulatory restrictions

Each Initial Purchaser has further represented, warranted and undertaken that:

(e) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantors; and

(f) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Singapore

Each Initial Purchaser has acknowledged that this Offering Memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Initial Purchaser has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, or (ii) to an accredited investor (as defined in Section 4A of the SFA) pursuant to and in accordance with the conditions specified in Section 275 of the SFA.

Hong Kong

The Initial Purchasers have represented and agreed that (1) they have not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and (2) they have not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Switzerland

The Notes may not be publicly offered, sold or advertised, directly or indirectly, in or from Switzerland. Neither this Offering Memorandum nor any other offering or marketing material relating to the Company or the Notes constitutes an offering prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Federal Code of Obligations, and neither this Offering Memorandum nor any other offering or marketing material relating to the Company or the Notes may be publicly distributed or otherwise made publicly available in Switzerland. The Notes will be offered in Switzerland and this Offering Memorandum and any other offering or marketing material relating to the Notes will be distributed or otherwise made available in Switzerland on a private placement basis only. No application has been or will be made to list the Notes on the SIX Swiss Exchange Ltd., and, consequently, neither this Offering Memorandum nor any other offering or marketing material relating to the

Company or the Notes constitutes a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange Ltd. Investors are advised to contact their legal, financial or tax advisers to obtain an independent assessment of the financial and tax consequences of an investment in the Notes.

Philippines

Each Initial Purchaser represents, warrants and agrees that the Notes have not been and will not be registered with the Philippine Securities and Exchange Commission (the "**SEC**") and hence cannot be sold or offered for sale or distribution to the public in the Philippines, except pursuant to transactions that qualify for exemption from the registration requirements of the Securities Regulation Code (the "**SRC**") and the SRC Implementing Rules and Regulations, as amended (the "**SRC Rules**"). Each Dealer represents, warrants and agrees that it has not and will not sell or offer for sale or distribution any Notes in the Philippines, except to persons or entities that are (i) residents of, and organized under the laws of the Philippines and/or licensed to do business in the Philippines, and (ii) "qualified buyers" as defined in Section. 10.1(l) of the SRC, or Rule 10.1.4 and 10.1.5 of the SRC Rules.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED WITH THE PHILIPPINE SEC UNDER THE PHILIPPINE SRC AND THE SRC RULES. THE ISSUANCE OF THE NOTES TO QUALIFIED BUYERS UNDER SECTION 10.1 (L) OF THE PHILIPPINE SRC OR RULES 10.1.4 AND 10.1.5 OF THE SRC RULES IN THE REPUBLIC OF THE PHILIPPINES IS CONSIDERED AN EXEMPT TRANSACTION. ANY FUTURE SALE OR OFFER OF THE NOTES WITHIN THE PHILIPPINES IS SUBJECT TO THE REGISTRATION REQUIREMENTS UNDER THE SRC UNLESS SUCH OFFER OR SALE IS MADE UNDER CIRCUMSTANCES IN WHICH THE NOTES QUALIFY AS EXEMPT SECURITIES OR QUALIFIES AS AN EXEMPT TRANSACTION UNDER THE PHILIPPINE SRC. FURTHER, THE OFFER, SALE AND PURCHASE OF THE NOTES ARE SUBJECT TO APPLICABLE REGULATIONS OF THE PHILIPPINE SEC.

The offer or sale of the Notes in the Philippines to persons who are "qualified buyers" pursuant to Section 10.1(l) of the SRC or Rules 10.1.4 and 10.1.5 of the SRC Rules is exempt from registration. Each of the Joint Lead Managers has represented, warranted and agreed that it has not and will not sell or offer for sale or distribution any Notes in the Philippines except to "qualified buyers" pursuant to Section 10.1(1) of the SRC or Rules 10.1.4 and 10.1.5 of the SRC Rules.

The Issuer has not obtained any confirmation of exemption from the Philippine SEC in respect of any offer or sale of the Notes within the Philippines. Unless such confirmation of exemption in respect of any offer or sale of the Notes is issued by the Philippine SEC, any person claiming exemption under Section 10.1(l) of the SRC has the burden of proof, if challenged, of showing that it is entitled to the exemption. The Philippine SEC may challenge such exemption anytime.

No securities sold under exempt transactions shall be offered for sale or sold to the public without prior registration. Notwithstanding that a particular class of securities issued under Section 10.1(l) of the SRC is exempt from registration, the conduct by any person in the purchase, sale, distribution, settlement and other post trade activities involving such securities, shall comply with the provisions of the SRC, the SRC Rules, and related rules issued by the Philippine SEC. The sale or offer for sale of a security in an exempt transaction shall not be exempt from civil liability and related liabilities and other applicable provisions of the SRC on fraud, among others.

TRANSFER RESTRICTIONS

As the following restrictions will apply to the Notes and the Guarantees, purchasers are advised to consult legal counsel prior to making any offer, sale, resale, pledge or other transfer of the Notes or the Guarantees.

The offering is being made in reliance on Rule 144A under the Securities Act and Regulation S under the Securities Act. The Notes and the Guarantees have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any State in the United States or any other jurisdiction, and may only be offered or sold (a) within the United States to qualified institutional buyers ("**QIBs**") within the meaning of Rule 144A in reliance on the exemption from the registration requirements of the Securities Act, provided by Rule 144A and (b) outside the United States in reliance on Regulation S under the Securities Act, and in each case in accordance with other applicable law.

Rule 144A Notes

Each purchaser of the Notes and the Guarantees within the United States pursuant to Rule 144A, by accepting delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

1. It is (a) a QIB within the meaning of Rule 144A, (b) acquiring such Notes and the Guarantees for its own account or for the account of one or more QIBs, (c) not acquiring the Notes and the Guarantees with a view to further distribute such Notes and the Guarantees and (d) aware, and each beneficial owner of such Notes and the Guarantees has been advised, that the sale of such Notes and the Guarantees to it is being made in reliance on Rule 144A.

2. It understands and acknowledges that such Notes and the Guarantees have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, resold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an "offshore transaction," as defined in, and in accordance with, Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of any state of the United States; and the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser of the Notes and the Guarantees of the resale restrictions referred to in this clause.

3. It acknowledges that the Notes and the Guarantees are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Notes and the Guarantees.

4. It understands that any offer, sale, pledge or other transfer of the Notes and the Guarantees made other than in compliance with the above-stated restrictions may not be recognized by the Issuer and the Guarantors.

5. The Issuer, the Guarantors, the Registrar, the Initial Purchasers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements. If it is acquiring any Notes and the Guarantees for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account.

6. It understands that the Notes offered in reliance on Rule 144A and the Guarantees will be represented by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide the relevant Registrar with a written certification (in the form provided in the Indenture governing the Notes) as to compliance with applicable securities laws.

7. It understands that such Notes and the Guarantees, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

   "THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "**SECURITIES**

ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, (2) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A "**QUALIFIED INSTITUTIONAL BUYER**" WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (3) IN AN "**OFFSHORE TRANSACTION**," AS DEFINED IN, AND IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5) PURSUANT TO ANY OTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS NOTE AND THE GUARANTEES. THE HOLDER OF THIS NOTE WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE OF THE RESALE RESTRICTIONS REFERRED TO ABOVE."

Prospective purchasers are hereby notified that sellers of the Notes and the Guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of the Notes and the Guarantees outside the United States pursuant to Regulation S and each subsequent purchaser of such Notes and the Guarantees in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Offering Memorandum and the Notes and the Guarantees will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

1. It understands that such Notes and the Guarantees have not been and will not be registered under the Securities Act, and such Notes and the Guarantees are being offered and sold in reliance on Regulation S.

2. It is, or at the time the Notes and the Guarantees are purchased will be, the beneficial owner of such Notes and the Guarantees and (a) it is purchasing the Notes and the Guarantees in an offshore transaction (within the meaning of Regulation S), (b) it is not an affiliate of the Issuer or any Guarantor or a person acting on behalf of such an affiliate, and (c) it is located outside the United States and will continue to be located outside the United States at the time the buy order is originated.

3. It will not offer, sell, pledge or otherwise transfer such Notes and the Guarantees except in accordance with the Securities Act and any applicable laws of any state of the United States and any other jurisdiction.

4. The Issuer, the Guarantors, the Registrar, the Initial Purchasers and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

5. It understands that the Notes and the Guarantees offered in reliance on Regulation S will be represented by the Regulation S Global Notes. It understands that such Notes and the Guarantees will, unless otherwise agreed between the Issuer, the Guarantors and the Trustee in accordance with applicable law, bear a legend to the following effect:

   "THIS NOTE AND THE GUARANTEES IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE UNITED STATES EXCEPT PURSUANT TO AN AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ALL APPLICABLE STATE SECURITIES LAWS. TERMS USED ABOVE HAVE THE MEANINGS GIVEN TO THEM IN REGULATION S UNDER THE SECURITIES ACT."

For further discussion of the requirements (including the presentation of transfer documents) under the Description of Notes and the Indenture to effect exchanges of transfer of interests in Notes represented by a global note and of Notes in registered certificated form, see "*Description of the Notes—Book-Entry, Delivery and Form*".

RATINGS

The Notes are rated "Ba2" by Moody's Investors Service, Inc., a subsidiary of Moody's Corporation ("**Moody's**") and "BB" by Fitch Ratings Ltd. ("**Fitch**"). The credit ratings accorded the Notes are not a recommendation to purchase, hold or sell the Notes inasmuch as such ratings do not comment as to market price or suitability for a particular investor. No assurance can be provided that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgment, circumstances so warrant. See "*Risk Factors – Risks Relating to the Notes, the Guarantees and this Offering - The ratings assigned to the Notes may be lowered or withdrawn entirely in the future*".

LEGAL MATTERS

Certain matters as to the laws of the Cayman Islands will be passed upon for the Issuer by Maples and Calder (Cayman) LLP.

Certain legal matters as to Philippine law will be passed upon for the Issuer by SyCip Salazar Hernandez & Gatmaitan, Manila, Philippines and for the Initial Purchasers by Picazo Buyco Tan Fider Santos & Dee, Manila, Philippines.

Certain legal matters as to United States federal and New York law will be passed upon for the Issuer and the Guarantors by Latham & Watkins LLP and for Initial Purchasers by Clifford Chance.

INDEPENDENT AUDITORS

The audited consolidated financial statements of PAL and the audited financial statements of APC as of and for each of the three years in the period ended December 31, 2025 included in this Offering Memorandum have been audited by SGV & Co., independent auditors, a member firm of Ernst & Young Global Limited, in accordance with Philippine Standards on Auditing, as set forth in their reports included herein. The unaudited consolidated interim financial statements of PAL and the unaudited interim financial statements of APC as of and for the three months ended March 31, 2025 and 2026 included in this Offering Memorandum have been reviewed by SGV & Co., independent auditors, in accordance with Philippine Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, as set forth in their reports included herein.

APPRAISER

mba Aviation, an independent aviation appraisal and consulting firm, has prepared an appraisal of PAL's route system as of June 24, 2026. mba Aviation has delivered a report summarizing their appraisal dated June 29, 2026. The report is annexed to this Offering Memorandum as Appendix I. References to such appraisal throughout this Offering Memorandum are included based on the appraisal report prepared by mba Aviation in its capacity as an expert.

GENERAL INFORMATION

(1) The Issuer is registered with the Cayman Islands Companies Registrar with incorporation number 436030.

(2) The issue of the Notes was authorized by resolutions of the board of directors of the Issuer passed on July 3, 2026. The issuance of the Guarantees in connection with this offering was authorized by the board of directors of PAL and APC on June 24, 2026 and June 29, 2026, respectively.

(3) Copies of the Issuer's constitution and copies of the Indenture will be available for inspection by any Noteholder during usual business hours on any weekday (except Saturdays and public holidays) at its registered office.

(4) The Notes will be issued in book-entry form through the facilities of DTC for the accounts of its participants, including Euroclear and Clearstream. Certain trading information with respect to the Notes is set forth below:

Rule 144A Global Note:		Regulation S Global Note:	
ISIN:	US74168AAA88	ISIN:	USG7261AAA72
CUSIP:	74168A AA8	CUSIP:	G7261A AA7
Common Code:	343076827	Common Code:	343076746

(5) SGV & Co., independent auditors, have agreed to the inclusion of their reports with respect to the audited consolidated financial statements of PAL and the audited financial statements of APC as at and for each of the three years in the period ended December 31, 2025, and the reports on review of the unaudited consolidated interim financial statements of PAL and the unaudited interim financial statements of APC as at and for the three months ended March 31, 2025 and 2026. PAL's audited consolidated financial statements consolidate the financial statements of PAL's subsidiaries in accordance with PFRS. APC's audited financial statements are prepared on a standalone basis in accordance with PFRS.

(6) Approval in-principle has been obtained from the SGX-ST for the listing of and quotation for the Notes on the Official List of the SGX-ST.

(7) There has been no adverse change or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) of our general affairs since December 31, 2025 that is material in the context of the issue of the Notes.

APPENDIX I

MBA AVIATION APPRAISAL REPORT OF PHILIPPINE AIRLINES' ROUTE SYSTEM

VALUATION OF:
Philippine Airlines' Route System

CLIENT:
Philippine Airlines, Inc.

DATE:
June 29, 2026

Headquarters:

2101 Wilson Boulevard
Suite 1001
Arlington, Virginia 22201
USA
Tel: +1 703 276 3200
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ISTAT
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1. VALUATION SUMMARY

Subject Entity	Philippine Airlines, Inc.
Subject Asset	Philippine Airlines' Route System
Purpose of Valuation	Financing Agreement
Standard of Value	Owner's Value
Premise of Value	Going Concern
Valuation Date	June 24, 2026
Valuation Approaches	Income Approach
Valuation Methods	Discounted Cash Flow Method
Report Type	Summary Report
Conclusion of Value	US$3,734,450,000 PHP229,034,000,000

2. INTRODUCTION

SUBJECT & PURPOSE OF THE VALUATION ENGAGEMENT

mba Aviation (mba) was retained by Philippine Airlines, Inc. ("PAL" or "the Subject Entity"), to assess the value of certain collateral relating to PAL's Route System. Throughout this Valuation Report, mba will commonly refer to PAL's Route System as the "Subject Routes" and the relevant countries the routes connect as the "Subject Region." mba understands that the Conclusion of Value will be used in connection with the proposed issuance of senior notes by an SVP subsidiary of PAL (the "Offering"). mba understands that this report may be provided to the underwriter(s), trustees, bondholders, and other parties in connection with the Offering. This Valuation Report was prepared solely for the purpose described in this paragraph and, accordingly, should not be used for any other purpose.

RELEVANT DATES

mba was engaged to value the Subject Routes as of the Valuation Date. For the purpose of this valuation, historical financials and other information covering the results of the Subject Entity's operations were used, including forecasted schedules provided by the Client. It is mba's understanding that this information represents the most complete and reliable financial information available as of the date of this report. In this valuation, mba considered only circumstances that existed as of and events that occurred up to the Valuation Date.

STANDARD & PREMISE OF VALUE

Two important concepts mba considered before beginning this engagement were the applicable Standard of Value and Premise of Value. Standard of Value deals with the definition of value or the type of value being offered. Numerous Standards of Value exist and may be applicable for a particular valuation, depending on the purpose of that engagement. For this valuation, the applicable Standard of Value is Owner's Value. Owner's Value deals with the value of the asset to the current owner, given the owner's current use of the asset.

Premise of Value deals with the "how" in a transaction. The valuation premise may be either in-use or in-exchange, with the determining factor being the highest and best use as considered from a market participant's perspective. In this case, the Conclusion of Value is based on an in-use valuation premise of Going Concern, which assumes that the Subject Entity will continue to operate into the future.

SCOPE OF THE VALUATION ENGAGEMENT

The Subject Entity provided mba with monthly revenue, cost, and operating data related to each specific route, including operating capacity, passenger revenues, operating costs, and profitability for the period from January 2022 through December 2025. mba consulted with the Subject Entity's management in developing operating and capacity assumptions for the future. In addition, mba applied various modeling assumptions for the forecast period, based on its review of the data supplied by the Subject Entity, as well as mba's in-house knowledge of current and projected industry conditions. These assumptions include annual cost inflation rates, annual jet fuel price per gallon growth curve, passenger traffic, and yield growth trends.

mba has valued the Subject Routes and considered the following factors in this valuation.

- The nature of the Subject Routes, network coverage, and connecting traffic
- The economic outlook in general and the condition and outlook of the specific network regions
- The market position, competitive strength, and yield potential of the Subject Routes
- The regulatory and political environment, including bilateral agreements and traffic rights
- The earning capacity of the Subject Routes and the associated cash flows on a 10-year rolling basis, combined with a Terminal Value assessment. For the purposes of this valuation, Cash Flow (CF) is defined as Net Income adjusted for the Subject Entity's Depreciation & Amortization and Capital Expenditure (CAPEX) requirements

mba's scope of work included but was not necessarily limited to the following:

- Discussions with management concerning the Subject Routes, financial and operating history, and forecasted future operations of the network
- Analysis of historical data provided by the Subject Entity
- Analysis of forecasted financial and operational data concerning the Subject Routes

- Research concerning the Subject Routes; its financial and operating history; the nature of its products, services, and technologies; and its competitive position in the marketplace
- Research and analysis on current economic conditions and the outlook for the regions associated with the Subject Routes
- Analysis and estimation of the value of the Subject Routes as of the Valuation Date

SOURCES OF INFORMATION

In order to reach the Conclusion of Value and prepare this Report, several sources were used, including but not limited to:

- Operational results and future schedules for the Subject Routes, provided by the Client
- The Subject Entity's website and press releases
- The Subject Entity's financial filings
- OAG Schedules Data
- Boeing's Current Market Outlook 2025–2044
- Airbus's Global Market Forecast 2025–2044
- The United States (U.S.) Energy Information Administration's Annual Energy Outlook 2025
- The World Bank's World Development Indicators
- The International Monetary Fund's World Economic Outlook Database
- mba calculated lease rates and internal data and information
- Other industry news sources and internet research

3. SUBJECT ENTITY OVERVIEW

Philippine Airlines, Inc., the Philippine national flag carrier founded in 1941, is a provider of air transport of passengers and cargo within the Philippines and between the Philippines and various international destinations. Philippine Airlines' route network covers 31 points in the Philippines and 39 international destinations in 16 countries. The airline operates a hub-and-spoke system primarily out of Ninoy Aquino International Airport. Philippine Airlines is owned by PAL Holdings, which is part of a group of companies owned by business tycoon Lucio Tan. ANA Holdings, the holding company of All Nippon Airways, purchased a 9.5% stake in PAL Holdings in March 2019, and as of March 2026, ANA Holding's stake has been diluted to 4.11%

PAL leverages extensive interline and codeshare partnerships to generate vital traffic feed and extend its global reach beyond its proprietary network. Key regional and international codeshare agreements were successfully renewed with 17 major carriers:

- Americas: Alaska Airlines, American Airlines, WestJet
- Asia-Pacific: All Nippon Airways, Bangkok Airways, Cathay Pacific, China Airlines, Garuda Indonesia, Malaysia Airlines, Royal Brunei Airlines, Singapore Airlines, Vietnam Airlines, Xiamen Airlines
- Middle East & Europe: Gulf Air, Saudia, Qatar Airways, Turkish Airlines

These strategic partnerships broaden PAL's network footprint, adding key international markets (e.g., Turkey, Bahrain, Brunei Darussalam, Denmark, France, Germany, Italy, and Switzerland) alongside critical interior points within Japan, Canada, the United States, Thailand, and Malaysia.

The Subject Entity's loyalty program, Mabuhay Miles, is a significant driver of revenue and a key tool for customer retention. Membership reached 6.9 million in 2025, at a 22.0% compounded annual growth rate in active members from 2023-2025. Program monetization demonstrated strong upward momentum, with redemption revenue increasing by 27.0% and partner margin revenue growing by 40.0%. Overall, loyalty members contributed 29.0% of total passenger revenue and US$713 million of member flow revenue in 2025.

As of March 31, 2026, PAL operates a diverse mainline fleet of 83 aircraft, comprising narrowbody Airbus A320 and A321 models and long-haul Airbus A330 and A350 widebodies. The carrier also

utilizes high-capacity Boeing 777-300ER and Airbus A350-1000 aircraft for its major international routes. In addition, PAL operates several Bombardier DHC 8-400.

On June 6, 2026 Philippine Airlines was invited to join as oneworld's 16th member airline following the signing of a Memorandum of Understanding (MOU) at IATA's 82nd Annual General Meeting in Rio de Janeiro, Brazil.[1]

The full-year financial statements of PAL Holdings Inc. the Subject's Entity's Parent, as reported with the Philippines Stock Exchange, are summarized below.[2] The Subject Entity's performance represents the majority of Parent's reported results.

Millions (PHP ₱)	2023	2024	2025
Revenue	179,121	178,006	183,833
Revenue Growth, Y/Y	28.6%	-0.6%	3.3%
EBITDA	44,946	35,145	39,776
EBITDA Margin	25.1%	19.7%	21.6%
Net Income	21,293	8,118	10,065
Net Income Margin	11.9%	4.6%	5.5%

[1] Oneworld.com.
[2] https://www.pse.com.ph/stockMarket/home.html.

4. OPERATING ENVIRONMENT

The ASEAN member states collaborate to fully liberalize air services within the region. In 2009, a multilateral agreement allowed for unlimited air cargo services within ASEAN. In 2010, the previous multilateral agreement on air services was expanded to give unlimited air passenger services among ASEAN cities, not just the capital cities like before. These agreements provide intra-ASEAN Open Skies for ASEAN member states that have ratified the agreements.

SLOT COORDINATION IN ASIA PACIFIC

Key airports in the Subject Regions face significant challenges related to capacity constraints and infrastructure limitations. Many airports operate under slot restrictions and coordination due to high demand and limited expansion capabilities. These measures aim to prevent congestion, optimize air traffic flow, and uphold safety standards. However, they pose challenges for airlines looking to expand their services, particularly for low-cost carriers and new entrants, who often struggle to acquire desirable slots. As passenger traffic worldwide continues to grow, addressing slot allocation, improving airport infrastructure, and increasing operational efficiency will be essential for supporting the aviation sector.

Airport slot coordination is a means of managing airport capacity through the application of a set of rules contained in the Worldwide Airport Slot Guidelines (WASG). For the purposes of airport coordination, airports are categorized by the responsible authorities according to the following levels of congestion:

Level 1: airports where the capacity of the airport infrastructure is generally adequate to meet the demands of airport users at all times.

Level 2: airports where there is potential for congestion during some periods of the day, week, or season but that can be resolved by schedule adjustments mutually agreed between the airlines and facilitator. A facilitator is appointed to facilitate the planned operations of airlines using or planning to use the airport.

Level 3: airports where capacity providers have not developed sufficient infrastructure or where governments have imposed conditions that make it impossible to meet demand. A

coordinator is appointed to allocate slots to airlines and other aircraft operators using or planning to use the airport as a means of managing the declared capacity.

There are currently 214 Level 3 airports worldwide, listed below by region.

Region	Level 3 Airports
Europe	110
Asia Pacific	45
North Asia	25
Middle East and Africa	21
The Americas	13
Total	**214**

Source: World Airport Slot Guidelines (WASG) Northern Summer 2026 Slot Designation

The Subject Entity's 2026 route system includes 28 Level 3 airports and nine Level 2 airports.

Airport Code	Country	City	Level
BNE	Australia	Brisbane	3
MEL	Australia	Melbourne	3
PER	Australia	Perth	3
SYD	Australia	Sydney	3
KTI	Cambodia	Phnom Penh Techo	3
YYZ	Canada	Toronto	3
YVR	Canada	Vancouver	3
PEK	China, P.R.	Beijing Capital	3
CAN	China, P.R.	Guangzhou Baiyun	3
PVG	China, P.R.	Shanghai Pudong	3
XMN	China, P.R.	Xiamen Gaoqi	3
TPE	Chinese Taipei	Taipei	3
HKG	Hong Kong (SAR), China	Hong Kong	3
DPS	Indonesia	Denpasar	3
CGK	Indonesia	Jakarta	2
NGO	Japan	Chubu	2
FUK	Japan	Fukuoka	3
HND	Japan	Haneda	3
CTS	Japan	New Chitose Airport	2
KIX	Japan	Osaka-Kansai	3

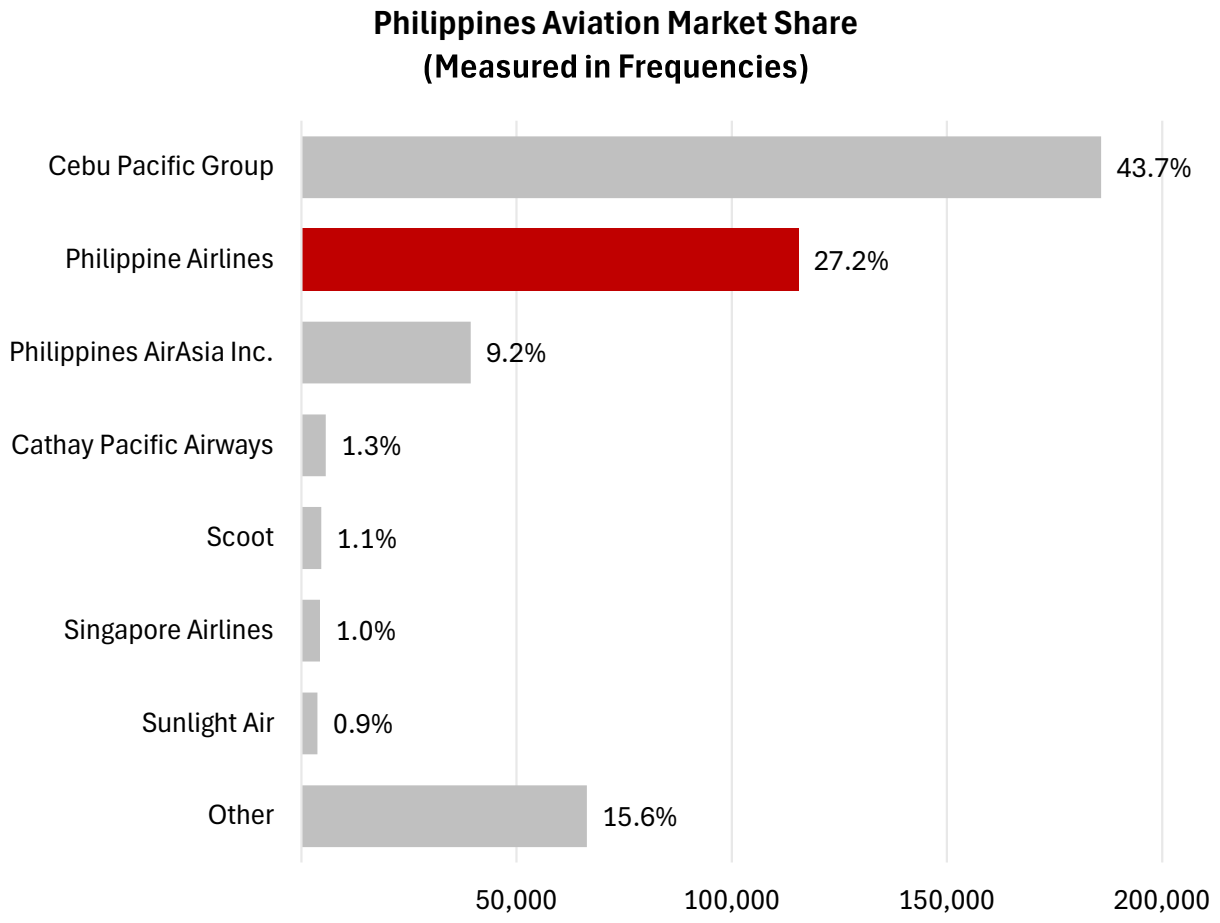
Airport Code	Country	City	Level
NRT	Japan	Tokyo-Narita	3
KUL	Malaysia	Kuala Lumpur	3
POM	Papua New Guinea	Port Moresby	2
MNL	Philippines	Manila	3
DOH	Qatar	Doha	2
ICN	Republic of Korea	Incheon	3
RUH	Saudi Arabia	Riyadh	3
SIN	Singapore	Changi	3
BKK	Thailand	Suvarnabhumi	3
DXB	United Arab Emirates	Dubai International	3
ORD	United States	Chicago-O' Hare	2
LAX	United States	Los Angeles	2
JFK	United States	New York-J.F. Kennedy	3
SFO	United States	San Francisco	2
SEA	United States	Seattle	2
HAN	Vietnam	Hanoi	3
SGN	Vietnam	Ho Chi Minh	3

Source: World Airport Slot Guidelines (WASG) Northern Summer 2026 Slot Designation

5. MARKET ENVIRONMENT

PHILIPPINES MARKET OVERVIEW

In 2026, scheduled non-stop capacity in and out of the Philippines is expected to exceed 21.6 million seats for the Subject Entity. The top three operators have 80.1% of the market share, measured in frequencies. The remaining 19.9% of the market share is very fragmented across ~60 operators.



	Domestic	International
PAL # Seats 2026	13,101,407	8,533,180
Seats Market Share %	28.1%	22.2%
20-Year Growth[3]	8.8%	3.1%-7.7%

Sources: OAG Schedules Analyzer Data, Full Year 2026 as of June 2026; mba Aviation Analysis

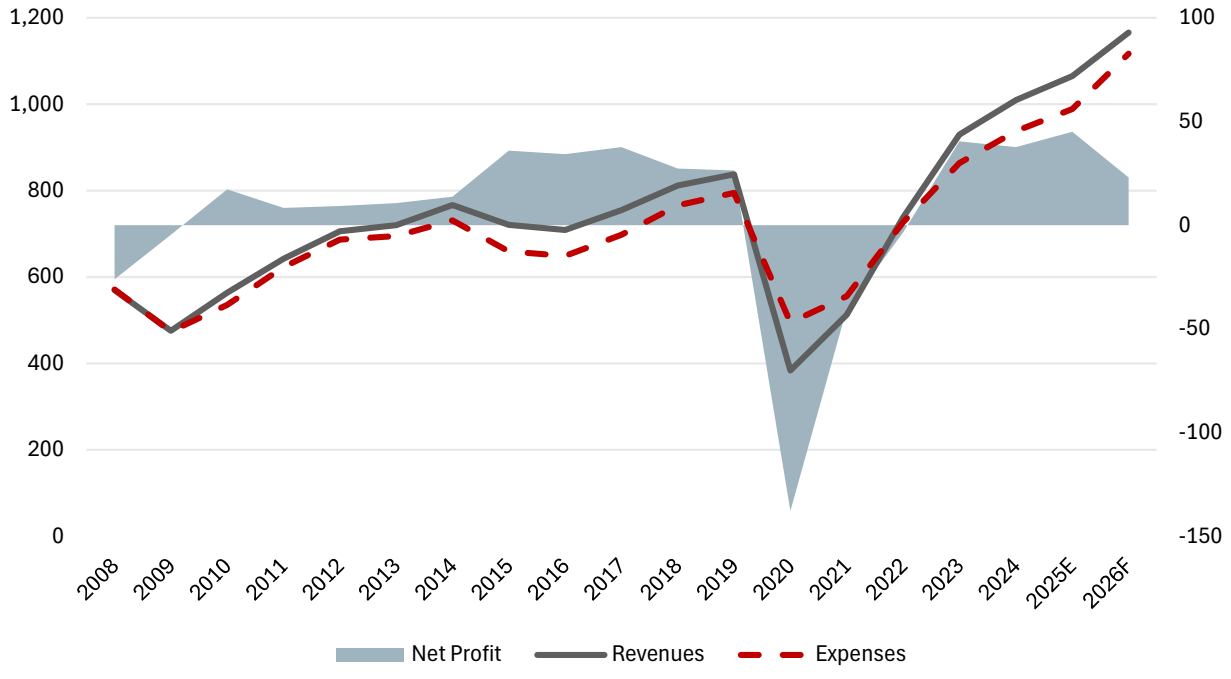
[3] Boeing's Commercial Market Outlook and Airbus's Global Market Forecast.

INDUSTRY PROFITABILITY

The air-transport industry remained resilient in 2025, navigating a challenging environment of elevated costs, capacity constraints, supply-chain disruptions, and aging aircraft. According to IATA's latest estimates, global airlines are projected to post a net profit of approximately US$45.0 billion in 2025, equating to a net margin of roughly 4.2%. At the same time, industry revenues are expected to top US$1.065 trillion, marking the first time collective airline revenues cross the trillion-dollar threshold. IATA had projected record net profits for the airline industry in 2026, assuming easing in jet fuel prices. However, the escalations in the Middle East and the associated fuel price shock have led to uncertainty in the industry. Additionally, the industry continues to wrestle with structural headwinds, including delayed aircraft deliveries, an aging fleet, elevated non-fuel costs (e.g., maintenance, labor, leasing), and persistent supply-chain constraints.

In short, while the airline industry is not yet generating outsized returns and continues to operate under tight margins, the trajectory through 2025–2026 reflects a meaningful stabilization and modest growth. While 2026 was expected to mark the strongest period of profitability since the pandemic-induced collapse, uncertainty looms, and challenges remain during the recovery.

Commercial Airline Profitability, US$B



Sources: IATA Update as of June 2026; mba Aviation Analysis

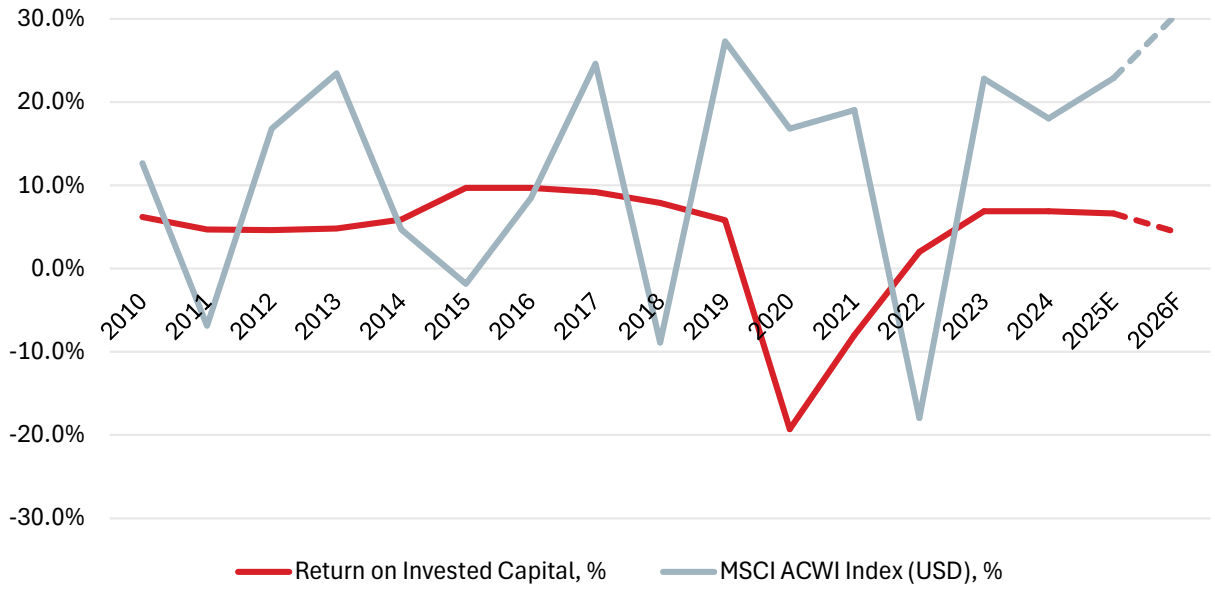
RETURN ON INVESTED CAPITAL

After years of historically low and volatile returns, the airline industry entered a rare period of financial stability in the decade leading up to 2019. The chart below illustrates that airline ROIC held in a steady 5.0–8.0% range for much of this period, supported by load-factor improvements, disciplined capacity management, and a strong global economy, even as equity markets (represented by the ACWI) fluctuated more sharply year to year.

The pandemic broke that stability. Airline ROIC plunged to a historic low in 2020, far below the drawdown seen in global equities, marking the most severe financial shock in the industry's modern history. But as traffic returned and carriers restructured their balance sheets, profitability recovered steadily. By 2022, ROIC had turned positive again, and by 2025, it is projected to reach 6.6%, putting the industry close to its pre-pandemic performance plateau, even if still short of the stronger years in the late 2010s.

The comparison with the ACWI underscores aviation's capital-intensive, cyclical nature: while global equities tend to swing widely with market sentiment, airline returns demonstrate long periods of stability punctuated by deep shocks and measured recoveries. This framing helps position the sector's current rebound as both meaningful and still evolving.

Commercial Airline Return on Invested Capital



Sources: IATA Update as of June 2026; MSCI (YTD Data as of June 7, 2026)

6. VALUATION APPROACHES & METHODS CONSIDERED

To arrive at the Conclusion of Value, mba considered three generally accepted approaches to valuation, namely: the Income Approach, the Market Approach, and the Cost Approach. The Income Approach seeks to convert future economic benefits into a present value. The Market Approach relies on values indicated by similar assets or comparable transactions. The Cost Approach is based on a comprehensive or all-inclusive analysis of the relevant cost components.

INCOME APPROACH

The Income Approach is based on the premise that the value of a security or asset is the present value of the future earnings capacity that is available for distribution to investors in the security or asset. Expected future earnings capacity can be measured by one of various benefit streams, such as cash flows, net income, or earnings before taxes, and can be calculated on a debt-free or after-debt basis. The choice of a proper stream of benefits depends on various factors, such as the enterprise's capital structure and its line of business. The Income Approach typically requires entity-specific assumptions, which are evaluated in the context of marketplace assumptions.

Two methods commonly used in the Income Approach are the Discounted Cash Flow Method and the Capitalization of Cash Flow Method. In the Discounted Cash Flow Method, future benefit streams are forecasted for a discrete period of time and then discounted back to their present value using a Discount Rate commensurate with the deemed level of risk. The Discounted Cash Flow Method is a multi-period model that also factors in the present value of a terminal value.

In the Capitalization of Cash Flow Method, the expected benefits for one time period are capitalized into perpetuity using a Capitalization Rate that is equal to the Discount Rate minus the expected long-term sustainable growth rate. The Capitalization of Cash Flow Method is predicated on stable earnings and constant growth and is most appropriate when it appears that a company's current and historical earnings can be considered indicative of its future operating results. Put another way, it is inherent in this method that past or current performance is a reasonable predictor of future performance.

Discount Rates and Capitalization Rates vary among particular types of businesses and from one period of time to another due to a variety of risk factors. Expressed as a percentage, the more speculative a company's income stream is, the higher the Discount Rate and Capitalization Rate.

Conversely, the more stable the income stream is, the lower the Discount Rate and Capitalization Rate.

MARKET APPROACH

The Market Approach references the valuation of actual transactions in the equity or whole enterprise of the Subject Entity or similar companies to the Subject Entity. Third-party transactions in the equity of the Subject Entity or similar companies generally represent the best estimate of value if they are done at arm's length. Under the Market Approach, valuation multiples are derived using data regarding either guideline companies with publicly traded equity or sale transactions involving similar businesses. Use of this approach requires a population of companies that are, as stated in IRS Revenue Ruling 59-60, in "the same or similar line of business" as the enterprise being valued and that have similar financial and operating characteristics. This approach is often difficult to implement for relatively small, closely held businesses because comparable guideline companies are scarce and reliable information is difficult to obtain.

Under the Guideline Public Company Method, some measure of value is derived from publicly traded stock prices of companies that are sufficiently similar to the business being valued to be classified as "guideline" companies. The value measure is usually some multiple computed by dividing the guideline company's market capitalization or the market value of invested capital (market capitalization plus interest-bearing debt) by some form of earnings or revenues. After suitable public companies are identified, valuation multiples can be derived, adjusted for comparability, and then applied to a subject entity to estimate the value of its equity or invested capital.

The Precedent Transaction Method, similar to the Guideline Public Company Method in its use of valuation multiples, focuses instead on transactions involving sales of entire companies. Such transactions reflect the varying facts and circumstances surrounding specific buyers and sellers (both stated and unstated). Information on such transactions can be obtained from various database services or industry publications. In addition, multiples derived from such transactions may not be indicative of fair market value, since they may reflect anticipated synergies sought after by a purchaser.

ASSET APPROACH

The third considered approach to valuation is the Asset Approach. This approach is based on the economic principle of substitution, and the asset value is influenced by the cost to substitute or replace the asset. The Asset Approach considers a comprehensive definition of cost, which may include time, materials, and opportunity cost of creating the asset.

The Asset Approach is generally applicable where the value of a business is concentrated in its tangible and identifiable intangible (i.e., not goodwill) assets and where such assets, when considered as a whole, produce a going concern value. The Asset Approach is frequently employed when determining the value of holding companies, family-limited partnerships, manufacturing concerns, or operating companies that have erratic or depressed earnings. In addition, the Asset Approach lends itself to valuing a controlling business interest since a minority owner, by definition, would not have the authority to acquire or liquidate assets. This is true because the assets are owned by the business and not by the owners of the business.

VALUATION APPROACH CHOSEN

The three approaches considered in this Valuation Engagement were the Income, Market, and Asset approaches. Like many businesses, there is a strong correlation between the Subject Route's value and its ability to generate future operating cash flows or earnings. It is, therefore, appropriate to use the Income Approach for this Valuation Engagement. To the extent that the Subject Route's current and historical results would be considered reasonable proxies for future benefits streams, the Capitalization of Cash Flow Method could be a suitable method under the Income Approach. It is mba's belief, given the contractual terms of future deliveries, that the Discounted Cash Flow Method is more suitable for this Valuation Engagement, and was the Method chosen under the Income Approach.

mba considered the available transactions of similar assets but ultimately concluded that the use of the Market Approach would not be relevant for this Valuation Engagement, as the transactions are well outside a reasonable time period and involve unique bilateral agreements that would not be appropriate for comparison.

Given the nature of the Subject Routes, mba concluded that use of the Asset Approach would not be appropriate for this Valuation Engagement, as this approach does not factor in the revenue-generating ability of the routes in question.

7. VALUATION APPROACHES & METHODS USED

INCOME APPROACH—DISCOUNTED CASH FLOW METHOD

Application of the Discounted Cash Flow Method requires the preparation of a reliable forecast of the expected future financial performance of the Subject Routes. In this context, the Subject Route's future financial performance is a reflection of its future revenues, operating expenses, taxes, and capital expenditures over some discrete period of time.

Forecasted cash flow must then be discounted to a present value using a Discount Rate that appropriately accounts for the market cost of capital as well as the risk and nature of the subject cash flows. Finally, an assumption must be made regarding the sustainable long-term rate of earnings growth at the end of the forecast period, and the terminal or residual value of the remaining cash flows must be discounted back to a present value. The sum of the present values of the forecasted cash flows and the terminal value equals the value of the franchise network.

EARNINGS FORECAST AND CASH FLOW ADJUSTMENTS

mba's valuation model is a bottom-up analysis of the Subject Entity's current and projected 10-year route-specific performance. Due to the significant volatility caused by fuel prices and economic demand, a 10-year detailed analysis was conducted to better incorporate the issues. Individual route results were projected with a detailed construction of yield, traffic, aircraft capacity, and operating cost data based on the Subject Entity's historical operating and financial performance. mba also applied various modeling assumptions for the forecast period based on its review of the data supplied by the Subject Entity, as well as its internal knowledge of current and projected industry conditions. These assumptions include the annual cost inflation rates, annual jet fuel price per gallon growth curve, passenger traffic and yield growth trends, and projected monthly aircraft lease rates.

TRAFFIC AND REVENUE ASSUMPTIONS

Using the historical data as a reference, mba developed annual passenger traffic and revenue projections for the 10-year rolling forecast period. The respective revenue projections are the result of a combination of traffic growth (RPK), available capacity (ASK), passenger yield, and average fare growth rates. In developing RPK and passenger yield growth projections, mba relied on historical data, mba industry knowledge, and figures from Boeing's Current Market Outlook 2025–2044 and

Airbus's Global Market Forecast 2025–2044. Passenger yield and average fares are in current dollar amounts (i.e., not discounted for annual inflation). Additionally, mba made projections by analyzing the Subject Entity's recent operational data and applying appropriate seasonality patterns to its forecasted results.

EXPENSE ASSUMPTIONS

The Subject Entity provided mba with line-item expenses for each route:

Expenses

- Fuel & Oil
- Landing & Take-off charges
- Cockpit Crew Salaries
- Cockpit- Prod & TLM
- Cabin Crew Salaries
- Cabin - Prod & TLM
- Ground Handling Charges
- Standard Inflight Provisions
- Inflight Entertainment
- Maintenance - TOTAL
- Fleet Cost
- Fixed Overhead

mba developed appropriate operational and revenue cost drivers for each of the above cost items. These cost drivers reflect the relationship between specific cost items and the operating or revenue parameters that generate those costs. As the activity or revenue cost drivers change over the forecast period, based on mba's projections, the values of the corresponding cost items change accordingly. mba applied an annual inflation rate in line with forecasts made by the International Monetary Fund to the above list of unit costs for the Forecast Period, except for fuel and aircraft ownership costs.

Fuel

During 2025, the Subject Entity paid an average of US$101.30 per barrel in aviation fuel to operate its services. In projecting yearly fuel prices per barrel, mba applied annual price increases to the base

figures, by route, based on actual jet fuel prices and growth rates forecasted by the Department of Energy, in conjunction with mba's judgment. Total annual fuel costs were calculated by applying the annual projected fuel prices per barrel to fuel consumed on a route- and aircraft-specific basis. Aircraft-specific fuel consumption rates per block hour were calculated based on data provided by the Subject Entity.

Aircraft Ownership

mba forecasted aircraft ownership costs based on the fleet cost data provided by the Client as well as current fair market lease rates of the aircraft used by the Subject Entity for each of the passenger routes. These rates were assumed to approximate aircraft ownership expense for the Subject Entity for the Forecast Period.

Maintenance

Costs were determined by evaluation of the Subject Entity's historic costs by route and aircraft.

OTHER VALUATION ASSUMPTIONS

Other relevant assumptions made by mba to complete this assignment include:

Inflation

mba analyzed the historic 120-month period to determine an appropriate inflation rate to use in the forecasted period and determined that an annual rate in line with IMF forecasts was appropriate, excluding potential future fuel price shocks.

Tax Rate

mba applied a 11.1% income tax rate throughout the forecast period, based on the Subject Airline's effective tax rate for 2025.

Non-Aircraft Capital Expenditures

mba projected the Subject Entity's annual non-aircraft capital expenditures to be equal to its previous year's projected non-aircraft Depreciation & Amortization amounts. mba assumed that as assets are consumed in passenger operations, the Subject Entity would replace them annually at equal cost. No additional capital expenditures were assumed above and beyond the Depreciation & Amortization amounts.

DISCOUNT RATE ESTIMATION

The Discount Rate applied to the forecasted benefit stream and terminal value must adequately reflect the nature of the applicable investment and the risk associated with the underlying cash flows. Stated another way, the Discount Rate represents the total rate of return that an investor would demand given the level of risk associated with an investment. For purposes of the valuation, mba derived the Subject Entity's Weighted Average Cost of Capital (WACC). This reflects the return required by all providers of capital, weighted by their relative contribution to total capital.

The after-tax Cost of Equity represents the return required by equity investors. mba considered two common methods of developing an appropriate Cost of Equity: the Buildup Method and the modified Capital Asset Pricing Model (CAPM). The Buildup Method starts with a risk-free rate of return and adds to it a number of identifiable risk factors. The modified CAPM is similar to the Buildup Method except that it requires the use of industry-specific beta information derived from similar public companies. For purposes of this Valuation Engagement, mba determined that the Buildup Method was appropriate for determining the Subject Entity's Cost of Equity.

The formula for the Buildup Method is $k_e = r_f + r_m + r_i + r_s + r_c$. The following definitions apply:

Cost of Equity Capital (k_e) - The return required by stockholders.

Risk-Free Rate (r_f) - The return on government securities with a term similar to that of the investment being valued.

Equity Risk Premium (r_m) - The additional return an investor expects in order to compensate for the additional risk associated with investing in equity securities instead of investing in a riskless asset; a measure of systematic risk.

Industry Risk Premium (r_i) - Unsystematic risk attributable to the industry in which the Subject Entity operates.

Size Premium (r_s) - Unsystematic Risk attributable to the widely acknowledged fact that smaller stocks, on average, are riskier than larger stocks and therefore require a greater return.

Country Risk (CRP) – Systematic Risk investors consider when investing in a specific country.

Specific Risk (r_c) – Unsystematic Risk attributable to a subject asset.

mba estimated the Subject Entity's Cost of Equity through the build-up method in the table below.

Cost of Equity	
Risk-Free Rate	3.5%
Equity Risk Premium	5.0%
Industry Risk Premium	2.3%
Size Premium	3.3%
Country Risk	2.2%
Specific Risk	1.0%
Estimated Cost of Equity Capital (After-Tax)	**17.3%**

The after-tax Cost of Debt is the return required by debt investors on long-term interest-bearing debt.

The formula for the after-tax rate of return is $k_d = k \times (1-t)$. The following definitions apply:

Cost of Debt (k_d) - The return required by debt investors.

Pre-tax Cost of Debt Capital (k) - Pre-tax cost of debt capital based on the yield of corporate bonds with a rating similar to that of the investment being valued.

Effective Income Tax Rate (t) - The percent of income that a corporation pays in taxes.

mba estimated the Subject Entity's Cost of Debt in the table below:

Cost of Debt	
Pre-Tax Cost of Debt Capital	6.2%
Effective Income Tax Rate	11.1%
Estimated Cost of Debt Capital (After-Tax)	**5.5%**

The risk factors used in the Buildup Method are individually computed and are intended to be independently additive and non-overlapping in their measurement of risk. The selected risk-free rate of return is the KROLL Normalized Risk-Free Rate. mba did not compute the risk premium factors and instead relied on the KROLL Cost of Capital Navigator in determining the Equity Risk Premium, Industry Risk Premium, and Size Premium. Specific risk is a matter of professional judgment and deals with the risk of a particular asset or company. The pre-tax cost of debt for a company with ratings similar to the Subject Entity at the time of this valuation is estimated at 6.2%. Using a current industry-observed capital structure of 58.9% debt to 41.1% equity, mba calculated the WACC to be 10.4%.

8. CONCLUSION OF VALUE

The following matrix summarizes mba's assessment of the value of the collateral associated with the Subject Routes.

	Conclusion of Value (US$)
Philippine Airlines' Route System	$3,734,450,000

It is important to note that this Conclusion of Value is for the operational route authorities and encompasses any necessary takeoff and landing slots and other licenses owned by the Subject Entity at the time of the Valuation required to operate these route authorities. Although mba does not assign a specific part of the overall value to takeoff and landing slots and other licenses required to operate the route authorities, the valuation methodology is based on an assumption that all such slots and licenses, regardless of any legal, regulatory, contractual or other restrictions or prohibitions on the Subject Entity's ability to transfer any such route authorities, slots, and licenses, or to pledge them as collateral, are a part of any collateral package or sale of the route authorities being appraised herein. Furthermore, while mba's Conclusion of Value does not specifically forecast market values for aircraft or other physical assets operated by the Subject Entity on these Subject Routes, the Cash Flow calculations incorporate market aircraft and other asset ownership costs.

This Conclusion of Value was prepared solely for the purpose described in this Valuation Report and should not be used for any other purpose. This Conclusion of Value is subject to the Statement of Assumptions & Limiting Conditions found in Section 10 and the Representation of the Valuation Analysts found in Section 11.

9. RISK FACTORS

The Conclusion of Value was developed assuming that key factors affecting the Subject Routes do not materially change from the Report Date. These factors include the economic, regulatory, competitive, and political environments. In the event that any key factors affecting assumptions used to derive the Conclusion of Value materially diverge, the valuation results would be expected to change accordingly. Several of the major risks are outlined below.

REGULATORY RISKS

mba's Conclusion of Value is based on the regulatory environment remaining in its currently expected state. In the event regulatory changes are made or bilateral agreements are adjusted, including capacity modifications on the Subject Routes or Subject Regions, the Conclusion of Value expressed in this Valuation Report could change significantly as market share and market size changes on the Subject Routes and in the Subject Regions.

TAKEOFF AND LANDING AUTHORITY, AIRPORT CAPACITY RISKS

The right to take off and land at each of the airports involved in the Subject Region is essential to the value of the route. Some of the markets are Open Skies markets but are also markets in which obtaining the desired airport access can be a difficult prospect, given the high level of demand.

POLITICAL RISKS

Political risk can also be a factor when dealing with international route authorities. A change in government in countries where a given route authority exists or a condition of political destabilization could potentially result in changes in bilateral relationships, including the reduction or addition of route authorities.

ECONOMIC RISKS

mba's valuation is based on current economic conditions regarding global and regional economies. Demand for air transport services is highly cyclical and is strongly correlated with economic trends. A downturn in the global economy would have a negative impact on demand for passenger air transportation. Likewise, increased prosperity would have a positive effect on personal incomes, causing a rise in passenger traffic. As the air transport industry experiences these variances, the values of the routes in question would witness similar phenomena.

COMPETITIVE RISKS

While competitive risk is closely related to regulatory risk, since regulators can dictate the number of competitors and frequency of operations, there are several added risk factors in the competitive sphere. The fiscal health of competitors on individual routes can impact route valuations, as a competitor in financial peril may be forced to sell off some of its routes in a distressed sale in order to raise capital. When divesting assets in a distressed state, the assets are generally sold for below market value, as the seller is under pressure to divest the asset and is generally willing to accept an offer below market value. If a competitor sells a route below market value, then this transaction, when used as a benchmark, may lower the values of similar routes. In the same manner, route sales by competitors that fetch prices in excess of the current market value will likely increase the values of the remaining routes.

Competitive risk can also be augmented by a competitor's acquisition of additional route authorities, be it either by issuance from a regulatory authority or purchase from another competitor. If a competitor who is already operating on a given route increases its frequencies by any means, it increases its dominance on the route by virtue of its added capacity and, because of its breadth of services, becomes a more formidable competitor in acquiring available business from potential customers.

Joint Ventures Agreements (JV) also influence the competitive market. JVs allow carriers to operate independently, but together optimize flight schedules, offer more fare levels, reciprocal frequent flyer accrual, redemption benefits to customers, and share various business risks. Another factor that increases competitive risk is merger activity between competitor airlines.

FUEL COST RISKS

The cost of fuel is one of the largest and most volatile expenses incurred by an airline. Recent history has witnessed a fuel market characterized by rapidly changing prices due to various market factors. mba has performed the valuations herein assuming fuel cost in proportion to that experienced in today's environment consistent with Department of Energy expectations. Increases in the cost of fuel will raise the total operating expenses incurred on these routes and, without the addition of surcharges or other revenue recovery initiatives to offset the additional cost, will lessen the profitability the airline obtains on the given routes. This decrease in profitability would, in turn, have a subsequent negative impact on the Conclusion of Value.

In the same manner, a decline in fuel prices will decrease airlines' operating expenses, increasing profitability and also giving a positive boost to the Conclusion of Value.

TRAFFIC AND REVENUE RISKS

mba's valuation is based on the assumption that the Subject Entity will be able to achieve the levels of passenger miles and yield growth rates projected by mba. If the Subject Entity is unable to attain these levels of growth, that could have a negative impact on the Conclusion of Value. If the Subject Entity attains higher levels of growth than incorporated in mba's model, that could have a positive impact on the Conclusion of Value.

NON-FUEL COST RISKS

While non-fuel costs are, in general, not nearly as volatile as fuel-related expenses, they nonetheless make up a significant portion of an airline's operating costs. Such costs include labor expenses, aircraft rent, landing fees, payments to regional carriers, and aircraft maintenance.

FLEET ASSUMPTION RISKS

mba assumed the Subject Entity's aircraft ownership costs should reflect current market lease rates. If the Subject Airline cannot achieve these rates and pays more than the assumed rate, it will have a negative impact on its operations. If the Subject Entity's ownership costs are lower than forecasted lease rates, it will benefit cash flows.

TAX RATE RISKS

mba applied a specific tax rate in forecasting future cash flows for the Subject Routes. To the extent that the actual tax rate achieved is higher than the assumed tax rate, the future cash flows will be lower. Yet, if the achieved tax rate is lower than mba's assumed tax rate, it will benefit future cash flows.

FOREIGN CURRENCY EXCHANGE RISKS

The Subject Entity is subject to foreign currency exchange risk as they have revenue and expense denominated in foreign currencies. The Subject Entity manages this exchange rate risk by executing both international revenue and expense transactions in the same foreign currency to the extent practicable.

OTHER RISKS

There are several other risks to the route valuations expressed herein, including but not limited to the threat of terrorist attacks, natural disasters, and pandemic illness.

10. STATEMENT OF ASSUMPTIONS & LIMITING CONDITIONS

1. The Conclusion of Value arrived at herein is valid only for the stated purpose as of the Valuation Date.
2. Financial statements and other related information provided by the Subject Airline or its representatives, in the course of this valuation, have been accepted without any verification as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein. mba has not audited, reviewed, or compiled the financial information provided to us, and accordingly, mba expresses no audit opinion or any other form of assurance on this information.
3. Public information and industry and statistical information have been obtained from sources mba believes to be reliable. However, mba makes no representation as to the accuracy or completeness of such information and has performed no procedures to corroborate the information.
4. mba does not provide assurance on the achievability of the results forecasted by the Subject Entity because events and circumstances frequently do not occur as expected, differences between actual and expected results may be material, and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
5. The Conclusion of Value arrived at herein is based on the assumption that the current level of management expertise and effectiveness will continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
6. This Valuation Report and the Conclusion of Value arrived at herein are for the exclusive use of the Subject Entity for the sole and specific purposes as noted herein. They may not be used for any other purpose or by any other party for any purpose. Furthermore, the Valuation Report and Conclusion of Value are not intended by the author and should not be construed by the reader to be investment advice in any manner whatsoever. The Conclusion of Value represents the considered opinion of mba, based on information furnished to them by the Subject Entity and other sources.
7. Neither all nor any part of the contents of this Valuation Report (especially the Conclusion of Value, the identity of any valuation analyst(s), or the firm with which such valuation analysts are connected or any reference to any of their professional designations) should be

disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other means of communication without the prior written consent and approval of mba.

8. Future services regarding the subject matter of this Valuation Report, including but not limited to testimony or attendance in court, shall not be required of mba unless previous arrangements have been made in writing.
9. mba has not determined independently whether the Subject Entity is subject to any present or future liability relating to environmental matters (including, but not limited to CERCLA/Superfund liability), nor the scope of any such liabilities. mba's valuation takes no such liabilities into account, except as they have been reported to mba by the Subject Entity or by an environmental consultant working for the Subject Entity, and then only to the extent that the liability was reported to mba in an actual or estimated dollar amount. Such matters, if any, are noted in the Valuation Report. To the extent such information has been reported to mba, mba has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.
10. No change of any item in this Valuation Report shall be made by anyone other than mba, and mba shall have no responsibility for any such unauthorized change.
11. Unless otherwise stated, no effort has been made to determine the possible effect, if any, on the Subject Entity due to future Federal, state, or local legislation, including any environmental or ecological matters or interpretations thereof.
12. mba has corresponded with the current management of the Subject Entity concerning the past, present, and prospective operating results of the company.
13. mba has not attempted to confirm whether or not all assets of the business are free and clear of liens and encumbrances or that the entity has good title to all assets.

11. REPRESENTATIONS OF THE VALUATION ANALYSTS

mba represents, as of the Valuation Date, to the best of our knowledge and belief, that:

- The analyses, opinions, and Conclusion of Value included in the Valuation Report are subject to the specified assumptions and limiting conditions and are the personal analyses, opinions, and Conclusion of Value of the valuation analyst.
- The economic and industry data included in the Valuation Report have been obtained from various printed or electronic reference sources that the valuation analyst believes to be reliable. The valuation analyst did not perform any corroborating procedures to substantiate the data.
- The historic operational data and future schedules used in the valuation were provided by the Subject Entity, which the valuation analyst believes to be reliable. The valuation analyst did not perform any corroborating procedures to substantiate the data.
- The valuation analyst is unrelated to the Subject Entity and has no current or expected interest in the Subject Entity or its assets.
- The Valuation Report was prepared for the information and use of the party or parties identified therein. The Valuation Report is not intended to be and should not be used by anyone other than such parties.
- The Valuation Report was prepared for the purpose stated therein. The Valuation Report is not intended to be and should not be used for any other purpose.
- The valuation analyst has no obligation to update the Valuation Report or the Conclusion of Value for information that comes to his or her attention after the date indicated above.
- The valuation analyst's compensation for the valuation engagement is in no way contingent on the outcome of the valuation.
- This report represents mba's opinion as to the value of the Subject Routes and is intended to be advisory only and is not given for or as an inducement for any specific financial transaction. Therefore, mba assumes no financial responsibility or legal liability for actions taken or not taken by the Subject Entity or any other party with regard to the subject assets. mba accepts no responsibility for damages, if any, claimed by a third party as a result of decisions or actions taken based on the information contained in this report. By accepting this Valuation Report, all parties agree to indemnify and hold harmless mba against all losses, claims, and costs arising as a result of the conclusions contained in this report and

agree mba shall bear no such responsibility or legal liability except when directly attributable to gross negligence or willful misconduct by mba.

PREPARED BY:



Anala Ravinarayan
Director | Airline & Airport Services
mba Aviation

June 29, 2026

REVIEWED BY:



Anne Agnew Correa
Senior Vice President | Airline & Airport Services
mba Aviation

12. APPENDIX

Country / Region	Routes[4]
[redacted]	[redacted]
[redacted]	[redacted]
[redacted]	[redacted]

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Philippine Airlines, Inc.
Lucio K. Tan, Jr. Center, PAL Gate 5
Andrews Avenue, Barangay 184, Pasay City

We have reviewed the accompanying interim condensed consolidated financial statements of Philippine Airlines, Inc. (a subsidiary of PAL Holdings, Inc.) and its Subsidiaries (the Group), which comprise the interim condensed consolidated statements of financial position as at March 31, 2026 and December 31, 2025 and the related interim condensed consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three-month periods ended March 31, 2026 and 2025, and explanatory notes to interim condensed consolidated financial statements. Management is responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review
We conducted our review in accordance with Philippine Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with PAS 34.

SYCIP GORRES VELAYO & CO.

Shane Dave D. Tanguin
Partner
CPA Certificate No. 0115818
Tax Identification No. 242-153-393
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 115818-SEC (Group A)
Valid to cover audit of 2026 to 2030 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2026 to 2030 financial statements
BIR Accreditation No. 08-001998-157-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10765136, January 2, 2026, Makati City

June 24, 2026

A member firm of Ernst & Young Global Limited

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
March 31, 2026
(With Comparative Audited Figures as at December 31, 2025)
(United States Dollar Amounts in Thousands)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**$614,758**	$431,446
Receivables (Note 4)	**207,316**	157,690
Expendable parts, fuel, materials, and supplies (Note 5)	**93,307**	89,162
Other current assets (Note 6)	**140,332**	149,058
Total Current Assets	**1,055,713**	827,356
Noncurrent Assets		
Property and equipment (Note 7)		
At cost	**2,744,745**	2,616,692
At appraised values	**14,325**	15,100
Investment in an associate (Note 8)	**54,552**	54,111
Deferred income tax assets	**75,313**	72,287
Other noncurrent assets (Note 9)	**318,689**	298,515
Total Noncurrent Assets	**3,207,624**	3,056,705
TOTAL ASSETS	**$4,263,337**	$3,884,061
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**$618,982**	$528,904
Unearned transportation revenue (Note 12)	**499,210**	425,437
Current portion of long-term obligations (Note 11)	**452,454**	443,336
Total Current Liabilities	**1,570,646**	1,397,677
Noncurrent Liabilities		
Long-term obligations - net of current portion (Note 11)	**1,367,931**	1,242,668
Accrued employee benefits	**270,697**	273,082
Reserves and other noncurrent liabilities (Note 12)	**190,456**	185,546
Total Noncurrent Liabilities	**1,829,084**	1,701,296
Total Liabilities	**3,399,730**	3,098,973
Equity		
Capital stock (Note 13)	**34,892**	34,892
Capital in excess of par	**529,548**	529,548
Other equity reserves	**26,300**	26,300
Other comprehensive loss	**(17,695)**	(17,726)
Retained earnings	**289,912**	211,424
Equity Attributable to the Equity Holders of the Parent Company	**862,957**	784,438
Non-controlling Interests	**650**	650
Total Equity	**863,607**	785,088
TOTAL LIABILITIES AND EQUITY	**$4,263,337**	$3,884,061

See accompanying Notes to Interim Condensed Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE-MONTH PERIODS ENDED MARCH 31

(United States Dollar Amounts in Thousands)

	2026 (Unaudited)	2025 (Unaudited)
REVENUE		
Passenger	**$759,646**	$698,588
Cargo	**43,207**	35,272
Ancillary	**83,556**	75,149
Others	**9,293**	7,683
	895,702	816,692
EXPENSES		
Flying operations (Note 14)	**447,080**	409,592
Maintenance	**111,535**	95,460
Aircraft and traffic servicing (Note 14)	**90,796**	88,173
Passenger service	**60,227**	59,119
Reservation and sales	**61,433**	65,238
General and administrative (Note 14)	**22,777**	23,693
	793,848	741,275
OTHER INCOME (CHARGES) - Net		
Financing charges	**(30,934)**	(25,671)
Share in net income of an associate (Note 8)	**441**	–
Other income (charges) - net (Note 15)	**6,609**	36,913
	(23,884)	11,242
INCOME BEFORE INCOME TAX	**77,970**	86,659
INCOME TAX BENEFIT (EXPENSE)		
Current	**(2,295)**	(2,149)
Deferred	**2,844**	(8,009)
	549	(10,158)
NET INCOME	**78,519**	76,501
OTHER COMPREHENSIVE INCOME		
Other comprehensive income, net of deferred income tax effect	**31**	248
TOTAL COMPREHENSIVE INCOME	**$78,550**	$76,749
Net income attributable to:		
Equity holders of the Parent Company	**$78,519**	$73,714
Non-controlling interests	**–**	2,787
	$78,519	$76,501
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**$78,550**	$73,962
Non-controlling interests	**–**	2,787
	$78,550	$76,749

See accompanying Notes to Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2026 AND 2025
(United States Dollar Amounts in Thousands)

				Other Components of Equity								
	Capital Stock	Capital in Excess of Par	Other Equity Reserves	Cumulative Translation Adjustment	Net Changes in Fair Values of Financial Assets at FVTOCI	Revaluation Increment	Remeasurement Gains (Losses) on Defined Benefit Plan	Subtotal	Retained Earnings	Equity Attributable to the Equity Holders of the Parent	Non-Controlling Interest	Total
BALANCES AT DECEMBER 31, 2024	**$34,892**	**$529,548**	**$27,039**	**$1,002**	**$55**	**$12,691**	**($26,498)**	**($12,750)**	**$29,154**	**$607,883**	**$177,596**	**$785,479**
Net income for the period	–	–	–	–	–	–	–	–	73,714	73,714	2,787	76,501
Other comprehensive income	–	–	–	–	18	230	–	248	–	248	–	248
Total comprehensive income for the period	–	–	–	–	18	230	–	248	73,714	73,962	2,787	76,749
Transfer of portion of revaluation increment in property realized through depreciation, net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	–	(772)	–	(772)	772	–	–	–
BALANCES AT MARCH 31, 2025	**$34,892**	**$529,548**	**$27,039**	**$1,002**	**$73**	**$12,149**	**($26,498)**	**($13,274)**	**$103,640**	**$681,845**	**$180,383**	**$862,228**
BALANCES AT DECEMBER 31, 2025	**$34,892**	**$529,548**	**$26,300**	**$1,007**	**$63**	**$10,589**	**($29,385)**	**($17,726)**	**$211,424**	**$784,438**	**$650**	**$785,088**
Net income for the period	–	–	–	–	–	–	–	–	78,519	78,519	–	78,519
Other comprehensive income	–	–	–	–	31	–	–	31	–	31	–	31
Total comprehensive income for the period	–	–	–	–	31	–	–	31	78,519	78,550	–	78,550
Transfer of portion of revaluation increment in property realized through depreciation, net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	–	–	–	–	(31)	(31)	–	(31)
BALANCES AT MARCH 31, 2026	**$34,892**	**$529,548**	**$26,300**	**$1,007**	**$94**	**$10,589**	**($29,385)**	**($17,695)**	**$289,912**	**$862,957**	**$650**	**$863,607**

See accompanying Notes to Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE-MONTH PERIODS ENDED MARCH 31

(United States Dollar Amounts in Thousands)

	2026 (Unaudited)	2025 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$77,970**	$86,659
Adjustments for:		
Depreciation and amortization (Note 14)	**111,073**	96,980
Financing charges	**30,934**	25,671
Interest income	**(4,004)**	(3,509)
Income from credit memos (Note 15)	**–**	(26,345)
Unrealized foreign exchange gain - net	**(4,326)**	(5,506)
Movement in accrued employee benefits payable	**6,599**	1,467
Provision for litigations, and other noncurrent liabilities - net	**2,497**	(2)
Operating income before changes in working capital	**220,743**	175,415
Decrease (increase) in:		
Receivables	**(79,518)**	11,940
Expendable parts, fuel, materials and supplies	**(4,145)**	8,299
Other current assets	**(30,938)**	9,856
Increase (decrease) in:		
Accounts payable and accrued expenses	**117,847**	(45,258)
Unearned transportation revenue	**81,035**	25,367
Net cash generated from operations	**305,024**	185,619
Financing charges paid	**(24,169)**	(16,696)
Interest income received	**1,515**	1,902
Income taxes paid, including creditable withholding and final taxes	**(5,390)**	(1,762)
Net cash flows from operating activities	**276,980**	169,063
CASH FLOWS FROM AN INVESTING ACTIVITY		
Additions to property and equipment	**(40,020)**	(118,213)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long-term obligation (Note 11)	**76,700**	130,500
Payments of long-term obligations	**(125,888)**	(156,733)
Net cash flows used in financing activities	**(49,188)**	(26,233)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,460)**	2,165
NET INCREASE IN CASH AND CASH EQUIVALENTS	**183,312**	26,782
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**431,446**	387,005
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$614,758**	$413,787

See accompanying Notes to Financial Statements.

1. Corporate Information

Philippine Airlines, Inc. (the Parent Company or PAL), referred to as the Philippines' national flag carrier, was incorporated in the Philippines on February 25, 1941. On March 20, 1990, the Parent Company applied and was granted an extension of its corporate life by the Philippine Securities and Exchange Commission (SEC) for another 50 years from February 1991. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have perpetual life.

The Parent Company and its subsidiaries (collectively referred to herein as "the Group") are primarily engaged in air transport of passengers and cargo within the Philippines and between the Philippines and several international destinations.

PAL is a subsidiary of PAL Holdings, Inc. (PHI), a company listed in the Philippine Stock Exchange. As of March 31, 2026 and December 31, 2025, PHI has 97.89% ownership interest in PAL

PHI is 33.26% owned by Trustmark Holdings Corporation (Trustmark). As of March 31, 2026 and December 31, 2025, Trustmark is 60% owned by Buona Sorte Holdings, Inc. (BSHI) and 40% owned by Horizon Global Investments, Ltd. (HGIL). The Group's ultimate parent is Buona Sorte Holdings, Inc. (BSHI), a company incorporated in the Philippines and are part of the Lucio Tan Group of Companies.

Effective March 2014, the PAL entered into a Code Share Agreement with Air Philippines Corporation, (APC), an entity under common control. Under the Code Share Agreement, PAL markets and sells the passenger tickets, while APC provides transportation services to PAL by operating the flights at agreed-upon rates.

The Parent Company's registered office address is Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Avenue, Barangay 184, Pasay City.

2. Basis of Preparation and Changes in Accounting Policies

Basis of Preparation

The interim condensed consolidated financial statements have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The interim condensed consolidated financial statements are presented in United States dollar (USD), the Parent Company's functional and presentation currency. All amounts are rounded to the nearest thousands, except otherwise indicated.

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, not less than 12 months from the end of the reporting period.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2025.

The interim condensed consolidated financial statements have been prepared for inclusion in the Offering Memorandum/Circular in connection with the planned capital raising activity.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2025. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Four amendments apply for the first time in 2026 but do not have significant impact on the interim condensed consolidated financial statements of the Group.

- Amendment to Illustrative Example on PFRS 7, *Financial Instruments: Disclosure*, PFRS 18, *Presentation and Disclosure in Financial Statements*, PAS 1, *Presentation of Financial Statements*, PAS 8, *Accounting Policies*, *Changes in Accounting Estimates and Errors*, PAS 36, *Impairment of Assets*, and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, *Disclosures about Uncertainties in the Financial Statements.*

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The example address topics such as materiality judgments, significant judgments and estimates, and aggregation and disaggregation.

  The amendments have no significant impact to the Group's interim condensed consolidated financial statement.

- Philippine Interpretation Committee (PIC) Q&A No. 2025-03 Accounting for cash received/paid via electronic transfer as settlement for a financial asset/liability, Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Classification and Measurement of Financial Instruments*

  The amendments clarify that financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The Group adopted the interpretation and amendments using a modified retrospective approach. However, there is no impact on the beginning retained earnings as of January 1, 2026 as the adoption of the standards does not have an impact on profit or loss in prior years. There is also no significant impact on the Group's financial position, performance and cash flows for 2026.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*



- Annual Improvements to PFRS Accounting Standards-Volume 11

  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved.

  - Amendments to PFRS 1, *First-Time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lease Liabilities and Transaction Price*
  - Amendments to PFRS 10, *Consolidated Financial Statements, Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective January 1, 2027

- PFRS 18
  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include: (1) required totals, subtotals and new categories in the statement of profit or loss; (2) disclosure of management-defined performance measures; and (3) guidance on aggregation and disaggregation. The Group is currently assessing the impact of these amendments.

Basis of Consolidation

The interim condensed consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at March 31, 2026 and December 31, 2025 and for the three-month periods ended March 31, 2026 and March 31, 2025. The financial statements of the subsidiaries are prepared using consistent accounting policies as those of the Parent Company.

The subsidiaries and the respective percentages of ownership of the Parent Company as at March 31, 2026 and December 31, 2025 are as follows:

Company	Incorporation	Ownership interest	Nature of operations
Sabre Travel Network (Philippines), Inc. (Sabre)	Philippines	**83%**	Development and marketing of computerized airline reservation system
PAL Receivables Co. Ltd. (PRC)	Cayman Island	–	Structured entity
Mabuhay Miles Inc. (MMI) [(a)]	Philippines	**100%**	Promote the frequent flyer program of the Parent Company.
Maritime Express Transport Inc. (MMET) [(a)]	Philippines	**100%**	Water transportation of passengers and cargoes

[(a)] *Ceased commercial operations.*

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intragroup transactions and dividends are eliminated in full.

3. Cash and Cash Equivalents

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash on hand and in banks	**$270,826**	$342,139
Cash equivalents	**343,932**	89,307
	$614,758	$431,446

4. Receivables

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
General traffic	**$186,015**	$132,895
Related parties	**59,213**	61,906
Non-trade*	**75,353**	74,312
	320,581	269,113
Less allowance for ECL	**113,265**	111,423
	$207,316	$157,690

**Non-trade receivables include, among others, accounts under litigation, receivables from employees and other receivables.*

5. Expendable Parts, Fuel, Materials and Supplies

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
At cost:		
Expendable parts	**$56,026**	$52,846
Fuel	**21,384**	20,439
Materials and supplies	**5,533**	4,950
	82,943	78,235
At net realizable value - expendable parts	**10,364**	10,927
	$93,307	$89,162

6. Other Current Assets

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Deposits and prepayments	**$77,722**	$82,180
Security deposits	**37,593**	37,593
Finance lease receivables	**19,891**	17,475
Input VAT	**5,126**	11,810
	$140,332	$149,058

7. **Property and Equipment**

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
At Cost		
Cost:		
Passenger aircraft, engines and improvements	**$162,542**	$169,532
Rotable and reparable parts	**255,366**	255,912
Ground property and equipment	**208,886**	209,936
Right-of-use assets:		
Passenger aircraft, engines and leasehold improvements	**3,771,709**	3,504,733
Ground property and equipment	**74,808**	75,811
	4,473,311	4,215,924
Accumulated Depreciation:		
Passenger aircraft, engines and leasehold improvements	**(102,420)**	(96,309)
Rotable and reparable parts	**(136,104)**	(126,927)
Ground property and equipment	**(152,272)**	(151,397)
Right-of-use assets:		
Passenger aircraft, engines and leasehold improvements	**(1,676,027)**	(1,599,858)
Ground property and equipment	**(10,815)**	(11,137)
	(2,077,638)	(1,985,628)
Accumulated Impairment:		
Passenger aircraft and engines	**(111,660)**	(111,660)
Rotable and reparable parts	**(3,050)**	(3,050)
Ground property and equipment	**(233)**	(233)
Construction-in-progress	**(3,954)**	(3,954)
	(118,897)	(118,897)
Net book value	**2,276,776**	2,111,399
Construction in progress	**467,969**	505,293
Total	**$2,744,745**	$2,616,692
At Revalued Amount		
Buildings and improvements:		
Revalued amount	**$23,932**	$23,932
Accumulated depreciation and amortization	**(9,607)**	(8,832)
Net book value	**$14,325**	$15,100

The fleet as of March 31, 2026 and December 31, 2025 are as follows:

	March 31, 2026 (Unaudited	December 31, 2025 (Audited)
Owned		
Airbus A320-200	**2**	2
Under capital lease		
Boeing B777-300ER	**3**	3
Airbus A330-300	**5**	5
Airbus A321-231	**10**	10
Airbus A321-271N	**6**	6
Airbus A320-200	**7**	7
Bombardier DHC 8-400 NG	**5**	5
Under operating lease		
Boeing B777-300ER	**7**	7
Airbus A350-900	**2**	2
Airbus A350-1000	**1**	1
Airbus A330-300	**6**	6
Airbus A321-231	**12**	12
Airbus A321-271NX	**2**	2
Airbus A320-200	**9**	8
Bombardier DHC 8-400 NG	**6**	6
	83	82

These aircraft do not include five Bombardier DHC 8-400 and four Bombardier DHC 8-300 non-operating aircraft that are fully depreciated as of March 31, 2026 and December 31, 2025.

In February 2026, PAL took delivery of one Airbus A320-200 under an operating lease agreement with a third party, which was subsequently subleased to APC.

8. Investments in an Associate

On December 31, 2025, FSL and the Parent Company executed a Share Buyback and Set-off Agreement. The purchase price to buy back the FSL's issued shares was set-off against the receivable of FSL from the Parent Company arising from the aircraft-related obligation. The Parent Company's ownership interest in FSL decreased from 65% to 30%, resulting in deconsolidation of the balances of FSL. Following the deconsolidation as of December 31, 2025, the Group accounts for the remaining interest of 30% as investment in an associate.

Details of the investment in an associate are presented below:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Cost:		
Beginning of year	**$8**	$168,901
Share buy-back	**–**	(168,893)
	8	8
Accumulated equity in net earnings:		
Balance at beginning	**54,103**	159,910
Effect of change in ownership interest	**–**	105,807
Share in net income for the year	**441**	–
	54,544	54,103
	$54,552	$54,111

The following are the summarized statement of financial position of FSL as of March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Current assets	**$178,220**	$178,961
Noncurrent assets	**31,348**	32,209
Current liabilities	**13,102**	12,383
Noncurrent liabilities	**14,626**	18,416
Equity	**181,840**	180,371

The following are the summarized statement of comprehensive income of FSL for the period ended March 31, 2026 and 2025:

	2026	2025
Revenue	**$2,589**	$7,874
Net income	**1,469**	7,963

9. Other Noncurrent Assets

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Long-term security deposits	**$106,738**	$110,350
Creditable withholding taxes	**73,951**	70,856
Deposits on aircraft leases	**24,411**	24,151
Manufacturers' credits	**–**	3,649
Finance lease receivables - net of current portion (Note 6)	**73,166**	51,076
Financial assets at FVTOCI	**2,261**	2,230
Investment properties	**4,751**	4,751
Others	**33,411**	31,452
	$318,689	$298,515

Others mainly include the noncurrent portion of nontrade claims receivables.

10. Accounts Payable and Accrued Expenses

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Accounts payable	**$197,516**	$190,386
Accrued expenses:		
Maintenance	**213,567**	176,702
Ground handling charges	**34,241**	29,647
Salaries and wages	**30,259**	26,466
Agent incentive	**30,126**	19,586
Landing and take-off fees	**26,694**	22,653
Professional fees and other services	**18,957**	16,836

(Forward)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Passenger food and supplies	**$13,392**	$7,004
Advertising	**10,453**	9,792
Lease charges	**8,519**	7,921
Rent - property and equipment	**7,619**	2,450
Taxes	**4,676**	4,848
Interest	**4,257**	4,436
Others	**18,706**	10,177
	$618,982	$528,904

Other accrued expenses include accruals for other operating expenses**.**

11. **Long-term Obligations**

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Lease liabilities	**$1,499,943**	$1,366,070
Long-term debt	**320,442**	319,934
	1,820,385	1,686,004
Less current portion	**452,454**	443,336
	$1,367,931	$1,242,668

As at March 31, 2026, PAL had total outstanding indebtedness consisting of lease liabilities arising from operating leases, finance or capital leases, U.S. Dollar Asset-Backed Securities, JPY Asset Backed Securities, Pre-Delivery Payment (PDP) Financing and Debtor-in-Possession Facility (net of unamortized transaction costs) of $1,820.39 million, of which $11.71 million was unsecured.

Lease liabilities on Aircraft and Engines

Operating Leases

PAL has various operating leases covering 45 aircraft and 6 spare engines. As of March 31, 2026, the outstanding balances of these obligations amounted to $745.10 million, with current portion amounting to $130.08 million.

During the first quarter of 2026, PAL accepted the delivery of one Airbus A320-200 aircraft. In addition, PAL extended its operating leases on three Airbus A330-300 aircraft, one Airbus A321-231 aircraft and three Bombardier DHC 8-400NG aircraft up to various dates from 2032 to 2034.

In 2025, PAL accepted the deliveries of one Airbus A350-1000 aircraft and two Airbus A320-200 aircraft under operating lease agreements. In addition, PAL also accepted deliveries of three spare engines during the year.

Finance Leases

PAL is a party to various financing agreements under which 36 aircraft and 15 spare engines serve as collaterals. Total outstanding balances related to these financing agreements amounted to $683.78 million as of March 31, 2026, with current portion amounting to $141.96 million.

Below are the details of these financing agreements entered in 2026 and 2025:

- In various dates in 2025, PAL entered into refinancing transactions through sale and leaseback arrangements for 12 aircraft, including the nine aircraft purchased by PAL from FSL during the year. Total proceeds from these aircraft financing amounted to $226.49 million. These refinancing facilities carry a variable interest rate based on Term SOFR and payable in quarterly installments over a term of five years. As of March 31, 2026, the outstanding amount of these obligations amounted to $182.44 million, with current portion amounting to $45.56 million.

- In various dates in 2025, PAL entered into refinancing transactions through sale and leaseback arrangements involving nine spare engines. Total proceeds from these engine financing transactions amounted to $122.00 million. In March 2026, a third tranche was completed for the three spare engines totaling $41.70 million. As of March 31, 2026, the carrying amount of these obligations amounted to $163.29 million, with current portion amounting to $20.61 million. These refinancing facilities carry either a variable interest rate based on Term SOFR or fixed interest and payable in quarterly installments over a term ranging between five to twelve years. In 2025, PAL completed a brand new 12-year UKEF-covered loan that funded one Rolls-Royce Trent XWB-97 spare engine.

The present value of minimum lease commitments for the Group's lease liabilities as of March 31 2026 and December 31, 2025 follows:

	March 31, 2026		December 31, 2025	
	Minimum lease commitments	**Present value of lease commitments***	Minimum lease commitments	Present value of lease commitments*
Due within one year	**$361,916**	**$272,034**	$353,325	$270,351
Due after one year but within five years	**936,724**	**764,504**	922,286	767,421
Due in more than five years	**441,790**	**392,345**	307,224	257,676
Minimum lease payments	**1,740,430**	**1,428,883**	1,582,835	1,295,448
Interest and others	**(311,547)**	–	(287,387)	–
	1,428,883	**1,428,883**	1,295,448	1,295,448
Less current portion	**272,034**	**272,034**	270,351	270,351
	$1,156,849	**$1,156,849**	$1,025,097	$1,025,097

**Include obligations under lease with bargain purchase option amounting to $683.78 million as of March 31, 2026 and $680.06 million as of December 31, 2025.*

Lease Liabilities on Ground Property

PAL has various long-term ground property lease agreements with Manila International Airport Authority (MIAA), New NIAI Infra Corp (NNIC) and other airports operators within the vicinity of such airports where PAL operates in the Philippines (see Note 15). As of March 31, 2026, the outstanding amount of these right-of-use liabilities was $71.06 million, with current portion of $4.45 million.

The present value of minimum lease commitments for the Group's ground property leases as of March 31, 2026 and December 31 follows:

	March 31, 2026		December 31,2025	
	Minimum lease commitments	**Present value of lease commitments**	Minimum lease commitments	Present value of lease commitments
Due within one year	**$8,866**	**$4,451**	$8,158	$3,707
Due after one year			26,190	9,844
but within five years	**27,816**	**11,632**		
More than five years	**74,777**	**54,977**	77,788	57,071
Minimum lease payments	**111,459**	**71,060**	112,136	70,622
Interest and others	**(40,399)**	**–**	(41,514)	–
	71,060	**71,060**	70,622	70,622
Less current portion	**4,451**	**4,451**	3,707	3,707
	$66,609	**$66,609**	$66,915	$66,915

Long-term Debt

$735.00 million US Dollar asset-backed securities

From 2015 to 2024, PAL obtained asset-backed securities totaling $735.00 million from a counterparty bank for additional working capital. The loans are secured by current and future collections from passenger sales made in the United States through designated credit card companies. The loans are repaid through monthly installment subject to interest of one-month Secure Overnight Financing Rate (SOFR) basis from July 25, 2023 onwards floating rate with final maturity in June 2028.

The outstanding balance of these loans amounted to $144.07 million as of March 31, 2026, with the current portion amounting to $64.68 million. As of March 31, 2026, the outstanding pledged receivables amounted to $5.85 million. The receivables collected through the credit card companies will be applied against the monthly installment due. A sinking fund amounting to $18.69 million is outstanding to guarantee these loans. These loans are subject to certain covenants, which include, among others, maintenance of a coverage ratio. As of March 31, 2026, PAL was compliant with the loan covenants.

$450.00 million Japanese Yen asset-backed securities

From 2015 to 2019, the Parent Company obtained asset-backed securities totaling $450.00 million from a counterparty bank for additional working capital. The loans are secured by current and future passenger and cargo receivables denominated in Japanese Yen through identified agents in Japan. The loans are repaid through monthly installment subject to interest of one-month SOFR plus margin with a final maturity in March 2028.

The outstanding balance of these loans amounted to $60.14 million as of March 31, 2026, with the current portion amounting to $30.07 million. As of March 31, 2026, the outstanding pledged receivables amounted to $1.68 million. The receivables collected through the identified agents in Japan will be applied against the monthly installment due. A sinking fund amounting to $7.53 million was outstanding to guarantee the loans as of March 31, 2026. These loans are subject to certain covenants, which include maintenance of a coverage ratio. As of March 31, 2026, PAL was compliant with the required coverage ratio.

$250.00 million from BSHI [Debtor in Possession (DIP) A Facility]
In accordance with the Restructuring Support Agreement (RSAs) and the 2021 Restructuring Plan, the PAL and BSHI executed the DIP Credit Agreement for the DIP A Facility (the DIP A Facility Agreement) on September 17, 2021 amounting to $250.00 million, which was used for refinancing the prepetition bridge loan, payment of fees and for costs and expenses of the DIP lender, working capital requirements and administration costs of the Chapter 11 case and general corporate purposes of PAL. The Plan Term Sheet of the RSAs and the DIP A Facility Agreement provide the following material terms of the credit facility implemented as part of restructuring: (a) interest will apply only for the first 27 months; (b) quarterly amortization starting on the 28th month until the 63rd month following the availment date; and (c) first priority security interests in eight A320 200 aircraft and related engines, four DHC 8-300 and two DHC 8-400 aircraft and related engines (collectively the Tranche A Security Package). Upon the effective date of the Plan, at the sole discretion of PAL, the Tranche A Security Package had been released and the DIP A Facility was converted into an unsecured loan facility for the remainder of the original 63-month post-petition term.

In 2023, PAL and BSHI entered into three amendment agreements that allowed PAL to prepay the loan in the amount of $25.00 million, $50.00 million and $50.00 million, respectively. In 2025 and 2024, PAL repaid $58.62 million and $43.85 million of principal, respectively. As of March 31, 2026, the outstanding balance of this loan amounted to $11.71 million with final maturity in July 2026.

$177.7 million A350-1000 Pre-Delivery Payment (PDP) Financing
In June 2023, PAL entered into an A350-1000 Purchase Agreement with Airbus S.A.S. for the purchase of nine Airbus A350-1000. In September 2025, the PAL signed a term sheet with a third party as lender, security trustee, and arranger to finance a portion of the PDPs for Aircraft Rank Nos. 5 to 9 totaling $177.70 million. PAL drew down $69.52 million and $35.00 million in 2025 and in the first quarter of 2026, respectively. This refinancing facility carries a variable interest rate based on Term SOFR and payable upon delivery of each aircraft. As of March 31, 2026, the outstanding balance of this loan amounted to $104.52 million, with current portion amounting to $69.51 million.

12. **Reserves and Other Noncurrent Liabilities**

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Unearned transportation revenue - Deferred revenue under frequent flyer program	**$127,828**	$118,440
Provisions	**58,122**	58,951
Manufacturer's credit	**–**	3,649
Other noncurrent liabilities	**4,506**	4,506
	$190,456	$185,546

Deferred revenue under frequent flyer program
A portion of passenger revenue attributable to the award of frequent flyer miles is deferred until they are utilized. The unredeemed miles are measured at fair value based on its relative stand-alone selling price. Redeemed miles are measured based on the weighted average value of miles. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

An estimate is also made of the number of miles that will expire ("breakage") based on historical expiry patterns and any known future changes to the frequent flyer program. The Group's estimate of the expected breakage of miles requires management judgment. Changes to breakage assumptions, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the program.

As of March 31, 2026 and December 31, 2025, current portion of deferred revenue from frequent flyer program amounted to $20.28 million is presented as part of "Unearned Transportation Revenues".

Provisions

Provisions consist substantially of probable claims and other litigations involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, only general descriptions were provided.

13. Equity

The Parent Company's capital stock as of March 31, 2026 and December 31, 2025 consists of:

Number of shares:	
Authorized	7,000,000,000
Issued and outstanding	1,759,342,188
Par value	₱1.00

In accordance with the Chapter 11 Plan of Reorganization, the Parent Company issued common shares to PHI on December 31, 2021 in relation to the DIP B Facility and to the Supporting Creditors in relation to the general unsecured claims totaling to 1,386,220,789 shares and 360,665,148 shares, respectively. The issuance of shares increased the Parent Company's capital stock by $34,592 and capital in excess of par by $227,550. Consequently, the issuance of shares to the Supporting Creditors reduced the ownership interest of PHI in the Parent Company from 98.92% to 79.49% as of December 31, 2021.

On February 27, 2023, the Board of Directors (BOD) of PHI approved the exchange ratio between PHI and PAL of 15.57 PHI shares to 1 PAL share. On April 15, 2024, PHI and PAL completed the swap process of the shares issued to the Supporting Creditors. Consequently, PHI's ownership interest in the Parent Company increased to 97.89% in 2024, from 79.49% as of December 31, 2023.

14. General Expenses

The significant components of expenses by nature for the three-months ended March 31 are presented in next page.

Flying operations

	2026 (Unaudited)	2025 (Unaudited)
Fuel and oil	**$251,613**	$230,361
Depreciation	**103,489**	90,007
Transportation expenses	**52,879**	44,736
Personnel costs	**23,786**	21,965
Lease charges	**8,318**	15,105
Others	**6,995**	7,418
	$447,080	$409,592

Aircraft and traffic serving

	2026 (Unaudited)	2025 (Unaudited)
Ground handling charges	**$47,643**	$47,759
Landing and take-off fees	**37,245**	33,684
Personnel costs	**4,236**	4,090
Others	**1,672**	2,640
	$90,796	$88,173

General and administrative

	2026 (Unaudited)	2025 (Unaudited)
Personnel costs	**$6,942**	$7,386
External services and taxes	**4,208**	5,500
Depreciation	**7,034**	6,245
Utilities	**1,457**	2,340
Provision for bad debts	**1,842**	1,547
Others	**1,294**	675
	$22,777	$23,693

15. **Commitments**

Aircraft Purchase Agreements

Airbus aircraft

In January 2015, by virtue of an amendment to the Purchase Agreement executed in August 2012, the Group purchased two additional Airbus A321-231 NEO aircraft and revised the delivery of its firm orders of 10 Airbus A321-231 CEO aircraft from the original schedule of delivery in years 2015 to 2016 to years 2021 to 2025 and converted the same into Airbus A321-271 NEO.

In July 2021, the Group and Airbus amended the Purchase Agreement that covers amendment to certain terms and conditions including the rescheduled delivery of NEO Aircraft within 2026 to 2029. As of March 31, 2026, the remaining aircraft that are for delivery in the future include 13 Airbus A321-271 NEO.

In June 2023, the Group and Airbus entered into a new Purchase Agreement to purchase nine Airbus A350-1000 to be delivered from 2025 to 2027. In addition, Airbus granted the Group the right to purchase up to three additional Airbus A350-1000 aircraft.

In December 2023, the Group and Airbus amended the Airbus A350-1000 Purchase Agreement to revise the delivery date of the fourth Airbus A350-1000 aircraft from second half of the 2026 to second quarter of the same year.

In 2025, Airbus returned the payments made by PAL for the predelivery of the first Airbus A350-1000 aircraft amounting to $45.80 million and for the buyer-furnished equipment amounting to $9.08 million. This is after the assignment of PAL of its purchase right to a purchaser-lessor. PAL entered into an operating lease with the purchaser-lessor of the first Airbus A350-1000. The arrangement fee for the lease transaction, which was applied against the returned payments, amounted to $7.79 million in 2025.

Total predelivery payments relating to the acquisition of the remaining undelivered Airbus A321-231 NEO aircraft and Airbus A350-1000 aircraft under the Purchase Agreements amounted to $335.80 million and $325.22 million as of March 31, 2026 and December 31, 2025, respectively.

Spare Engine Purchase Agreements

Rolls-Royce PLC.

In June 2023, in support of Parent Company's acquisition of nine firm Airbus A350-1000 aircraft and three Airbus A350-1000 aircraft purchase rights, the Parent Company and Rolls Royce PLC entered into an Engine Support and TotalCare Agreement relating to Trent XWB-97 engines. A Purchase Agreement for the three Trent XWB-97 spare engines was also entered by both parties with the expected deliveries from 2025 to 2027. Total deposits related to these spare engines amounted to $24.77 million as of March 31, 2026 and December 31, 2025.

In 2025, Rolls Royce returned the predelivery payments amounting to $15.47 million, which was applied against the purchase price of one Trent XWB-97 engine delivered in November 2025.

The TotalCare will commence from the date of delivery to the Parent Company of the first Aircraft, with each Engine remaining within the TotalCare for a minimum of 12 years ("Minimum Term"), and the continuing until the Parent Company sells, retires, or otherwise disposes of all of the Aircraft, which the Parent Company may do at any time after the Minimum Term for an Engine, subject to an agreed notice period.

International Aero Engines, LLC ("IAE LLC")

In March 2016, PAL and International Aero Engines, LLC (IAE) entered into a Purchase Agreement relating to the purchase of three firm spare engines and three purchase right spare engines (the "Engine Purchase Agreement"). PAL and IAE entered subsequent amendments to amend the terms of the purchase agreement.

In February 2025, IAE issued a Credit Memo in the amount of $26.35 million for AOG Special Support Compensation. The purpose of these credits is to alleviate the financial impact resulting from aircraft downtime caused by AOG engine issues for the period October 2023 to September 2024. This amount was included as part of "Other income-net" in the consolidated statement of comprehensive income.

Concurrently, PAL took delivery of its fifth spare engine on February 28, 2025, and sixth spare engine on July 30, 2025. PAL utilized the AOG credits to settle the purchase price of $25.82 million for the two spare engines.



Aircraft and Engine Leases - Group as Lessee
Details of aircraft under lease arrangements as of March 31, 2026 and December 31, 2025 are disclosed in Note 7.

Short-term aircraft and engine leases
As of March 31, 2026 and December 31, 2025, the Group has short-term lease agreements on various aircraft and engines ranging from three to 12 months.

Ground Property Leases – Group as Lessee
In 2013, the Parent Company entered into a lease agreement with Manila International Airport Authority (MIAA) covering a parcel of land situated at Aviation Support Industrial Area 2 (formerly Nayong Pilipino) to be utilized as an aircraft parking facility. This lease agreement is for a period of 25 years commencing on December 23, 2013. The lease agreement was subsequently assigned by the MIAA to New NAIA Infra Corp. (NNIC), the new concessionaire of Ninoy Aquino International Airport (NAIA) effective September 14, 2024. In the meantime, the Parent Company continued to lease and use the property, which is effective until 2038.

In 2014, PAL required additional space and entered into a lease agreement with PAGCOR covering an adjoining parcel of land intended to be used for aircraft parking as well. This lease was valid until the effectivity of the legislative franchise of PAGCOR. In 2024, the parties mutually agreed to terminate the lease agreement effective on July 3, 2024.

In June 2025, the Parent Company entered into another lease agreement with MIAA covering the area at Andrews Avenue-MBC Area, NAIA Complex, Pasay City whereas the leased premises will be exclusively used for the construction and operation of Administration, Training, and Medical Facilities. The lease shall be effective for a period of fifteen years upon signing of the lease or earlier depending on the MIAA development plans affecting the area.

The carrying value of these ground properties under lease amounted to $63.99 million and $64.68 million as of March 31, 2026 and December 31, 2025, respectively.

As of March 31, 2026 and December 31, 2025, the Group has short-term lease agreements on various ground properties ranging from three to 12 months.

Leases - Group as Lessor
The Group has existing aircraft finance and operating sublease agreements with Air Philippine Corporation, a related party.

Aircraft under finance lease
Set out below is the roll forward analysis of lease receivables under aircraft finance sublease agreements with APC, which comprised of six Bombardier Q400-NG and nine Airbus A320-200 as of March 31, 2026 and six Bombardier Q400-NG and eight Airbus A320-200 as of December 31, 2025:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Beginning balances	**$68,551**	$52,824
Adjustments related to lease modification and reassessment	**15,872**	4,461
Additions	**14,318**	28,643
Accretion for the year	**1,554**	4,633
Billings	**(7,238)**	(22,010)
Ending balances	**$93,057**	$68,551

The future minimum lease receivable from these finance lease agreements as of December 31 are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Due within one year	**$43,722**	$22,234
Due after one year but within five years	**60,367**	52,988
More than five years	**86**	5,164

Aircraft under operating lease
The future minimum lease income from these operating lease agreements, which comprised of five Bombardier Q400-NG, nine Airbus A320-200 and four Airbus A321-231 are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Due within one year	**$19,079**	$17,938
Due after one year but within five years	**53,508**	32,338
More than five years	**273**	1,230

16. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In line with this objective, the Group is targeting to keep its Total Debt to EBITDA ratio to not more than 3.5:1.

17. Financial Risk Management Objectives and Policies

Risk Management Structure
BOD
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and policies of the Group.

Finance Group
The Finance Group has overall responsibility for the development of financial risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to financial risk issues (fuel price and foreign exchange risk, in particular) in order to make relevant decisions.

In addition, the Finance Group is responsible for the comprehensive monitoring, evaluation, and analysis of the Group's financial risks in line with the policies and limits set by the Group.

Financial Risk Management
The Group's principal financial instruments consist of loans and borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and financial liabilities such as receivables, accounts payable, accrued expenses and deposits which arise directly from its operations. The main risks arising from the use of financial instruments are market risks (consisting of foreign exchange risk, cash flow interest rate risk and fuel price risk), liquidity risk, counterparty risk and credit risk.

Market risks
The Group's operating, investing and financing activities are directly affected by changes in foreign exchange rates, interest rates and fuel prices. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities. Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk and fuel price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Foreign exchange risk
The Group's functional currency is the US dollar, and its consolidated financial statements are presented in US dollars. The Group generates revenues and incurs costs and expenses substantially in US dollars, and the pricing of its services is highly influenced by competition and demand in each country where it operates. While a significant portion of the Group's revenues are denominated in US dollars, the Group also generates revenues in Philippine Pesos, Canadian Dollars, Japanese Yen, and a range of other currencies including Euros, Australian Dollars, Singapore Dollars, Chinese Yuan, Thai Baht, Hong Kong Dollars, Saudi Riyals, and Emirati Dirhams.

The Group is exposed to foreign exchange rate fluctuations arising from its revenue, expenses and borrowings in currencies other than its functional currency. The Group manages this exposure by matching its receipts and payments for each individual currency. Any surplus is sold as soon as practicable.

The Group's significant foreign currency-denominated monetary assets and liabilities (in USD equivalent) are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Financial Assets and Financial Liabilities		
Financial assets:		
Cash	**$111,611**	$95,038
Receivables	**240,851**	71,031
Others*	**53,267**	32,745
	405,729	198,814
Financial liabilities:		
Accounts payable	**($63,253)**	($17,388)
Accrued expenses	**(170,480)**	(124,796)
Others**	**(3,002)**	(8,463)
	(236,735)	(150,647)
Net foreign currency-denominated financial assets	**168,994**	48,167
Nonfinancial Liabilities		
Accrued employee benefits	**(270,697)**	(273,082)
Provisions	**(57,886)**	(33,030)
	(328,583)	(306,112)
Net Foreign Currency-denominated Monetary Assets (Liabilities)	**($159,589)**	($257,945)

** Includes miscellaneous deposits and security deposits.*
*** Substantially pertaining to passenger taxes.*

The Group recognized net foreign exchange gain amounting to $1.38 million for the period ended March 31, 2026 and $5.38 million for the period March 31, 2025, included under "Other income (charges) - net" in the interim condensed consolidated statements of comprehensive income arising from the translation and settlement of these foreign currency-denominated financial and nonfinancial instruments.

Cash flow interest rate risk
The Group's exposure to cash flow interest rate risk arises from the regular repricing of interest on its floating-rate loans. The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates. The ratio of floating-rate long-term loans to the total borrowings is 0.87:1 and 0.83:1 as of March 31, 2026 and December 31, 2025, respectively.

Income before income tax for the period March 31, 2026 and December 31, 2025 would either decrease by $1.80 million and $4.13 million or increase by $1.80 million and $4.13 million, respectively, if the USD interest rate for the periods had been higher or lower by 25 basis points and 70 basis points, respectively. There is no other impact on the Group's equity other than those already affecting profit or loss. The Group assumes concurrent movements in interest rates and parallel shifts in the yield curves.

Fuel price risk
The Group is exposed to price risk on jet fuel purchases. This risk is managed by a combination of strategies with the objective of managing price levels within an acceptable band through various types of derivatives. The Group mitigates the impact of changes in fuel prices by implementing fare adjustments and fuel surcharges, as approved by the Civil Aeronautics Board (CAB). The Group implements such strategies to manage and minimize the risks within acceptable risk parameters. As of March 31, 2026 and December 31, 2025, the Group had no outstanding fuel derivatives.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments (e.g., long-term obligations) or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to maintain a minimum cash balance, including access to committed credit facilities, representing 15% of revenues; (b) to ensure that adequate funding is available at all times; (c) to meet commitments as they arise without incurring unnecessary costs; (d) to be able to access funding when needed at the least possible cost; and (e) to maintain an adequate time spread of refinancing maturities.

The tables below summarize the maturity analysis of the Group's financial liabilities based on contractual undiscounted payments (principal and interest):

	March 31, 2026						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Accounts payable and accrued expenses*	**$571,848**	**$–**	**$–**	**$–**	**$–**	**$–**	**$571,848**
Lease liabilities**	**370,782**	**327,916**	**273,169**	**219,540**	**143,915**	**516,567**	**1,851,889**
Long-term debt***	**208,587**	**132,063**	**–**	**–**	**–**	**–**	**340,650**
	579,369	**459,979**	**273,169**	**219,540**	**143,915**	**516,567**	**2,192,539**
	$1,151,217	**$459,979**	**$273,169**	**$219,540**	**$143,915**	**$516,567**	**$2,764,387**

**Excludes nonfinancial liabilities amounting to $47.13 million.*
***Includes interest amounting to $351.95 million.*
****Includes interest amounting to $20.21 million.*

	December 31, 2025						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Accounts payable and accrued expenses*	$494,883	$–	$–	$–	$–	$–	$494,883
Lease liabilities**	361,483	320,281	270,180	214,766	143,249	385,012	1,694,971
Long-term debt***	185,745	118,546	38,918	–	–	–	343,209
	547,228	438,827	309,098	214,766	143,249	385,012	2,038,180
	$1,042,111	$438,827	$309,098	$214,766	$143,249	$385,012	$2,533,063

**Excludes nonfinancial liabilities amounting to $34.02 million.*
***Includes interest amounting to $328.90 million.*
****Includes interest amounting to $23.28 million.*

The Group's total financial liabilities to be settled within one year currently amounting to $1.15 billion and $1.04 billion as of March 31, 2026 and December 31, 2025, include current liabilities aggregating to $571.85 million and $494.88 million, respectively, that management considers as working capital. For the other liabilities totaling $579.37 million and $547.23 million as of March 31, 2026 and December 31, 2025, respectively, management expects to settle these from the Group's cash to be generated from operations.

The following are the Group's financial assets as of March 31, 2026 and December 31, 2025 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	March 31, 2026						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Cash	**$270,826**	**$–**	**$–**	**$–**	**$–**	**$–**	**$270,826**
Loans and receivables:							
Cash equivalents	**343,932**	**–**	**–**	**–**	**–**	**–**	**343,932**
Receivables - net	**207,316**	**–**	**–**	**–**	**–**	**–**	**207,316**
Finance lease receivables*	**43,722**	**18,303**	**17,976**	**15,602**	**8,485**	**86**	**104,174**
	$865,796	**$18,303**	**$17,976**	**$15,602**	**$8,485**	**$86**	**$926,248**

** Includes interest amounting to $11.12 million.*

	December 31, 2025						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Cash	$342,138	$–	$–	$–	$–	$–	$342,138
Loans and receivables:							
Cash equivalents	89,307	–	–	–	–	–	89,307
Receivables - net*	157,485	–	–	–	–	–	157,485
Finance lease receivables**	22,234	16,301	13,380	12,173	11,133	5,164	80,385
	$611,164	$16,301	$13,380	$12,173	$11,133	$5,164	$669,315

**Excludes receivables arising from statutory requirements, net of allowance, amounting to $0.21 million.*
***Includes interest amounting to $11.83 million*

Counterparty risk

The Group's counterparty risk encompasses issuer risk on investment securities, credit risk on cash in banks, time deposits and security deposits and settlement risk on derivatives. The Group manages its counterparty risk by transacting with counterparties of good financial condition and selecting investment grade securities. Settlement risk on derivatives is managed by limiting aggregate exposure on all outstanding derivatives to any individual counterparty, taking into account its credit rating. The Group also enters into master netting arrangements and implements counterparty and transaction limits to avoid concentration of counterparty risk.

The tables below show the maximum counterparty exposure as of March 31, 2026 and December 31, 2025 after taking into account information about rights of offset and related arrangements for financial instruments subject to master netting agreements:

	March 31, 2026					
	Gross Maximum Exposure	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position**	**Master netting agreement**	**Fair value of financial collateral**	**Net exposure**
Financial Assets						
Cash in banks and cash equivalents	**$613,620**	**$−**	**$613,620**	**$–**	**$−**	**$613,620**
Receivables - net	**207,316**	**−**	**207,316**	**−**	**40,418**	**166,898**
Finance lease receivables	**93,058**	**−**	**93,058**	**−**	**−**	**93,058**
Margin deposits, lease deposits and others	**27,829**	**−**	**27,829**	**–**	**−**	**27,829**
	$941,823	**$−**	**$941,823**	**$–**	**$40,418**	**$901,405**

	December 31, 2025					
	Gross Maximum Exposure	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position	Master netting agreement	Fair value of financial collateral	Net exposure
Financial Assets						
Cash in banks and cash equivalents	$428,070	$−	$428,070	$–	$−	$428,070
Receivables - net	157,485	−	157,485	−	41,098	116,387
Finance lease receivables	68,551	−	68,551	−	−	68,551
Margin deposits, lease deposits and others	62,448	−	62,448	–	−	62,448
	$716,554	$−	$716,554	$–	$41,098	$675,456

In an event of default or pre-termination of derivative contracts, the parties can apply master netting agreement. As of March 31, 2026 and December 31, 2025, there was no default or pre-termination event which required the application of the master netting agreements.

Credit risk

The Group's exposure to credit risk arises from the possibility that agents, financial institutions and other counterparties may fail to fulfill their agreed obligations and that the collaterals held may not be sufficient to cover the Group's claims. To manage such risk, the Group, through its Credit Monitoring and Control Division, employs a credit evaluation process prior to the accreditation or re-accreditation of its travel and cargo agents. The Group considers, among other factors, the size, paying habits and the financial condition of the agents. To further mitigate the risk, the Group requires from its agents financial guarantees in the form of cash bonds, letters of credit and assignment of time deposits.

The Group, to the best of its knowledge, has no significant concentration of credit risk with any counterparty.

18. **Fair Value Measurement**

Fair Values

The table below presents the Group's financial instruments measured at fair value and financial instruments for which fair values are disclosed:

	March 31, 2026		December 31, 2025	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets at amortized cost- margin deposit, lease deposits and others	**$120,886**	**$120,886**	$130,999	$130,999
Financial assets at FVTOCI	**2,261**	**2,261**	2,230	2,230
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Lease liabilities	**1,499,943**	**1,763,074**	1,366,070	1,609,834
Long-term debt	**320,442**	**321,094**	319,934	326,578

The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments that is different from their carrying amount:

Financial assets at FVTOCI

The fair values of quoted equity investments are based on market prices in active markets.

As of March 31, 2026 and December 31, 2025, the fair value of unquoted equity investments is based on Level 3. Significant inputs in determining the fair value are the market prices of the shares of comparable companies.

Margin deposits, lease deposits and others

As of March 31, 2026 and December 31, 2025, the margin deposits, lease deposits and others are classified as current as such their carrying amounts approximate their fair values.

Long-term obligations

The fair value of long-term obligations (whether fixed or floating) is generally based on the present value of expected cash flows with discount rates that are based on risk-adjusted benchmark rates (in the case of floating rate liabilities with quarterly repricing, the carrying value approximates the fair value in view of the recent and regular repricing based on current market rates). The discount rates used for USD-denominated loans ranged from 2.65% to 5.71% and 3.06% to 5.09% as of March 31, 2026 and December 31, 2025, respectively.

Fair Value Hierarchy

As of March 31, 2026

	Fair value measurement using			
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI:				
Quoted equity shares	**$230**	**$230**	**$–**	**$–**
Unquoted equity shares	**2,031**	–	–	**2,031**
Property and equipment	**14,325**	–	–	**14,325**
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits and others	**120,886**	–	**120,886**	–
Lease liabilities	**1,763,074**	–	**1,763,074**	–
Long-term debt	**321,094**	–	**321,094**	–
Investment properties	**12,758**	–	–	**12,758**

As of December 31, 2025

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI:				
Quoted equity shares	$199	$199	$–	$–
Unquoted equity shares	2,031	–	–	2,031
Property and equipment	15,100	–	–	15,100
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits and others	130,999	–	130,999	–
Lease liabilities	1,609,834	–	1,609,834	–
Long-term debt	326,578	–	326,578	–
Investment properties	12,758	–	–	12,758

There were no transfers between hierarchy levels during the three months ended March 31, 2026 and year ended December 31, 2025.

19. **Other Matters**

Repurchases, and Repayments of Debt and Equity Securities
There are no repurchases and repayments of debt and equity securities during the current period.

Material changes in estimates
There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Reporting Date
There are no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Seasonality of Interim Operations
The Group's financial performance is characterized by significant seasonal variations, driven by local holidays, academic calendars, and climatic patterns in the Philippines. The following seasonal trends are identified:

Peak Periods: Revenues are traditionally highest in January (post-Christmas return travel), the second quarter (April-June summer season), and December (year-end holidays).

Lean Periods: The third quarter (July-September) is the most lean period due to the onset of the rainy and typhoon season and the resumption of the academic calendar.

While the Group manages these fluctuations through pricing, capacity adjustments, and marketing promotions, the seasonal nature of the business means that interim results for any specific quarter are not necessarily indicative of the results that may be expected for the full financial year.

Business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.
On June 12, 2026, PAL Primero Agila Limited was incorporated in the Cayman Islands, in which PAL holds 100% ownership.

Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.
Except for the impact of Middle East conflict and the amendment of PAL's Articles of Incorporation and the authority of PAL to guarantee pending amendment of its Articles of Incorporation as described below, there were no contingencies and any other events or transactions that are material to an understanding of the current interim period.

Impact of Middle East Conflict
The conflict involving the United States, Israel, and Iran resulted in widespread airspace closures across multiple Middle Eastern countries, including Iran, Israel, Iraq, Jordan, Qatar, Bahrain, Kuwait, and the United Arab Emirates (UAE). These closures caused significant disruptions to global aviation beginning February 28, 2026, as major regional air corridors were shut down, requiring substantial rerouting by airlines worldwide. PAL operates flights to three destinations in the Middle East, across Qatar, Saudi Arabia, and the UAE.

In the interest of passenger safety and in compliance with international airspace restrictions, PAL suspended all scheduled commercial flights to and from Dubai (DXB), Doha (DOH), and Riyadh (RUH) effective February 28, 2026. This suspension aligned with actions taken by other airlines flying to and through the Middle East.

During the period of commercial suspension, the Philippine government engaged PAL to conduct specialized repatriation missions to assist Overseas Filipino Workers (OFWs) and other Philippine nationals stranded in the region. PAL successfully mounted two (2) repatriation flights to and from Riyadh on March 14 and 22, 2026.

Following a comprehensive security assessment and the stabilization of regional corridors, PAL resumed commercial flights to Riyadh (RUH) on April 10, 2026. Operations to Dubai and Doha remain under continuous review as the Company coordinates with international aviation authorities.

The conflict has also introduced extreme volatility into global energy markets with Brent crude oil prices immediately surging in early March. Consequently, the Mean of Platts Singapore (MOPS) for jet fuel—the pricing benchmark used for PAL's aviation fuel purchases—experienced a material surge



with crack spreads widening on top of the rise in crude oil prices. To mitigate the impact of the increase in fuel prices, PAL implemented fare hikes and fuel surcharges as approved by the Civil Aeronautics Board (CAB). As fuel remains one of the largest operating expenses for the Group, these price fluctuations are expected to impact PAL's margin outlook starting the second quarter of 2026.

In addition to the increase in jet fuel costs, the impact on the Group's 2026 net income depends on the duration of the conflict which may lead to significant economic downturns, increases in inflation and changes in consumer demand and preferences, all of which may adversely affect PAL and the airline industry.

As of June 24, 2026, the potential future financial impact on Group's operations cannot yet be reliably estimated.

Amendment of Articles of Incorporation and Authority of PAL to Guarantee Pending Amendment of its Articles of Incorporation

On June 24, 2026, PAL's Shareholders and the BOD approved the amendment of the Company's Articles of Incorporation to amend its purpose clause as set out in the Second Article of the Corporation's Articles of Incorporation to (i) confirm the power of the Corporation to establish subsidiaries or affiliates and (ii) expressly include as part of the Corporation's primary purpose the power to guarantee, or provide surety, or provide security, for the obligations of such subsidiaries or affiliates or any entity in which the Corporation has a lawful interest.

On the same date, PAL's Shareholders and the BOD also approved the authority of PAL to guarantee pending SEC's approval of the amendment of the Articles of Incorporation.



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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Airlines, Inc.

Opinion

We have audited the consolidated financial statements of Philippine Airlines, Inc. (a subsidiary of PAL Holdings, Inc.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

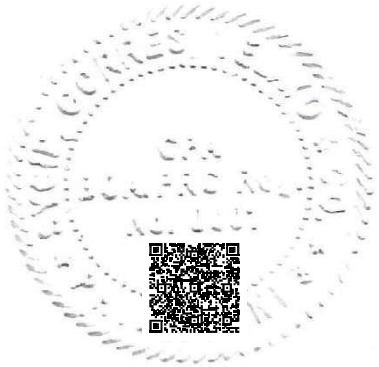
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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements,
with extension up to audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-135-2026, January 27, 2026, valid until January 26, 2029
PTR No. 10765020, January 2, 2026, Makati City

March 30, 2026



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PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(United States Dollar Amounts in Thousands)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 16)	**$431,446**	$387,005
Receivables (Notes 4, 6, 13 and 16)	**157,690**	424,384
Expendable parts, fuel, materials and supplies (Note 7)	**89,162**	83,106
Other current assets (Notes 5, 8,16 and 22)	**149,058**	176,461
Total Current Assets	**827,356**	1,070,956
Noncurrent Assets		
Property and equipment (Notes 4, 10, 13, 16 and 22):		
At cost	**2,616,692**	2,265,848
At appraised values	**15,100**	17,968
Investment in an associate (Note 9)	**54,111**	–
Deferred income tax assets (Notes 4 and 20)	**72,287**	81,210
Other noncurrent assets (Notes 5, 11, 13 and 22)	**298,515**	265,303
Total Noncurrent Assets	**3,056,705**	2,630,329
TOTAL ASSETS	**$3,884,061**	$3,701,285
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 12 and 16)	**$528,904**	$579,566
Unearned transportation revenue (Notes 4 and 14)	**425,437**	484,966
Current portion of long-term obligations (Notes 4, 13, 16 and 22)	**443,336**	406,364
Total Current Liabilities	**1,397,677**	1,470,896
Noncurrent Liabilities		
Long-term obligations - net of current portion (Notes 4, 13, 16 and 22)	**1,242,668**	980,453
Accrued employee benefits (Notes 4 and 19)	**273,082**	262,342
Reserves and other noncurrent liabilities (Notes 4, 14 and 16)	**185,546**	202,115
Total Noncurrent Liabilities	**1,701,296**	1,444,910
Total Liabilities	**3,098,973**	2,915,806
Equity		
Capital stock (Notes 1 and 15)	**34,892**	34,892
Capital in excess of par (Note 15)	**529,548**	529,548
Other equity reserves (Note 9)	**26,300**	27,039
Other comprehensive loss (Note 17)	**(17,726)**	(12,750)
Retained earnings (Note 15)	**211,424**	29,154
Equity Attributable to Equity Holders of the Parent Company	**784,438**	607,883
Non-controlling Interests (Note 9)	**650**	177,596
Total Equity	**785,088**	785,479
TOTAL LIABILITIES AND EQUITY	**$3,884,061**	$3,701,285

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(United States Dollar Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
REVENUE			
Passenger (Note 4)	**$2,728,105**	$2,702,731	$2,870,315
Cargo (Note 4)	**165,001**	159,664	142,728
Ancillary (Note 4)	**301,218**	241,227	207,562
Others (Note 16)	**30,859**	30,509	29,735
	3,225,183	3,134,131	3,250,340
EXPENSES			
Flying operations (Notes 16 and 18)	**1,654,969**	1,624,505	1,544,897
Maintenance (Note 16)	**398,128**	365,286	379,853
Aircraft and traffic servicing (Notes 16 and 18)	**367,641**	313,295	279,958
Passenger service (Note 16)	**234,465**	223,423	211,777
Reservation and sales	**250,636**	238,818	196,642
General and administrative (Notes 6 and 18)	**91,373**	54,440	136,119
	2,997,212	2,819,767	2,749,246
OTHER INCOME (CHARGES) - Net			
Financing charges (Notes 13 and 16)	**(106,551)**	(123,027)	(153,836)
Other income (charges) - net (Note 18)	**58,923**	(23,794)	44,691
	(47,628)	(146,821)	(109,145)
INCOME BEFORE INCOME TAX	**180,343**	167,543	391,949
INCOME TAX EXPENSE (Note 20)	**(17,289)**	(20,145)	(5,477)
NET INCOME	**163,054**	147,398	386,472
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss), net of deferred income tax effect (Note 17)	**(2,657)**	3,730	(7,517)
TOTAL COMPREHENSIVE INCOME	**$160,397**	$151,128	$378,955
Net income attributable to:			
Equity holders of the Parent Company	**$160,269**	$142,861	$383,706
Non-controlling interests (Note 9)	**2,785**	4,537	2,766
	$163,054	$147,398	$386,472
Total comprehensive income attributable to:			
Equity holders of the Parent Company	**$157,625**	$146,619	$376,173
Non-controlling interests (Note 9)	**2,772**	4,509	2,782
	$160,397	$151,128	$378,955

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024
(United States Dollar Amounts in Thousands)

				Other Comprehensive Income (Loss)								
	Capital Stock (Notes 1 and 15)	Capital in Excess of Par (Note 15)	Other Equity Reserves (Note 9)	Net Changes in Fair Values of Financial Assets at Fair Value through OCI (FVTOCI) (Notes 11 and 17)	Revaluation Increment (Notes 10 and 17)	Remeasurement Gains (Losses) on Defined Benefit Plan (Notes 17 and 19)	Cumulative Translation Adjustment (Note 17)	Subtotal	Retained Earnings (Deficit) (Note 15)	Total Equity Attributable to Equity Holders of the Parent Company	Non-controlling Interests (Note 9)	Total
BALANCES AT JANUARY 1, 2023	**$34,892**	**$529,548**	**$27,039**	**$1**	**$16,560**	**($21,464)**	**$1,266**	**($3,637)**	**($502,754)**	**$85,088**	**$182,021**	**$267,109**
Net income for the year	–	–	–	–	–	–	–	–	383,706	383,706	2,766	386,472
Other comprehensive income (loss) for the year (Note 17)	–	–	–	82	–	(7,661)	46	(7,533)	–	(7,533)	16	(7,517)
Total comprehensive income for the year	–	–	–	82	–	(7,661)	46	(7,533)	383,706	376,173	2,782	378,955
Return of investment by Fortunate Star Ltd. (Note 9)	–	–	–	–	–	–	–	–	–	–	(4,922)	(4,922)
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	(2,618)	–	–	(2,618)	2,615	(3)	–	(3)
BALANCES AT DECEMBER 31, 2023	**34,892**	**529,548**	**27,039**	**83**	**13,942**	**(29,125)**	**1,312**	**(13,788)**	**(116,433)**	**461,258**	**179,881**	**641,139**
Net income for the year	–	–	–	–	–	–	–	–	142,861	142,861	4,537	147,398
Other comprehensive income (loss) for the year (Note 17)	–	–	–	(28)	1,469	2,627	(310)	3,758	–	3,758	(28)	3,730
Total comprehensive income (loss) for the year	–	–	–	(28)	1,469	2,627	(310)	3,758	142,861	146,619	4,509	151,128
Return of investment by Fortunate Star Ltd. (Note 9)	–	–	–	–	–	–	–	–	–	–	(6,794)	(6,794)
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	(2,720)	–	–	(2,720)	2,726	6	–	6
BALANCES AT DECEMBER 31, 2024	**34,892**	**529,548**	**27,039**	**55**	**12,691**	**(26,498)**	**1,002**	**(12,750)**	**29,154**	**607,883**	**177,596**	**785,479**
Net income for the year	–	–	–	–	–	–	–		160,269	160,269	2,785	163,054
Other comprehensive income (loss) for the year (Note 17)	–	–	–	8	230	(2,887)	5	(2,644)	–	(2,644)	(13)	(2,657)
Total comprehensive income (loss) for the year	–	–	–	8	230	(2,887)	5	(2,644)	160,269	157,625	2,772	160,397
Return of investment by Fortunate Star Ltd. (Note 9)	–	–	–	–	–	–	–	–	–	–	(54,197)	(54,197)
Effect of change in ownership in a subsidiary resulting to deconsolidation (Note 9)	–	–	(739)	–	–	–	–	–	18,902	18,163	(125,521)	(107,358)
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	(2,332)	–	–	(2,332)	3,099	767	–	767
BALANCES AT DECEMBER 31, 2025	**$34,892**	**$529,548**	**$26,300**	**$63**	**$10,589**	**($29,385)**	**$1,007**	**($17,726)**	**$211,424**	**$784,438**	**$650**	**$785,088**

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(United States Dollar Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**$180,343**	$167,543	$391,949
Adjustments for:			
Depreciation and amortization (Note 10)	**374,263**	323,412	257,489
Loss (Gain) on disposal of property and equipment and others (Note 10)	**–**	485	(2)
Reversal of impairment losses (Notes 4, 10 and 18)	**(4,593)**	(3,327)	(5,844)
Financing charges (Notes 13 and 16)	**106,551**	123,027	153,836
Provision for litigations, and other noncurrent liabilities - net (Note 14)	**20,231**	24,732	15,726
Interest income (Notes 5 and 11)	**(15,309)**	(30,763)	(38,927)
Dividend income	**–**	–	(21)
Income on manufacturers' credits (Note 22)	**(26,345)**	(2,129)	(1,230)
Unrealized foreign exchange loss (gains) - net	**(12,895)**	17,384	(3,534)
Movement in accrued employee benefits (Note 19)	**11,157**	16,791	19,640
Operating income before working capital changes	**633,403**	637,155	789,082
Decrease (increase) in:			
Receivables	**93,722**	146,017	39,904
Expendable parts, fuel, materials and supplies	**(6,058)**	(7,699)	(21,749)
Other current assets	**27,585**	(32,662)	18,605
Increase (decrease) in:			
Accounts payable and accrued expenses	**(18,464)**	(199,322)	22,595
Unearned transportation revenue	**(84,347)**	9,426	131,910
Cash generated from operations	**645,841**	552,915	980,347
Financing charges paid	**(68,875)**	(81,081)	(110,064)
Interest received	**10,315**	31,337	25,923
Income taxes paid (including final and creditable withholding taxes)	**(13,625)**	(10,189)	(12,838)
Net cash flows from operating activities	**573,656**	492,982	883,368
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Notes 10 and 21)	**(498,129)**	(383,687)	(166,679)
Return of payments for aircraft predelivery (Note 22)	**47,098**	–	–
Additions to security deposits (Note 11)	**(41,738)**	(5,557)	(8,517)
Return of various deposits (Note 11)	**45,301**	5,450	5,415
Proceeds from (Investment in) money market placements (Notes 5 and 16)	**–**	307,065	(109,319)
Acquisition of investment properties (Note 10)	**–**	–	(484)
Proceeds from disposal of assets held for sale (Note 8)	**–**	1,498	**–**
Dividend received	**–**	–	21
Net cash flows used in investing activities	**(447,468)**	(75,231)	(279,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of long-term obligation (Notes 13 and 21)	**418,009**	90,000	61,250
Payments of long-term obligations (Notes 13, 16, 21 and 22)	**(501,807)**	(538,113)	(562,276)
Net cash flows used in financing activities	**(83,798)**	(448,113)	(501,026)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**2,051**	(6,487)	(2,183)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**44,441**	(36,849)	100,596
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**387,005**	423,854	323,258
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$431,446**	$387,005	$423,854

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philippine Airlines, Inc. (the Parent Company or PAL), referred to as the Philippines' national flag carrier, was incorporated in the Philippines on February 25, 1941. On March 20, 1990, the Parent Company applied and was granted an extension of its corporate life by the Philippine Securities and Exchange Commission (SEC) for another 50 years from February 1991. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have perpetual life.

The Parent Company and its subsidiaries (collectively referred to herein as "the Group") are primarily engaged in air transport of passengers and cargo within the Philippines and between the Philippines and several international destinations.

PAL is a subsidiary of PAL Holdings, Inc. (PHI), a company listed in the Philippine Stock Exchange. As of December 31, 2025 and 2024, PHI's ownership interest increased to 97.89%, from 79.49% as of December 31, 2023, following the issuance of new shares by PHI to the non-controlling shareholders of the Parent Company and the Supporting Creditors under the 2021 Restructuring Plan (see Note 15). Consequently, the ownership interest of Trustmark Holdings Corporation (Trustmark) in PHI was reduced to 33.26% as of December 31, 2025 and 2024, from 76.92% as of December 31, 2023. As of December 31, 2025 and 2024, Trustmark is 60% owned by Buona Sorte Holdings, Inc. (BSHI) and 40% owned by Horizon Global Investments, Ltd. (HGIL). BSHI is the ultimate parent of the Group. BSHI, Trustmark and PHI were likewise incorporated in the Philippines and are part of the Lucio Tan Group of Companies, while HGIL was incorporated in British Virgin Islands.

The Parent Company's registered office address is Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Avenue, Barangay 184, Pasay City.

Franchise

The Parent Company operates under a franchise, which extends up to the year 2034, granted by the Philippine Government under Presidential Decree No. 1590. As provided for under the franchise, the Parent Company is subject to:

a. corporate income tax based on net taxable income; or
b. franchise tax of 2% of the gross revenue derived from non-transport, domestic transport and outgoing international transport operations,

whichever is lower, in lieu of all other taxes, duties, royalties, registration licenses and other fees and charges of any kind, nature, or description, imposed, levied, established, assessed, or collected by any municipal, city, provincial, or national authority or government agency, except real property tax.

As further provided for under its franchise, the Parent Company can carry forward as a deduction from taxable income, net loss incurred in any year up to five years following the year of such loss (see Note 20). In addition, the payment of the principal, interest, fees, and other charges on foreign loans obtained by the Parent Company, and all rentals, interest, fees and other charges paid by the Parent Company to lessors for the lease of aircraft, engines, spares, other flight or ground equipment, and other personal property are exempt from all taxes, including withholding tax, provided that the liability for the payment of said taxes is assumed by the Parent Company. Under Republic Act (RA)

No. 9337 or the E-VAT Act of 2005 which took effect on November 1, 2005, the franchise tax of the Parent Company was abolished, and the Parent Company became subject to the corporate income tax. The Parent Company remains exempt from any taxes, duties, royalties, registration license, and other fees and charges, as may be provided under the Parent Company's franchise.

Board of Investments (BOI) Registration
In 2018, the Parent Company registered with the BOI as a new operator of air transport services on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226). Under the terms of the registration with the BOI, the Parent Company is entitled to certain fiscal and non-fiscal incentives available to the registered project, including among others, an income tax holiday (ITH) for a period of four years from the month following the delivery date or actual start of commercial operations of the aircraft, whichever is earlier. The availment of which, however, shall in no case be earlier than the date of registration. In 2021, the registration of the two aircraft were extended and entitled for the ITH until June 30, 2023 (see Note 20).

On December 26, 2025, the Parent Company registered with the BOI as a new operator of air transport services under 2022 Strategic Investment Priority Plan (SIPP) covering the two Airbus A350-1000 aircraft. Under the terms of the registration with the BOI, the Parent Company is entitled to certain incentives available to the registered project, including among others, an Income Tax Holiday (ITH) for a period of two years, an Enhanced Deductions Regime (EDR) for 10 years after the ITH, and duty exemption until the expiration of the income tax-based incentives period. The projects shall start its commercial operations in January 2026 or within three years from the date of registration (see Note 20).

Authorization for Issuance of the Consolidated Financial Statements
These accompanying consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 were authorized for issuance by the Parent Company's BOD on March 30, 2026.

2. Status of Operations

The Group reported consolidated comprehensive income amounting to $160.40 million in 2025, $151.13 million in 2024 and $378.96 million in 2023. This resulted in retained earnings of $211.42 million as of December 31, 2025, from $29.15 million as of December 31, 2024. The consolidated equity increased to $785.09 million and $785.48 million as of December 31, 2025 and 2024, respectively.

Management plans to enhance the Group's financial condition, operation and cash flow by focusing on: (1) diversifying revenue generation through the optimization of international and domestic route networks, disciplined capacity deployment, and the expansion of premium products and ancillary revenue streams; (2) maintaining strict financial discipline by executing targeted cost management initiatives, leveraging technology to enhance efficiency and decision-making, optimizing asset utilization, ensuring adequate liquidity, and maintaining a resilient balance sheet to prudently fund ongoing fleet modernization and capital expenditures; (3) investing in the enhancement of product offerings and customer experience through fleet upgrades and harmonization and the acceleration of the digital transformation pipeline; and (4) safeguarding operational integrity and resilience by adhering to the highest global aviation safety standards, mitigating systemic supply chain vulnerabilities, and integrating robust environmental, social, and governance (ESG) practices into core operations.

3. Material Accounting Policy Information

Basis of Preparation

The consolidated financial statements have been prepared using the historical cost convention, except for buildings and improvements under property and equipment which are carried at revalued amounts. The consolidated financial statements are presented in United States dollar (USD), the Parent Company's functional and presentation currency. All amounts are rounded to the nearest thousands, except when otherwise indicated.

The Group has voluntarily presented an additional comparative period for the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows. This additional comparative information has been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, and the related comparative information has been provided in the accompanying notes.

Statement of Compliance

The consolidated financial statements have been prepared in accordance with PFRS Accounting Standards.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the Amendments to Philippine Accounting Standard (PAS) 21, *The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability* starting January 1, 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. This accounting pronouncement does not have significant impact to the consolidated financial statements.

New Accounting Standards and Amendments to Existing
Standards Effective Subsequent to December 31, 2025

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt these pronouncements when they become effective.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, *Financial Instruments: Disclosures*, PFRS 18, *Presentation and Disclosure in Financial Statements*, PAS 1, *Presentation of Financial Statements*, PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, PAS 26, *Accounting and Reporting for Retirement benefit Plans*, and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Disclosures about Uncertainties in the Financial Statements*

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The examples address topics such as materiality judgements, significant judgements and estimates, and aggregation and disaggregation.

  The Group is currently assessing the impact of these amendments.

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Classification and Measurement of Financial Instruments*
  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The Group is currently assessing the impact of these amendments.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

- Annual Improvements to PFRS Accounting Standards-Volume 11
  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved.

  - Amendments to PFRS 1, *First-Time Adoption of International Financial Reporting Standards*, *Hedge Accounting by a First-time Adopter*

  - Amendments to PFRS 7, *Gain or Loss on Derecognition*

  - Amendments to PFRS 9, *Lease Liabilities* and *Transaction Price*

  - Amendments to PFRS 10, *Consolidated Financial Statements*, *Determination of a 'De Facto Agent'*

  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18
  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include: (1) required totals, subtotals and new categories in the statement of profit or loss; (2) disclosure of management-defined performance measures; and (3) guidance on aggregation and disaggregation. The Group is currently assessing the impact of these amendments.

- PFRS 19, *Subsidiaries without Public Accountability*
  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

- PFRS 17, *Insurance Contracts*

Deferred effectivity

- Amendments to PFRS 10, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025. The financial statements of the subsidiaries are prepared using consistent accounting policies as those of the Parent Company.

The subsidiaries and the respective percentage of ownership of the Parent Company as at December 31, 2025 and 2024 are as follows:

		Ownership interest			
Company	**Incorporation**	**2025**	2024	2023	**Nature of operations**
Sabre Travel Network (Philippines), Inc. (Sabre)	Philippines	**83%**	83%	83%	Development and marketing of computerized airline reservation system
PAL Receivables Co. Ltd. (PRC)	Cayman Island	–	–	–	Structured entity
Fortunate Star Limited (FSL) [(b)]	Cayman Island	–	65%	65%	Holding company of various entities with whom the Parent Company has lease agreements
Mabuhay Miles Inc. (MMI)[(a)]	Philippines	**100%**	100%	100%	Promote the frequent flyer program of the Parent Company
Maritime Express Transport Inc. (MMET) [(a)]	Philippines	**100%**	100%	100%	Water transportation of passengers and cargoes

[(a)] *Ceased commercial operations.*
[(b)] *Effective December 31, 2025, the Group deconsolidated the balance of FSL and accounted the 30% retained interest of PAL in FSL as Investment in an Associate.*

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

Investment in an Associate

The Group accounted the 30% retained interest in FSL as an associate in the consolidated financial statements using the equity method effective December 31, 2025.

Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVTOCI, and non-financial assets such as buildings and improvements carried at revalued amounts, at fair value at the end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial Instruments

Financial assets measured at amortized cost

The Group's cash and cash equivalents, receivables and security deposits are classified under this category because the following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Financial liabilities measured at amortized cost
The Group's accounts payable and accrued expenses and long-term obligations are classified under this category.

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any direct attributable transaction cost.

Derecognition of Financial Assets and Financial Liabilities
The Group's financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are generally derecognized when the rights to receive the cash flows from the asset have expired.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows and all the discounted cash flows that the Group expects to receive, which include cash flows from the sale of collateral held or other credit enhancements.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Expendable Parts, Fuel, Materials and Supplies
Expendable parts, fuel, materials and supplies are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method.

Property and Equipment
Property and equipment (except buildings and improvements) are stated at cost less accumulated depreciation and any impairment in value. Buildings and improvements are stated at revalued amounts less accumulated depreciation and any impairment in value. Revalued amounts were determined based on valuations performed by various qualified, independent and Philippine SEC-accredited appraisers. Revaluations are made with sufficient regularity.

The initial cost of property and equipment comprises its purchase price, any related capitalizable borrowing costs attributed to predelivery payments incurred on account of aircraft acquisition and other qualifying assets under construction, and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Manufacturers' credits received from aircraft and



engine manufacturers which were directly applied against the purchase price of the aircraft are recorded upon delivery of the related aircraft and engines as a reduction from the cost of the property and equipment. Manufacturer's credits that are not applied to aircraft and engines purchased, and whose risks and rewards are retained with the Group, are recognized as income as it is earned.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.

Expenditures for scheduled and mandatory heavy maintenance on aircraft's airframe, engines and landing gears are capitalized at cost and depreciated over the estimated number of years until the next major overhaul. Generally, heavy maintenance visits are required every two to eight years for airframe and 10 years for landing gear.

Depreciation, which commences when the asset is available for its intended use, is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Passenger aircraft	4 to 20
Engines	4 to 20
Buildings and improvements	5 to 40
Rotable and reparable parts	3 to 18
Ground property and equipment	3 to 8
Leasehold improvements (whichever is shorter between the lease term or life of the improvements)	4 to 12

"Construction in progress" represents aircraft, buildings and improvements and other ground property under construction, while "Predelivery payments" represent advance payments for aircraft acquisition. "Construction in progress" and "Predelivery payments" are not depreciated until such time when the construction of the relevant assets is completed and when assets are available for their intended use.

Leases

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are classified in the consolidated statement of financial position as part of property and equipment. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the lease term (unless its estimated useful life is shorter) as presented below:

	Number of Years
Passenger aircraft	4 to 17.5
Engines	4 to 16
Ground property and equipment	3 to 8
Leasehold improvements (whichever is shorter between the lease term or life of the improvements)	4 to 12

If the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated based on the estimated useful life of the underlying assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, which are classified as long-term obligations in the consolidated statement of financial position. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease modifications and termination
After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group remeasures the lease liability to reflect changes to the lease payments. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

In the case of lease termination, the Group decreases the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as lessor
Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term.

Sale and leaseback transactions
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is at fair value, any profit or loss is recognized immediately. If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used. If a sale and



leaseback transaction results in a finance lease, any difference between the sales proceeds and the carrying amount is deferred and amortized over the lease term.

If the Group is a seller-lessee, the Group determines after the commencement date in a sale and leaseback transaction the 'lease payments' or 'revised lease payments' in such a way that the Group would not recognize any amount of the gain or loss that relates to the right of use retained by the Group.

Heavy Maintenance Visits (HMV)
The Group is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturers' advice.

The specific event that gives rise to the obligation is each flown hour or cycle completed by the aircraft as these determine the timing and nature of the overhaul that must be carried out. Accordingly, provision is made for the costs of overhaul as the obligation towards the lessor arises (typically based upon the specific requirements of each aircraft type such as each flown hour or cycle), with a corresponding expense recognized in the statement of comprehensive income. Changes in the amount of the provision in the period of reassessment are recognized under "Accrued maintenance" account, with the corresponding adjustment in the related repairs and maintenance expense category.

For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF), based on aircraft hours flown and engine cycles until the next scheduled checks. The actual contribution to the MRF is recognized as a reduction to the accrued maintenance for HMV.

Asset Restoration Obligation (ARO)
The Group is required under various aircraft lease agreements to restore the leased aircraft to their original condition and to bear the cost of dismantling and restoration at the end of the lease term.

If the estimated cost of dismantling and restoration is expected to exceed the cumulative MRF or where the lease agreement does not require contribution of MRF, an additional obligation is recognized over the remaining term of the leases.

Investment Properties
Investment properties include parcels of land, buildings and improvements that are not used in operations. Investment properties are measured at cost and presented as part of "Other noncurrent assets".

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for the goods and services.

The specific recognition criteria for each type of revenue are as follows:

Passenger ticket, cargo waybills and related fuel and insurance surcharges are recognized as revenue when the related services are rendered (e.g., over time as the passengers and cargo are flown or lifted). Customer payments for services which have not yet been rendered are classified as contract liabilities under "Unearned transportation revenue" account in the consolidated statement of financial position.

Revenue from charter, mail, excess baggage and other transport-related and ancillary services revenue are recognized when the related services have been rendered.

Revenue from estimated breakage (expiration) of unused passenger tickets are recognized based on the historical expiration experience of the Group on the unused passenger tickets.

The disaggregation of total revenue is presented in the consolidated statements of comprehensive income.

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. Contract assets are included as part of receivables from "General Traffic".

Trade receivables

Refer to accounting policies of financial assets in section "*Financial instruments: Financial assets measured at amortized cost*".

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities is presented under "Unearned transportation revenue" account in the consolidated statement of financial position.

Contract Liability Under Frequent Flyer Program

The Parent Company operates a frequent flyer program called "Mabuhay Miles". A portion of passenger revenue attributable to the award of frequent flyer miles, estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its relative fair value. The current portion of deferred revenue is included under "Unearned Transportation Revenue", while the noncurrent portion is included under "Reserves and other noncurrent liabilities" in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

Retirement Benefits Cost and Other Long-term Employee Benefits

Accrued employee benefits, as presented in the consolidated statement of financial position, consist of retirement benefits under defined benefit plans and other long-term employee benefits.

Retirement benefits - defined benefit plans

Accrued retirement benefits is the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The retirement benefits cost comprises of service cost and net interest on the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, difference between interest income and actual return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund and measured at fair value.



Other long-term employee benefits
Other long-term employee benefits such as vacation leave and sick leave commutation and retention programs are measured using the projected unit credit method. Actuarial gains and losses on these employee benefits are recognized in full in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. All other borrowing costs are expensed as incurred.

Deferred Income Tax
Deferred income tax is provided using the liability method on all temporary differences.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency-denominated Transactions and Translations
Transactions denominated in currencies other than the USD are recorded using the exchange rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting period. Any resulting foreign exchange gains or losses are taken to income or loss in the consolidated statement of comprehensive income.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in accordance with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change.

The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

Determination of functional currency

The Group generates revenue and incurs costs and expenses substantially in USD. The pricing of an airline's services is highly influenced by competition in each country where the airline operates, and to a considerable extent, also affected by the demand for air transport. Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency has been determined to be the USD.

Recognition and measurement of revenue from contracts with customers and determination of the timing of satisfaction of performance obligation

The Group assessed that performance obligation for passenger, cargo, ancillary and other services are rendered to the customers over time. As a result, the Group recognized revenue based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

Determination of whether the Group is acting as principal or agent

Management exercises judgment in determining whether the Group is acting as a principal or as an agent under its codeshare arrangements with other airlines. Management determined that the Group is acting as an agent on codeshare arrangements where it is acting as the marketing airline considering that the risks and rewards are with the operating airlines.

Classification of financial instruments

From 2015 to 2019, the Group sold its rights to the cash flows arising from certain credit card receivables including future credit card receivables from sales in United States, for a total cash consideration of $685.00 million. On the same period, the Group also sold its rights to the cash flows arising from the receivables denominated in Japanese Yen through certain agents in Japan, including future receivables, for a total cash consideration of $450.00 million. The Group determined that substantially all the risks and rewards of the sold portfolios have been retained and consequently, the receivables were not derecognized. The Group accounted for the transaction as a collateralized borrowing and recorded the cash received as a financial liability. The carrying value of these financial liabilities is disclosed in Note 13.

Classification of leases - Group as lessor

The Group exercises judgment in determining whether its sublease arrangements constitute finance leases or operating leases. This assessment involves evaluating whether substantially all the risks and rewards incidental to ownership of the underlying right-of-use asset are transferred to the sublessee, considering factors such as the sublease term relative to the economic life of the asset. Based on these evaluations, subleases that transfer substantially all such risks and rewards are classified as finance leases, while those in which the Group retains significant risks and rewards are classified as operating leases (see Note 22).

Measurement of ARO

The Group is contractually committed to return a number of aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. The Group estimates the costs of heavy maintenance on the leased aircraft and engines required on the redelivery to the lessor and recognizes an obligation for the excess of estimated costs over the cumulative MRF or for the total estimated costs where the lease agreement does not require contribution of MRF. As of December 31, 2025 and 2024, no provision for ARO was recognized because management assessed that the

cumulative balance of MRF is sufficient to cover the estimated costs of heavy maintenance on the lease aircraft and engines required on the redelivery to the lessor.

Contingencies
The Group is involved in various labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of these cases, the Group believes that it may have a present obligation arising from a past event on some cases but that their likely outcome and estimated potential cash outflow cannot be determined reasonably as of this time. As such, no provision was made for these contingencies (see Note 14).

Estimates
The key assumptions concerning the future and other key sources of estimation and uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Recognition and measurement of passenger and cargo revenue
Passenger and cargo sales are recognized as revenue over time when the related passengers and cargoes are flown or lifted. Passenger tickets that are unused are recognized as revenue based on the expected breakage (expiration) of the passenger ticket using the Group's historical expiration experience. The carrying amount of unearned transportation revenue as of December 31, 2025 and 2024 amounted to $405.16 million and $484.97 million, respectively. In 2025, 2024 and 2023, the Group earned revenue from its contract liabilities as at January 1, 2025, 2024 and 2023 amounting to $383.47 million, $387.87 million and $259.66 million, respectively.

A portion of passenger revenue attributable to the award of frequent flyer miles is deferred until they are utilized. The unredeemed miles are measured at fair value based on its relative stand-alone selling price. Redeemed miles are measured based on the weighted average value of miles. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

An estimate is also made of the number of miles that will expire ("breakage") based on historical expiry patterns and any known future changes to the frequent flyer program. The Group's estimate of the expected breakage of miles requires management judgment. Changes to breakage assumptions, or to program rules and program redemption opportunities, may result in material changes to the deferred revenue balance as well as recognized revenues from the program.

Effective July 1, 2025, the Group reassessed its estimate of the expected breakage rate for the frequent flyer program due to the implementation of a new data analytics and member tracking system, enabling a more granular assessment of redemption probabilities by member activity segment. Based on this updated data and observed post-pandemic redemption behavior, the Group determined that a higher proportion of outstanding miles are expected to expire compared to previous estimates.

Revenue from the estimated breakage of frequent flyer miles amounted to $33.4 million in 2025, $22.36 million in 2024 (nil in 2023) is included as part of "Passenger" revenue. Current portion of deferred revenue included as part of "Unearned Transportation Revenue" amounted to $20.28 million as of December 31, 2025 (nil as of December 31, 2024), while noncurrent portion of deferred revenue included as part of "Reserves and other noncurrent liabilities" amounted to $118.44 million and $143.26 million as of December 31, 2025 and 2024, respectively (see Note 14).

Provision for ECL of trade receivables and contract assets
The provision rates are based on days past due for groupings of various agents and customer segments that have similar loss patterns (i.e., by geography and customer type and rating).



The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the provision matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast of economic conditions (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the airline sector, the historical default rates are adjusted.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The carrying value of trade receivables and contract asset (presented as receivables from "General Traffic"), net of allowance for ECL, as of December 31, 2025 and 2024 amounted to $80.82 million and $99.51 million, respectively. The allowance for ECL as of December 31, 2025 and 2024 amounted to $52.08 million and $56.81 million, respectively (see Note 6).

Estimation of useful lives and residual values of property and equipment
The Group estimates the useful lives of property and equipment, including right-of-use assets, based on internal technical evaluation and experience with similar assets. The estimated useful lives and residual values are reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. The carrying amount of depreciable property and equipment, net of accumulated depreciation and impairment, amounted to $2.13 billion and $1.89 billion as of December 31, 2025 and 2024, respectively (see Note 10).

Impairment of aircraft and related equipment (rotables and reparables)
The Group determines whether its aircraft, including right-of-use assets, and related equipment (i.e., rotables and reparables) are impaired, when events or changes in circumstances indicate that the carrying values may not be recoverable. The recoverable amount of aircraft and related equipment is the greater of the asset's fair value less costs to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses discount rates of 6.30% in 2025 and 7.13% in 2024 based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. Other assumptions used in projecting the future cash flows include passenger load factor, passenger yield, fuel surcharge rate and fuel costs, among others.

The Group recognized a reversal of impairment loss amounting to $4.59 million and $3.33 million for its CGU based on its value-in-use as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, accumulated impairment loss amounted to $114.71 million and $193.10 million, respectively (see Note 10).

As of December 31, 2025 and 2024, the aggregate carrying value of the Group's aircraft and related equipment amounted to $1.99 billion and $1.81 billion, respectively (see Note 10).

Valuation of lease liabilities and right-of-use assets
The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises the non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term, the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically



connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

The carrying value of lease liabilities and right-of-use assets amounted to $1.37 billion and $1.61 billion as of December 31, 2025, respectively, and $0.98 billion and $1.41 billion as of December 31, 2024, respectively (see Notes 10, 13 and 22).

Estimation of retirement and other long-term employee benefits cost
The Group's retirement and other long-term benefits costs relating to its defined benefit plans are actuarially computed which entail using certain assumptions like discount rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long-term Philippine government bonds to correspond with the expected term of the defined benefit obligation. Further details about pension obligations are disclosed in Note 19. Accrued employee benefits as of December 31, 2025 and 2024 amounted to $273.08 million and $262.34 million, respectively (see Note 19).

Provisions
Management exercises judgment in assessing the probability of the Group becoming liable. An estimate of the provision is based on known information as of reporting date. The amount of provision is being reassessed at least on an annual basis to consider new and relevant information. Provisions recognized amounted to $58.95 million and $44.07 million as of December 31, 2025 and 2024, respectively (see Note 14).

Recognition of deferred income tax assets
The Group assesses at each reporting date and recognizes deferred income tax assets to the extent of probable future taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized. Management uses judgment and estimates in assessing the probability and level of future taxable profits, considering management's future plan of actions, including the timing of reversal of deferred income tax liability, aided by forecasting and budgeting techniques. Deferred income tax assets recognized amounted to $257.50 million and $218.31 million as of December 31, 2025 and 2024, respectively (see Note 20). On the other hand, the details of deferred income tax assets that were not recognized since based on the projection, not all temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized, are disclosed in Note 20.

5. Cash and Cash Equivalents

	2025	2024	2023
Cash on hand and in banks (Note 16)	**$342,139**	$218,050	$152,657
Cash equivalents (Note 16)	**89,307**	168,955	271,197
	$431,446	$387,005	$423,854

Cash in banks and cash equivalents earned interest at the respective bank deposit rates totaling $8.24 million in 2025, $14.91 million in 2024 and $10.39 million in 2023 included under "Other income - net" in the consolidated statements of comprehensive income (see Notes 16 and 18).

Cash and cash equivalents used to collateralize various surety bonds issued in connection with certain litigations and sinking fund related to asset-backed securities are presented as part of "Other noncurrent assets" (see Note 11).

6. Receivables

	2025	2024
General traffic (Note 13)	**$132,895**	$156,316
Related parties (Notes 9 and 16)	**61,906**	247,488
Non-trade (Note 11)*	**74,312**	133,243
	269,113	537,047
Allowance for ECL	**(111,423)**	(112,663)
	$157,690	$424,384

**Non-trade receivables include, among others, accounts under litigation, receivables from employees and other receivables.*

Receivables attributable to general traffic are noninterest-bearing and are generally on a 5- to 60-day term.

Movements in allowance for ECL as of December 31 presented by class are as follows:

	2025			
	General Traffic	**Related Parties**	**Non-trade**	**Total**
Balance at beginning of year	**$56,809**	**$6,646**	**$49,208**	**$112,663**
Provisions	**8,040**	**353**	–	**8,393**
Accounts written-off	–	–	**(10,213)**	**(10,213)**
Reclassification	**(12,771)**	–	**12,771**	–
Foreign exchange adjustments	–	–	**580**	**580**
Balance at end of year	**$52,078**	**$6,999**	**$52,346**	**$111,423**

	2024			
	General Traffic	Related Parties	Non-trade	Total
Balance at beginning of year	$54,004	$6,043	$78,561	$138,608
Provisions (Reversals)	2,994	603	(27,026)	(23,429)
Accounts written-off	(189)	–	(3,713)	(3,902)
Foreign exchange adjustments	–	–	1,386	1,386
Balance at end of year	$56,809	$6,646	$49,208	$112,663

The net provisions (reversals) for impairment losses on receivables are recognized in the consolidated statements of comprehensive income under "General and administrative expenses".

7. Expendable Parts, Fuel, Materials and Supplies

	2025	2024
At cost:		
Expendable parts	**$52,846**	$33,854
Fuel	**20,439**	31,412
Materials and supplies	**4,950**	5,793
	78,235	71,059
At net realizable value - expendable parts	**10,927**	12,047
	$89,162	$83,106

The cost of expendable parts carried at net realizable value amounted to $23.56 million and $26.75 million as of December 31, 2025 and 2024, respectively. Reversals of provision for inventory obsolescence amounted to $2.07 million in 2025, $0.64 million in 2024 and $0.65 million in 2023. Expendable parts recognized as maintenance expense amounted to $24.19 million in 2025, $20.22 million in 2024 and $13.67 million in 2023.

8. Other Current Assets

	2025	2024
Deposits and prepayments	**$82,180**	$93,421
Security deposits (Note 11)	**37,593**	36,977
Finance lease receivables (Notes 11, 16 and 22)	**17,475**	17,302
Input VAT	**11,810**	21,048
Others	**–**	7,713
	$149,058	$176,461

Deposits and prepayments pertain to advance payments for aircraft parts and maintenance, materials and supplies, prepaid rentals and miscellaneous payments.

Security deposits mainly pertain to current portion of cash set aside to collateralize standby letters of credit.

"Others" includes claims for compensation on damaged assets and other insurance claims.

9. Investment in an Associate and Information on Subsidiary with Material Non-controlling Interest

FSL was a significant subsidiary with material non-controlling interest as of December 31, 2024. From 2017 to 2019, there were changes in the ownership interest of the Parent Company in FSL, from 40% to 65%. The Group recognized $27,039 in equity under "Other equity reserves" as a result of the change in ownership interest, which pertains to the excess of the consideration received over net assets disposed.

In 2025, 2024 and 2023, FSL executed proportionate partial withdrawal of subscription agreements among the Parent Company, Horizon Global Investments Limited, and Trustmark Holdings Corporation.

On December 31, 2025, FSL and the Parent Company executed a Share Buyback and Set-off Agreement. The purchase price to buy back the FSL's issued shares was set-off against the receivable of FSL from the Parent Company arising from the aircraft-related obligation (see Note 13). The Parent Company's ownership interest in FSL decreased from 65% to 30%, resulting in deconsolidation of the balances of FSL, including the receivables due to FSL from a related party (see Notes 6 and 16). Following the deconsolidation, the Group accounts for the remaining interest of 30% as investment in associate. The Group derecognized the balance of non-controlling interest, which pertains to other related parties under common controlling shareholder. The Group recognized the impact of deconsolidation directly to equity.

The following are the summarized financial information of FSL, the Group's share in equity, net income and total comprehensive income of FSL and the Group's recognized carrying amount of its investment in an associate upon deconsolidation as of and for the years ended December 31:

	2025	2024
Current assets	**$178,961**	$262,228
Noncurrent assets	**32,209**	356,626
Current liabilities	**12,383**	41,843
Noncurrent liabilities	**18,416**	71,148
Equity	**180,371**	505,863
Equity attributable to:		
Equity holders of the Parent Company	**–**	328,811
Non-controlling interest	**–**	177,052
Investment in an associate	**54,111**	–

	2025	2024
Revenue	**$16,108**	$63,688
Net income	**7,619**	12,598
Net income/Total comprehensive income attributable to:		
Equity holders of the Parent	**4,952**	8,189
Non-controlling interest	**2,667**	4,409

10. **Property and Equipment**

Details of property and equipment measured at cost are as follows:

December 31, 2025	Passenger aircraft, engines and improvements (Notes 13 and 22)	Rotable and reparable parts	Ground property and equipment	Right-of-use assets (Notes 13 and 22) Passenger aircraft, engines and leasehold improvements	Right-of-use assets (Notes 13 and 22) Ground property and equipment	Construction-in-progress	Total
Cost							
Balance at beginning of year	**$187,010**	**$235,438**	**$253,490**	**$3,530,842**	**$34,037**	**$397,331**	**$4,638,148**
Additions	**26,344**	**70,884**	**38,968**	**231,323**	**57,858**	**462,075**	**887,452**
Disposals/Retirements	**–**	**(22,638)**	**(62,263)**	**(423,349)**	**(16,084)**	**–**	**(524,334)**
Return of predelivery payments and buyer furnished equipment (Note 22)	**–**	**–**	**–**	**–**	**–**	**(61,272)**	**(61,272)**
Effect of deconsolidation (Note 9)	**–**	**–**	**–**	**(106,614)**	**–**	**–**	**(106,614)**
Reclassifications and Others	**(43,822)**	**(27,772)**	**(20,259)**	**272,531**	**–**	**(292,841)**	**(112,163)**
Balance at end of year	**169,532**	**255,912**	**209,936**	**3,504,733**	**75,811**	**505,293**	**4,721,217**
Accumulated depreciation							
Balance at beginning of year	**102,774**	**114,856**	**202,179**	**1,732,515**	**22,618**	**–**	**2,174,942**
Depreciation during the year (Note 18)	**8,045**	**23,964**	**8,661**	**326,018**	**4,476**	**–**	**371,164**
Disposals/ Retirements	**–**	**(11,893)**	**(59,334)**	**(397,852)**	**(15,957)**	**–**	**(485,036)**
Effect of deconsolidation (Note 9)	**–**	**–**	**–**	**(12,280)**	**–**	**–**	**(12,280)**
Reclassifications and Others	**(14,510)**	**–**	**(109)**	**(48,543)**	**–**	**–**	**(63,162)**
Balance at end of year	**96,309**	**126,927**	**151,397**	**1,599,858**	**11,137**	**–**	**1,985,628**
Accumulated impairment							
Balance at beginning of year	**–**	**3,050**	**233**	**190,053**	**–**	**4,022**	**197,358**
Additions (Reversals) (Note 18)	**–**	**–**	**–**	**(4,593)**	**–**	**–**	**(4,593)**
Effect of deconsolidation (Note 9)	**–**	**–**	**–**	**(73,800)**	**–**	**–**	**(73,800)**
Reclassifications and Others	**–**	**–**	**–**	**–**	**–**	**(68)**	**(68)**
Balance at end of year	**–**	**3,050**	**233**	**111,660**	**–**	**3,954**	**118,897**
Net book value	**$73,223**	**$125,935**	**$58,306**	**$1,793,215**	**$64,674**	**$501,339**	**$2,616,692**

December 31, 2024	Passenger aircraft, engines and improvements (Notes 13 and 22)	Rotable and reparable parts	Ground property and equipment	Right-of-use assets (Notes 13 and 22) Passenger aircraft, engines and leasehold improvements	Right-of-use assets (Notes 13 and 22) Ground property and equipment	Construction-in-progress	Total
Cost							
Balance at beginning of year	$222,432	$198,307	$233,483	$3,484,388	$50,875	$265,930	$4,455,415
Additions	10,228	34,493	11,780	242,565	1,199	194,765	495,030
Disposals/Retirements	–	(9,499)	(11,764)	(234,921)	(7,749)	(2,050)	(265,983)
Reclassifications and Others	(45,650)	12,137	19,991	38,810	(10,288)	(61,314)	(46,314)
Balance at end of year	187,010	235,438	253,490	3,530,842	34,037	397,331	4,638,148
Accumulated depreciation							
Balance at beginning of year	95,935	107,776	206,292	1,675,959	24,336	–	2,110,298
Depreciation during the year (Note 18)	7,620	14,016	7,434	285,319	9,023	–	323,412
Disposals/ Retirements	–	(2,769)	(11,445)	(217,917)	(7,087)	–	(239,218)
Reclassifications and Others	(781)	(4,167)	(102)	(10,846)	(3,654)	–	(19,550)
Balance at end of year	102,774	114,856	202,179	1,732,515	22,618	–	2,174,942
Accumulated impairment							
Balance at beginning of year	–	3,050	243	193,380	–	4,200	200,873
Additions (Reversals) (Note 18)	–	–	–	(3,327)	–	–	(3,327)
Reclassifications and Others	–	–	(10)	–	–	(178)	(188)
Balance at end of year	–	3,050	233	190,053	–	4,022	197,358
Net book value	$84,236	$117,532	$51,078	$1,608,274	$11,419	$393,309	$2,265,848

Details of property and equipment measured under revaluation model are as follows:

	2025	2024
Cost		
Beginning of year	**$23,701**	$21,756
Additions	**231**	1,945
End of year	**23,932**	23,701
Accumulated depreciation		
Beginning of year	**5,733**	3,006
Depreciation	**3,099**	2,727
End of year	**8,832**	5,733
Net book value	**$15,100**	$17,968

In 2025 and 2024, the Group reversed a portion of the previously recognized impairment loss amounting to $4.59 million and $3.33 million, respectively, for its CGU based on its value-in-use (see Note 18).

Construction in progress mainly includes predelivery payments for aircraft acquisition.

Movements in Fleet

Airbus A350-1000

In 2025, the Group accepted delivery of one Airbus A350-1000 aircraft under operating lease agreement with third-party lessor (see Note 13).

Airbus A320-200

In 2025, the Group accepted delivery of two Airbus A320-200 aircraft under operating lease agreement with third-party lessor (see Note 13).

Boeing B777-300ER

In 2024, the Group accepted delivery of two Boeing B777-300ER aircraft under operating lease agreement with third-party lessors and redelivered one aircraft to its lessor (see Note 13).

Airbus A330-300

In 2024, the Group entered into a refinancing arrangement with third party lessors for its two Airbus A330-300 aircraft (see Note 13).

DHC 8-400 NG

As of December 31, 2025 and 2024, all of the DHC 8-400 NG aircraft are subleased to Air Philippines Corporation (APC).

The fleet as of December 31 is as follows (see Notes 13, 16 and 22):

	2025	2024
Owned:		
Airbus A320-200	**2**	2
Under capital lease:		
Boeing B777-300ER	**3**	4
Airbus A330-300	**5**	5
Airbus A321-231	**10**	10
Airbus A321-271N	**6**	6
Airbus A320-200	**7**	7
Bombardier DHC 8-400 NG	**5**	5

(Forward)

	2025	2024
Under operating lease:		
Boeing B777-300ER	**7**	6
Airbus A350-900	**2**	2
Airbus A350-1000	**1**	–
Airbus A330-300	**6**	6
Airbus A321-231	**12**	12
Airbus A321-271NX	**2**	2
Airbus A320-200	**8**	6
Bombardier DHC 8-400 NG	**6**	6
	82	79

These aircraft do not include five Bombardier DHC 8-400 and four Bombardier DHC 8-300 non-operating aircraft that are fully depreciated as of December 31, 2025 and 2024

Buildings and Improvements

Buildings and improvements, whose fair value can be measured reliably, are carried at appraised values determined based on valuations performed by various qualified and Philippine SEC-accredited independent appraisers. The appraised values as of December 31, 2025 and 2024 are based on appraisal studies performed in December 2024. In the valuation process using market comparison method (a market approach), the appraisers compared the fair market value of similar assets adjusted for dissimilarities and considered the best use of the properties at hand (Level 3). Significant unobservable valuation input in determining the fair value of buildings and improvements includes adjusted offer prices of similar properties. Increases (decreases) in estimated inputs would result in a significantly higher (lower) fair value.

The additional revaluation increase, net of deferred income tax effect of $.06 million and $0.48 million, in 2025 and 2024 amounted to $0.23 million and $1.47 million, respectively (see Note 17). There was no revaluation increase recognized in 2023.

If buildings and improvements were carried at cost less accumulated depreciation, the amounts as of December 31 would be as follows:

	2025	2024
Cost	**$174**	$174
Accumulated depreciation	**(174)**	(174)
	$–	$–

11. Other Noncurrent Assets

	2025	2024
Long-term security deposits (Notes 5, 13 and 16)	**$110,350**	$100,296
Deposits on aircraft leases (Notes 16 and 22)	**24,151**	19,865
Finance lease receivables - net of current portion (Notes 8, 16 and 22)	**51,076**	35,522
Manufacturers' credits	**3,649**	1,000
Creditable withholding taxes	**70,856**	64,805
Investment properties	**4,751**	4,753
Financial assets at FVTOCI	**2,230**	2,222
Others	**31,452**	36,840
	$298,515	$265,303

Long-term Security Deposits

Long-term security deposits include the following, among others:

- hold-out deposits for bank merchant services amounting to $41.54 million and $77.54 million as of December 31, 2025 and 2024, respectively;
- cash set aside to collateralize various standby letters of credit amounting to $37.92 million and $1.61 million as of December 31, 2025 and 2024, respectively;
- sinking fund amounting to $25.70 million and $18.63 million as of December 31, 2025 and 2024, respectively, set aside to guarantee the periodic payments of asset-backed securities (see Note 13);
- cash amounting to $0.29 million and $0.38 million as of December 31, 2025 and 2024, respectively, set aside to collateralize various surety bonds issued (as required under the legal proceedings) in connection with certain litigations (see Note 5); and,
- deposits to various airports and agencies amounted to $4.90 million and $2.14 million as of December 31, 2025 and 2024, respectively.

Total interest income earned on long-term security deposits amounted to $0.10 million in 2025, $0.21 million in 2024 and $0.24 million in 2023 (see Note 18).

Deposits on Aircraft Leases

The Group has security deposits required under certain lease agreements to cover qualifying maintenance events.

The Group's deposits on aircraft leases are carried at amortized cost. Accretion on these deposits, included under "Other income - net" in the consolidated statements of comprehensive income, amounted to $0.38 million in 2025, $1.02 million in 2024 and $2.36 million in 2023.

Finance Lease Receivables

The Group's finance lease receivables pertain to certain aircraft subleased to APC that qualified as finance lease (see Note 22).

Investment Properties

Investment properties pertain to land and building improvements. Depreciation expenses amounted to $1.64 thousand in 2025 and 2024 and $9.03 thousand in 2023. Direct costs related to these investment properties (e.g., property taxes, among others) amounted to $.02 million in 2025, 2024 and 2023.

The aggregate fair value of investment properties amounted to $12.76 million as of December 31, 2025 and 2024 (see Note 25).

Others

This mainly include the noncurrent portion of nontrade claims receivables amounting to $23.27 million as of December 31, 2025 and 2024 (see Note 6).

12. **Accounts Payable and Accrued Expenses**

	2025	2024
Accounts payable (Note 16)	**$190,386**	$187,575
Accrued expenses:		
Maintenance (Note 16)	**176,702**	242,813
Ground handling charges (Note 16)	**29,647**	22,738
Salaries and wages	**26,466**	25,554
Landing and take-off fees	**22,653**	16,478
Agent incentive	**19,586**	17,072
Professional fees and other services	**16,836**	15,657
Advertising	**9,792**	3,307
Lease charges (Note 13)	**7,921**	22,279
Passenger food and supplies	**7,004**	6,797
Taxes	**4,848**	3,379
Interest	**4,436**	4,339
Foreign station	**4,004**	2,735
Others	**8,623**	8,843
	$528,904	$579,566

Other accrued expenses include accruals other operating expenses.

13. **Long-term Obligations**

	2025	2024
Lease liabilities (Note 22)	**$1,366,070**	$977,214
Long-term debt (Note 16)	**319,934**	409,603
	1,686,004	1,386,817
Less current portion	**443,336**	406,364
	$1,242,668	$980,453

Lease Liabilities

Set out below is the roll forward analysis of lease liabilities:

	2025	2024
Beginning balances	**$977,214**	$1,192,094
Additions	**607,826**	81,298
Accretion for the year*	**82,064**	85,495
Payments	**(378,377)**	(385,793)
Adjustments related to effect of modification, reassessment and others (Note 10)	**77,343**	4,120
Ending balances	**$1,366,070**	$977,214

**Presented as part of financing charges*

Below is the breakdown of lease liabilities based on lease arrangements:

	2025	2024
Lease under:		
Capital lease	**$680,062**	$537,149
Operating lease	**686,008**	440,065
	$1,366,070	$977,214



Aircraft and engine leases
The present value of minimum lease commitments for the Group's lease liabilities as of December 31 follows:

	2025		2024	
	Minimum lease commitments	**Present value of lease commitments***	Minimum lease commitments	Present value of lease commitments*
Due within one year	**$353,325**	**$270,351**	$308,866	$245,264
Due after one year but within five years	**922,286**	**767,421**	685,292	577,221
Due in more than five years	**307,224**	**257,676**	153,485	140,610
Minimum lease payments	**1,582,835**	**1,295,448**	1,147,643	963,095
Interest and others	**(287,387)**	–	(184,548)	–
	1,295,448	**1,295,448**	963,095	963,095
Less current portion	**270,351**	**270,351**	245,264	245,264
	$1,025,097	**$1,025,097**	$717,831	$717,831

**Include obligations under lease with bargain purchase option amounting to $680.06 million as of December 31, 2025 and $537.15 million as of December 31, 2024.*

Details of the aircraft and engine leases are presented in Notes 10 and 22. Note 21 presents the movement of lease liabilities in 2025 and 2024.

The unpaid portion of the lease liabilities that are due as of December 31, 2025 and 2024 amounting to $7.92 million and $22.28 million, respectively, is presented under "Accounts payable and accrued expenses" (see Note 12).

$61.25 million Aircraft Financing
In January 2023, the Parent Company entered into Purchase Agreement and Facility Agreement to secure financing of its owned seven Airbus A320-200 aircraft. In addition, these aircraft were leased back to the Parent Company. The Parent Company assessed that the sale of aircraft to the purchaser-lessor does not qualify as a sale under PFRS 15, and instead covered by PFRS 9 and PFRS 16 as a financing transaction due to the following reasons:

- The ownership of the subject aircraft is highly probable to ultimately revert to the Parent Company by the end of the lease term or effectively at any time at the option of the Parent Company to terminate the lease provided it pays the agreed sums of $1; and,
- Substantially all of the risks and rewards over the subject aircraft are still retained by the Parent Company.

The Parent Company recognized the obligations as part of lease liability amounting to $61.25 million. Transaction costs incurred amounted to $1.13 million.

As of December 31, 2025 and 2024, the carrying amount of obligation amounted to $36.25 million and $45.51 million, respectively. The total financing charges amounted to $3.62 million in 2025, $4.95 million in 2024 and $5.20 million in 2023.

$40.00 million Aircraft Financing
In December 2024, the Group entered into Purchase Agreement and a Finance Lease Agreement to secure financing of its owned two Airbus A330-300 aircraft. In addition, these aircraft were leased back to the Parent Company.

The Group assessed that the sale of aircraft and engines to the purchasers-lessors does not qualify as a sale under PFRS 15, and instead covered by PFRS 9 and PFRS 16.

The Group recognized the obligations as part of lease liability amounting to $40.00 million. Transaction costs incurred amounted to $0.47 million.

As of December 31, 2025 and 2024, the carrying amount of obligation amounted to $31.03 million and $39.53 million, respectively. The total financing charges amounted to $2.80 million in 2025 and $0.07 million in 2024.

$348.49 million Aircraft Financing
In various dates in 2025, PAL entered into various refinancing transactions through sale and leaseback arrangements for 12 aircraft, including the nine aircraft purchased by PAL from FSL during the year (see Note 9). Total proceeds from aircraft financing amounted to $226.49 million.

PAL entered into the same refinancing transactions involving nine aircraft engines. Total proceeds from engine financing amounted to $122.0 million.

The Group assessed that the sale of aircraft and engines to the purchasers-lessors does not qualify as a sale under PFRS 15, and instead covered by PFRS 9 and PFRS 16.

The Group recognized the obligations as part of lease liabilities amounting to $348.49 million. Transaction costs arising from these arrangements amounted to $7.85 million.

As of December 31, 2025, the carrying amount of these obligations amounted to $271.79 million. The total financing charges amounted to $8.12 million in 2025.

Ground property
The present value of minimum lease commitments for the Group's ground property leases as of December 31 follows:

	2025		2024	
	Minimum lease commitments	**Present value of lease commitments**	Minimum lease commitments	Present value of lease commitments
Due within one year	**$8,158**	**$3,707**	$2,825	$1,910
Due after one year but within five years	**26,190**	**9,844**	6,691	3,837
More than five years	**77,788**	**57,071**	11,290	8,372
Minimum lease payments	**112,136**	**70,622**	20,806	14,119
Interest and others	**(41,514)**	**–**	(6,687)	–
	70,622	**70,622**	14,119	14,119
Less current portion	**3,707**	**3,707**	1,910	1,910
	$66,915	**$66,915**	$12,209	$12,209

The Group has various ground property lease agreements in which the related right-of-use assets' carrying value amounted to $64.68 million and $11.42 million as of December 31, 2025 and 2024, respectively (see Note 10).

Interests paid on these leases are based on 6.50% to 6.73% in 2025 and 6.73% in 2024 and 2023. Principal payments amounted to $4.27 million in 2025, $13.78 million in 2024 and $17.98 million in 2023.

Long-term Debt

	2025	2024
Long-term debt:		
Secured loans, net of debt issuance costs*	**$297,400**	$322,581
Unsecured loan (Note 16)	**22,534**	84,609
Notes payable	**–**	2,413
	319,934	409,603
Less current portion	**169,278**	159,190
	$150,656	$250,413

**Net of unamortized debt issued cost amounting to $0.62 million and $0.99 million as of December 31, 2025 and 2024, respectively.*

Secured *Loans*

$685.00 million and $50 million US Dollar asset-backed securities

From 2015 to 2019, the Parent Company obtained asset-backed securities totaling $685.00 million from a counterparty bank for additional working capital. In October 2024, the Parent Company availed additional loan facility amounting to $50.00 million. The loans are secured by current and future collections from passenger sales made in the United States through designated credit card companies. The loans are repaid through monthly installment subject to interest of one-month LIBOR basis prior to July 25, 2023 and Secure Overnight Financing Rate (SOFR) basis from July 25, 2023 onwards floating rate maturing in June 2028.

On July 30, 2021, the Parent Company and the counterparty bank entered into a supplemental agreement to amend the final maturity date of the loan to August 25, 2027. On October 23, 2024, the Parent Company and the counterparty bank entered into a supplemental agreement to amend the final maturity date of the loan to June 25, 2028.

The outstanding balance of these loans amounted to $160.22 million and $224.85 million as of December 31, 2025 and 2024, with the current portion amounting to $64.62 million and $64.63 million, respectively. Total financing charges related to these loans amounted to $12.81 million in 2025, $16.98 million in 2024 and $20.86 million in 2023.

As of December 31, 2025, outstanding pledged receivables amounted to $0.90 million (nil as of December 31, 2024). The receivables collected through the credit card companies will be applied against the monthly installment due. As discussed in Note 11, a sinking fund amounting to $19.63 million and $14.48 million as of December 31, 2025 and 2024, respectively, was set aside to guarantee these loans. These loans are subject to certain covenants which include, among others, maintenance of a coverage ratio. As of December 31, 2025 and 2024, the Parent Company was compliant with the loan covenants.

$450.00 million Japanese Yen asset-backed securities

From 2015 to 2019, the Parent Company obtained asset-backed securities totaling $450.00 million from a counterparty bank for additional working capital. The loans are secured by current and future passenger and cargo receivables denominated in Japanese Yen through identified agents in Japan. The loans are repaid through monthly installment subject to interest of one-month LIBOR basis prior to July 31, 2023 and SOFR basis from July 31, 2023 onwards plus margin maturing in August 2026.

In September 2021, the Parent Company and the counterparty bank entered into a supplemental agreement to extend the final maturity date of the loans to March 2028.

On June 30, 2023, the parties entered into an amendment agreement for the transition of floating reference rate from LIBOR to SOFR and to update the required coverage ratio.

In October 2024, the Parent Company executed a Voluntary Prepayment Notice to partially prepay the outstanding principal amount with accrued interest.

As of December 31, 2025 and 2024, outstanding balance of these loans amounted to $67.66 million and $97.74 million, with current portion amounting to $30.07 million. Total financing charges related to these loans amounted to $5.82 million in 2025, $12.09 million in 2024 and $15.50 million in 2023.

As of December 31, 2025 and 2024, the outstanding pledged receivables amounted to $2.07 million and $3.83 million, respectively (see Note 6). The receivables collected through the identified agents in Japan will be applied against the monthly installment due. As discussed in Note 11, a sinking fund amounting to $6.06 million and $4.15 million was set aside to guarantee the loans as of December 31, 2025 and 2024. These loans are subject to certain covenants which include maintenance of a coverage ratio.

On October 29, 2024, the Parent Company renegotiated for a lower coverage ratio by virtue of an amendment agreement. As of December 31, 2025 and 2024, the Parent Company was compliant with the required coverage ratio.

$16.50 million term loan from a local bank
In March 2020, the Parent Company obtained a $16.50 million asset-backed security from a local bank. The loan requires quarterly payments of interest based on floating reference rate plus margin. In December 2021, the Parent Company and the local bank entered into a loan amendment agreement.

The purpose of the amendment is to extend the final maturity date of the loan to September 2024 and reflect the new payment terms.

As of December 31, 2023, the outstanding balance of the loan amounted to $8.40 million and secured by an aircraft with carrying value of $10.68 million. The loan was paid in full in 2024.

Total financing charges related to this loan amounting to $0.42 million in 2024 and $0.87 million in 2023.

$250.00 million from BSHI [Debtor in Possession (DIP) A Facility]
In accordance with the Restructuring Support Agreement (RSAs) and the 2021 Restructuring Plan, the Parent Company and BSHI executed the DIP Credit Agreement for the DIP A Facility (the DIP A Facility Agreement) on September 17, 2021 amounting to $250.00 million, which was used for refinancing the prepetition bridge loan, payment of fees and for costs and expenses of the DIP lender, working capital requirements and administration costs of the Chapter 11 case and general corporate purposes of the Parent Company. The Plan Term Sheet of the RSAs and the DIP A Facility Agreement provide the following material terms of the credit facility implemented as part of restructuring: (a) interest will apply only for the first 27 months; (b) quarterly amortization starting on the 28th month until the 63rd month following the availment date; and (c) first priority security interests in eight A320-200 aircraft and related engines, four DHC 8-300 and two DHC 8-400 aircraft and related engines (collectively the Tranche A Security Package).

Upon the effective date of the Plan, at the sole discretion of the Parent Company, the Tranche A Security Package had been released and the DIP A Facility was converted into an unsecured loan facility for the remainder of the original 63-month post-petition term.

In 2023, the Parent Company and BSHI entered into three amendment agreements. The amendment agreements allowed the Parent Company to prepay the loan in the amount of $25.00 million, $50.00 million and $50.00 million, respectively. In 2025 and 2024, the Parent Company paid the loan amounting to $58.62 million and $43.85 million, respectively.

As of December 31, 2025 and 2024, the outstanding balance of this loan amounted to $22.53 million and $81.15 million, with current portion amounting to $22.53 million and $58.62 million, respectively. Total financing charges related to these loans amounted to $4.48 million in 2025, $10.57 million in 2024 and $20.44 million in 2023.

$69.52 million A350-1000 Pre-Delivery Payment (PDP) Financing
In June 2023, the Parent Company entered into an A350-1000 Purchase Agreement with Airbus S.A.S. for the purchase of nine Airbus A350-1000 (see Note 22). In September 2025, the Parent Company signed a term sheet with a third party as lender, security trustee, and arranger to finance a portion of the PDPs for Aircraft Rank Nos. 5 to 9 totaling $177.70 million. The loan availment in 2025 amounted to $69.52 million.

As of December 31, 2025, the outstanding balance of this loan amounted to $69.52 million, with current portion amounting to $52.06 million.

Notes payable
Outstanding notes payable pertains to the promissory notes issued by the Parent Company and its operating lessors in accordance with the 2021 Restructuring Plan due until 2025. Outstanding balance of the notes payable as of December 31, 2024 amounting to $2.41 million was paid in full in 2025.

Interest rate on these notes payable is 5.00% and the related interest expense charged to profit or loss amounted to $0.05 million in 2025, $0.17 million in 2024 and $ 0.28 million in 2023.

14. Reserves and Other Noncurrent Liabilities

	2025	2024
Unearned transportation revenue - Deferred revenue under frequent flyer program (Note 4)	**$118,440**	$143,258
Provisions	**58,951**	44,074
Manufacturer's credit	**3,649**	6,882
Other noncurrent liabilities (Note 16)	**4,506**	7,901
	$185,546	$202,115

Deferred revenue under frequent flyer program
As of December 31, 2025, current portion of deferred revenue under frequent flyer program amounted to $20.28 million is presented as part of "Unearned Transportation Revenues" (nil as of December 31, 2024).

Provisions
Provisions consist substantially of probable claims and other litigations involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

	2025	2024
Balance at beginning of year	**$44,074**	$20,383
Addition (Note 18)	**19,754**	24,619
Settlement / Reversal	**(4,625)**	(262)
Translation adjustment	**(252)**	(666)
Balance at end of year	**$58,951**	$44,074

Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, only general descriptions were provided.

Other Noncurrent Liabilities
Other noncurrent liabilities include deposits on subleased aircraft.

15. Equity

The Parent Company's capital stock consists of the following shares as of December 31, 2025 and 2024:

Par value	₱1.00
Authorized number of common shares	7,000,000,000
Issued and outstanding number of common shares	1,759,342,188

On September 21, 2021 and October 28, 2021, the Parent Company's BOD and Stockholders, respectively, approved the following amendments of the Parent Company's Articles of Incorporation

- Decrease the par value of the Parent Company's shares from ₱1.00 to ₱0.001 per common share, which will result in a decrease in the authorized capital stock of the Parent Company from ₱13.00 billion divided into 13.0 billion common shares with a par value of ₱1.00 per common share to ₱13.00 million divided into 13.0 billion common shares with a par value of ₱0.001 per common share, and a decrease in the amount of issued and outstanding capital stock of $300.17 million and an increase in additional paid-in capital by the same amount.

- Increase in the par value per common share from ₱0.001 to ₱1.00 per share and authorized capital stock from ₱13.00 million divided into 13.0 million common shares with par value of ₱1.00 per share to ₱7.00 billion divided into 7.0 billion common shares with a par value of ₱1.00 per share.

On December 31, 2021, the Philippine SEC approved the Parent Company's Amended Articles of Incorporation reflecting the changes in the par value and authorized capital stock.

In accordance with the Plan, the Parent Company issued common shares to PHI on December 31, 2021 in relation to the DIP B Facility and to the Supporting Creditors in relation to the general unsecured claims totaling to 1,386,220,789 shares and 360,665,148 shares, respectively. The issuance of shares increased the Parent Company's capital stock by $34,592 and capital in excess of par by $227.55 million. Consequently, the issuance of shares to the Supporting Creditors reduced the ownership interest of PHI in the Parent Company from 98.92% to 79.49% as of December 31, 2021.

On February 27, 2023, the BOD of PHI approved the exchange ratio between PHI and PAL of 15.57 PHI shares to 1 PAL share. On April 15, 2024, PHI and PAL completed the swap process of the shares issued to Supporting Creditors. Consequently, PHI's ownership interest in the Parent Company increased to 97.89%, from 79.49% as of December 31, 2023.



16. **Related Party Transactions**

The following tables present the amounts and outstanding balances of the Group's transactions with its related parties which are not eliminated:

	2025		
Transactions	**Volume**	**Outstanding Receivable (Payable)**	**Terms and Conditions**
Ultimate, immediate and intermediate parent entities			
Receivable (Note 6)	**$–**	**$45,586**	Non-interest bearing; unsecured; unimpaired
DIP A Facility (Note 13)	**58,618**	**(22,534)**	Unsecured loan; To be settled in tranches
Associate			
Lease liabilities (Note 13)	**14,168**	**(19,985)**	Non-interest bearing; unsecured; unimpaired
Deposit on aircraft leases (Note 11)	**(39,725)**	**8,954**	Refundable at the end of lease term
Entities under common control			
Transportation expenses on Code Share Agreement (Note 18)	**199,163**	**–**	Payable after 30 days
Finance lease receivables (Notes 8 and 11)	**15,727**	**68,551**	Non-interest bearing; unsecured; unimpaired
Accounts payable	**(4,160)**	**(16,101)**	Non-interest bearing; Unsecured
Aircraft operating lease income and interest income on finance leases (Notes 6 and 22)	**35,491**	**–**	Receivable monthly based on fixed and variable rates
Aircraft security deposit (Note 14)	**–**	**(1,105)**	Refundable at the end of lease term
Sales and other income (Note 6)	**723**	**5,137**	Receivable in 30 days; unimpaired
Entities under significant shareholder group			
Cash and money placements, including interest income (Notes 5 and 11)	**3,716**	**70,645**	Partly secured; unimpaired
Aircraft maintenance, ground handling, catering and other charges (Notes 12 and 18)	**304,241**	**(43,051)**	Payable after 15 to 30 days
Sales and other income (Note 6)	**7,941**	**11,183**	Receivable in 30 days; with impairment (see Note 6)
Other noncurrent liabilities (Note 14)	**3,402**	**(3,402)**	Non-interest bearing; unsecured

	2024		
Transactions	Volume	Outstanding Receivable (Payable)	Terms and Conditions
Ultimate, immediate and intermediate parent entities			
Receivable (Note 6)	$–	$62,235	Non-interest bearing; unsecured; unimpaired
DIP A Facility (Notes 13)	43,848	(81,152)	Unsecured loan; To be settled in tranches
Entities under common control			
Transportation expenses on Code Share Agreement (Note 18)	165,774	–	Payable after 30 days
Finance lease receivables (Notes 8 and 11)	(6,852)	52,824	Non-interest bearing; unsecured; unimpaired
Accounts payable	17,497	(12,358)	Non-interest bearing; Unsecured
Aircraft operating lease income and interest income on finance leases (Notes 6 and 22)	35,655	–	Receivable monthly based on fixed and variable rates
Aircraft security deposit (Note 14)	–	(1,105)	Refundable at the end of lease term
Sales and other income (Note 6)	1,046	1,742	Receivable in 30 days; unimpaired

(Forward)

	2024		
Transactions	Volume	Outstanding Receivable (Payable)	Terms and Conditions
Entities under significant shareholder group			
Cash and money placements, including interest income (Notes 5 and 11)	$3,682	$73,611	Partly secured; unimpaired
Receivables (Note 6)	–	172,700	Non-interest bearing; unsecured; unimpaired
Aircraft maintenance, ground handling, catering and other charges (Notes 12 and 18)	269,803	(33,106)	Payable after 15 to 30 days
Sales and other income (Note 6)	10,417	10,811	Receivable in 30 days; with impairment (see Note 6)
Other noncurrent liabilities (Note 14)	–	(6,794)	Non-interest bearing; unsecured

Terms and Conditions of Transactions with Related Parties

Outstanding balances of accounts with related parties at year-end are unsecured, payable on demand and are settled in cash or are applied against any outstanding advances to or from the related party, unless otherwise stated.

a. The transactions with APC, an entity under common control, include joint services and code share agreements, and maintenance services.

Effective March 2014, the Parent Company entered into the Code Share Agreement with APC. Under the Code Share Agreement, the Parent Company markets the codeshare flights while APC operates the flights based on agreed rates. The Parent Company incurred transportation expense on Code Share Agreement with APC amounting to $199.16 million in 2025 and $165.77 million in 2024.

As of December 31, 2025 and 2024, the Parent Company has outstanding lease agreements with APC covering the following aircraft for a period of 36 to 144 months (see Notes 10 and 22).

	2025	2024
Airbus A320-200	**17**	15
Airbus A321-231	**4**	4
Bombardier DHC 8-400 Next Generation (NG)	**11**	11
	32	30

Lease income generated by the Parent Company amounted to $30.86 million in 2025, $30.51 million in 2024 and $29.74 million in 2023 (see Note 22). The related deposit from APC amounted to $1.11 million as of December 31, 2025 and 2024 (included under "Reserves and other noncurrent liabilities - Others" in Note 14).

As of December 31, 2025 and 2024, the Parent Company has finance lease receivables from APC amounting to $68.55 million and $52.82 million, respectively (see Notes 8, 11 and 22).

The Parent Company and APC do not have master netting agreements in respect of their intercompany transactions but settle their accounts on a net basis. As of December 31, 2025 and 2024, the Group presented in the consolidated statements of financial position a payable from APC (shown as part of "Payable to related parties") of $19.25 million and $11.56 million, respectively, with gross amounts presented below:

	Receivable	Payable	Net payable (see Notes 6 and 13)
December 31, 2025	**$11,732**	**$30,982**	**($19,250)**
December 31, 2024	$22,230	$33,794	($11,564)

b. The transactions with Lufthansa Technik Philippines (LTP), an entity under significant shareholder group, include mainly aircraft maintenance and technical management services.

In September 2015, the Parent Company entered into a five-year General Terms and Agreement for Maintenance, Repair and Overhaul Services (GTA) with Lufthansa Technik Philippines (LTP) covering line maintenance, component maintenance, C-check, D-check and other support services. The GTA will automatically renew unless terminated by either party.

In the years 2022-2024, LTP and the Parent Company executed a supplementary agreement covering the Line Maintenance, Technical Management Services and Support Services effective for a duration of one year.

In 2025, LTP and the Parent Company executed a supplementary agreement covering the Material Management Services, Line Maintenance and Technical Management Services effective January 1, 2025 until December 31, 2029.

Total LTP-related maintenance and repair costs charged to operations amounted to $225.25 million in 2025, $176.81 million in 2024 and $159.07 million in 2023. In addition, related expendable parts sold to LTP amounted to $0.24 million in 2025, $0.25 million in 2024 and $0.19 million in 2023. As of December 31, 2025 and 2024, the Parent Company has outstanding amounts payable to and estimated unbilled charges from LTP totaling $43.05 million and $31.20 million (included under "Accounts payable and accrued expenses" in the consolidated statements of financial position), net of revolving fund, unapplied credits from and advance payments to LTP amounting to $5.08 million and $2.90 million, respectively.

The Parent Company, in the normal course of its business, renders various services to LTP. Revenues earned from these services are included under "Other income - net" in the consolidated statements of comprehensive income. Receivables from LTP amounted to $0.56 million as of December 31, 2025 and 2024 (see Note 6).

c. The Parent Company has a groundhandling and catering agreement with MacroAsia Airport Services Corporation (MASC) and MacroAsia SATS Inflight Services Corporation (MSISC), entities under common shareholder group.

Related ground handling expenses amounted to $54.02 million in 2025, $67.54 million in 2024 and $46.93 million in 2023. Outstanding payable to MASC amounted to $1.91 million as of December 31, 2024 (nil as of December 31, 2025) is included under "Accounts payable and accrued expenses" in the consolidated statements of financial position.

Catering expenses related to MSISC amounted to $24.97 million in 2025, $25.46 million in 2024 and $27.75 million in 2023. Outstanding payable to MSISC amounted to $0.001 million as of December 31, 2024 (nil as of December 31, 2025) is included under "Accounts payable and accrued expenses" in the consolidated statements of financial position.

d. The Parent Company has various aircraft lease agreements with the subsidiaries of FSL covering Airbus A330-300, Airbus A321-231 and Boeing B777-300ER aircraft (see Notes 10 and 22). As disclosed in Note 13, the Parent Company and FSL entered in refinancing transactions in 2025 and 2024 covering various aircraft. As of December 31, 2025, the Parent Company has one remaining lease agreement with FSL covering one Boeing B777-300ER.



The following are the balances of PAL with FSL that are eliminated in the consolidated statements of financial position as of December 31, 2024:

Deposits on aircraft leases	$49,304
Lease liabilities and accrued lease charges	(58,675)
Due to FSL from sale of aircraft	(63,688)

e. The retirement plan assets of the Parent Company are managed by a bank under common control (see Note 19).

f. The compensation of key management personnel of the Group consisted of short-term employee benefits amounting to $1.68 million in 2025, $1.82 million in 2024 and $1.83 million in 2023, and retirement benefits amounting to $0.26 million in 2025, $0.25 million in 2024 and $0.30 million in 2023.

17. **Other Comprehensive Income**

Movements in other comprehensive income are as follows:

	2025	2024	2023
OCI to be reclassified to profit or loss in subsequent periods:			
Cumulative translation adjustment:			
Balance at beginning of year, net of deferred income tax effect	**$882**	$1,220	$1,158
Cumulative translation adjustment for the year	**(7)**	(338)	62
Balance at end of year	**875**	882	1,220
OCI not to be reclassified to profit or loss in subsequent periods:			
Revaluation increment (Note 10):			
Balance at beginning of year, net of deferred income tax effect	**12,691**	13,942	16,560
Revaluation increment for the year	**230**	1,945	–
Deferred income tax effect on the revaluation increment for the year	**–**	(476)	–
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	**(2,332)**	(2,720)	(2,618)
Balance at end of year	**10,589**	12,691	13,942
Accumulated remeasurement losses on defined benefit obligation (Note 19):			
Balance at beginning of year, net of deferred income tax effect	**(26,560)**	(29,187)	(21,526)
Remeasurement gains (losses) for the year	**(3,859)**	3,502	(10,215)
Deferred income tax effect on remeasurement gains (losses) for the year	**972**	(875)	2,554
Balance at end of year	**(29,447)**	(26,560)	(29,187)
Net changes in fair values of financial assets at FVTOCI (Note 11):			
Balance at beginning of year, net of deferred income tax effect	**$55**	$83	$1
Gain (loss) on changes in fair values for the year	**8**	(37)	109
Deferred income tax effect on the fair value changes for the year	**–**	9	(27)
Balance at end of year	**63**	55	83
Total other comprehensive loss at the end of the year	**($17,920)**	($12,932)	($13,942)
Other comprehensive loss attributable to:			
Equity holders of the Parent Company	**($17,726)**	($12,750)	($13,788)
Non-controlling interests	**(194)**	(182)	(154)
	($17,920)	($12,932)	($13,942)

18. General Expenses and Other Income - Net

Flying operations

	2025	2024	2023
Fuel and oil	**$926,698**	$966,458	$1,022,579
Depreciation (Note 10)	**358,241**	307,923	236,505
Transportation expenses (Note 16)	**199,163**	165,774	142,870
Personnel cost	**90,444**	82,271	90,954
Lease charges (Note 22)	**51,461**	76,530	26,824
Others	**28,962**	25,549	25,165
	$1,654,969	$1,624,505	$1,544,897

Aircraft and traffic servicing

	2025	2024	2023
Ground handling charges	**$198,025**	$185,355	$170,515
Landing and take-off fees	**139,414**	103,950	87,155
Personnel costs	**18,911**	9,710	12,453
Others	**11,291**	14,280	9,835
	$367,641	$313,295	$279,958

General and administrative

	2025	2024	2023
Personnel costs	**$26,945**	$29,563	$28,657
External services and taxes	**29,626**	21,367	25,061
Depreciation	**13,132**	13,150	17,413
Utilities	**8,731**	10,313	25,775
Provision for (Reversal of) ECL (Note 6)	**8,393**	(23,430)	36,078
Others	**4,546**	3,477	3,135
Total	**$91,373**	$54,440	$136,119

Other income (charges) - net

The Group's other income (charges) - net are as follows:

	2025	2024	2023
Foreign exchange gain (loss) – net (Note 24)	**$11,193**	($30,653)	$4,487
Provision for contingencies (Note 14)	**(19,754)**	(24,619)	(19,826)
Interest income (Notes 5, 11 and 16)	**15,309**	30,612	38,874
Reversal of impairment losses (Note 10)	**4,593**	3,327	5,844
Income from manufacturers' credit (Note 22)	**26,345**	2,129	1,230
Other income (charges) - net	**21,237**	(4,590)	14,082
	$58,923	($23,794)	$44,691

Other income (charges) - net includes reversals of long outstanding payables and accruals amounting to $16.31 million in 2025 and other items that are individually immaterial.

19. Accrued Employee Benefits

Characteristics of the Plans

The Group's retirement plans are noncontributory defined benefit plans covering all regular employees. Benefits are based on the employees' years of service and final plan salary.

The Trustee bank is responsible for the administration of the plan assets and for the definition of the investment strategy.

The retirement plans meet the minimum retirement benefit specified under Republic Act 7641, *The Retirement Pay Law.*

The Group's accrued employee benefits as of December 31 consisted of the following:

	2025	2024
Regular retirement benefits	**$113,363**	$109,947
Other long-term benefits:		
Sick leave and vacation leave	**18,588**	18,623
Others	**141,131**	133,772
	$273,082	$262,342

"Others" includes benefits from pilot loyalty program, pilot occupational disability program, pilots' retirement plan and retirement benefits for foreign stations' employees.

The components of retirement costs included under "Expenses" in the consolidated statements of comprehensive income are as follows:

	Regular retirement benefits			Sick leave and vacation leave benefits		
	2025	2024	2023	**2025**	2024	2023
Current service cost	**$7,199**	$7,445	$6,192	**$1,663**	$2,202	$1,756
Net interest cost	**6,374**	6,559	6,490	**1,129**	1,124	1,156
Remeasurement gain (loss) on other long-term benefits	**–**	–	–	**(977)**	(758)	1,989
	$13,573	$14,004	$12,682	**$1,815**	$2,568	$4,901

Remeasurement gains (losses) on regular retirement benefits recognized in OCI are as follows:

	2025	2024	2023
Defined benefit obligation	**($3,815)**	$3,853	($10,908)
Plan assets	**(196)**	(109)	619
	($4,011)	$3,744	($10,289)

The net amounts in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan and sick leave and vacation leave benefits are as follows:

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2025	2024	**2025**	2024
Present value of benefit obligation (PVBO)	**$116,955**	$113,783	**$19,583**	$19,579
Fair value of plan assets (FVPA)	**(3,592)**	(3,836)	**(995)**	(956)
	$113,363	$109,947	**$18,588**	$18,623

Changes in the PVBO are as follows:

	Regular retirement benefits			Sick leave and vacation leave benefits		
	2025	2024	2023	**2025**	2024	2023
Beginning of year	**$113,783**	$117,137	$99,508	**$19,579**	$20,098	$16,965
Current service cost	**7,199**	7,445	6,192	**1,663**	2,202	1,756
Interest expense	**6,627**	6,825	6,808	**1,187**	1,182	1,226
Benefits paid from retirement fund	**(7,917)**	(8,914)	(7,430)	**–**	–	–
Benefits paid from Parent Company operating funds	**–**	(10)	(28)	**(2,398)**	(2,308)	(1,896)
Remeasurement loss (gain) arising from:						
Financial assumptions	**(4,389)**	(4,338)	9,804	**(1,026)**	(803)	1,929
Experience adjustments	**5,507**	485	1,104	**–**	–	–
Change in demographic assumption	**2,697**	**–**	–	–	–	–
Translation adjustment	**(6,552)**	(4,847)	1,179	**578**	(792)	118
End of year	**$116,955**	$113,783	$117,137	**$19,583**	$19,579	$20,098

Changes in the FVPA are as follows:

	Regular retirement benefits			Sick leave and vacation leave benefits		
	2025	2024	2023	**2025**	2024	2023
Beginning of year	**$3,836**	$3,798	$3,698	**$956**	$984	$968
Interest income	**253**	266	318	**58**	58	70
Contributions	**7,787**	8,941	6,616	**1,766**	1,718	1,245
Benefits paid	**(7,917)**	(8,914)	(7,430)	**(1,766)**	(1,718)	(1,245)
Remeasurement gain (loss) arising from return on plan assets	**(196)**	(109)	619	**(49)**	(44)	(60)
Translation adjustment and others	**(171)**	(146)	(23)	**30**	(42)	6
End of year	**$3,592**	$3,836	$3,798	**$995**	$956	$984

The movements in accrued employee benefits are as follows:

	Regular retirement benefits			Sick leave and vacation leave benefits		
	2025	2024	2023	**2025**	2024	2023
Beginning of year	**$109,947**	$113,339	$95,810	**$18,623**	$19,114	$15,997
Retirement cost	**13,573**	14,004	12,682	**1,815**	2,567	4,901
Remeasurements recognized in OCI	**4,011**	(3,744)	10,289	**–**	–	–
Contributions	**(7,787)**	(8,941)	(6,616)	**(1,766)**	(1,718)	(1,245)
Benefits paid from Group's operating funds	**–**	(10)	(28)	**–**	(3)	(61)
Benefits leaves utilized	**–**	–	–	**(632)**	(586)	(591)
Translation adjustment and others	**(6,381)**	(4,701)	1,202	**548**	(751)	113
End of year	**$113,363**	$109,947	$113,339	**$18,588**	$18,623	$19,114

The retirement plans' assets and investments, which are being maintained by a trustee bank that is under common control (see Note 16), consist of the following:

- Cash and cash equivalents, which include regular savings and time deposits, earning interest at their respective bank deposit rates; and
- Investments in debt instruments, consisting of both short and long-term corporate notes of foreign commercial banks, which earn interest at 9.03% and will mature on March 15, 2029.

The major categories of the plan assets as percentages of the fair value of total plan assets as of December 31 are as follows:

	2025	2024
Cash and cash equivalents	**64%**	63%
Investment in debt securities	**35%**	36%
Accrued interest from financial assets	**1%**	1%
	100%	100%

The discount rates and future salary increase rates used in determining retirement obligation for the defined benefit plans as of January 1 are shown below:

	2025	2024	2023
Discount rates	**6.02% to 6.11%**	6.05% to 6.15%	7.13% to 7.37%
Future salary increase rate	**$51 to $85 or 5.50%, as applicable**	$34 to $74 or 6%, as applicable	6.00%

As of December 31, 2025, the discount rate ranged from 6.24% to 6.53% per annum while future salary increase rates varies per group.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant actuarial assumption on the defined benefit obligation as of December 31 assuming all other assumptions were held constant:

	2025		2024	
	Increase (decrease)	**Effect on PVBO**	Increase (decrease)	Effect on PVBO
Discount rate per annum	**1.00%**	**($8,854)**	1.00%	($8,328)
	-1.00%	**10,178**	-1.00%	9,581
Future annual salary increase rate:				
Ground employees	**1.00%**	**2,941**	1.00%	3,025
	-1.00%	**(2,632)**	-1.00%	(2,706)
Cabin crew	**1.00%**	**2,828**	1.00%	2,950
	-1.00%	**(2,828)**	-1.00%	(2,950)
Pilots	**1.00%**	**5,329**	1.00%	4,884
	-1.00%	**(4,760)**	-1.00%	(4,360)

The weighted average duration of the defined benefit obligation of the Parent Company and Sabre as of December 31, 2025 are 12.98 years and 8.6 years (12.54 years and 7.9 years as of December 31, 2024), respectively. The expected total contribution to the retirement plans in 2026 based on normal cost amounts to $18.35 million.

The table below shows the payments that are to be made in the future years out of the defined benefit obligation as of December 31:

	2025	2024
Within one year	**$11,325**	$8,602
More than one year to 5 years	**50,051**	49,027
More than 5 years to 10 years	**72,855**	68,585
More than 10 years to 15 years	**71,509**	65,862
More than 15 years to 20 years	**84,850**	69,136
More than 20 years	**171,019**	162,020

The funds are invested significantly in short-term investments and corporate and government bonds. The Group's management ensures that there will be sufficient assets to pay retirement benefits as they fall due.

20. Income Taxes

a. The income tax expense consists of the following:

	2025	2024	2023
Current income tax	**$6,636**	$6,875	$10,394
Deferred income tax	**10,653**	13,270	(4,917)
	$17,289	$20,145	$5,477

b. The recognized net deferred income tax assets (liabilities) as of December 31 are as follows:

	2025	2024
Deferred income tax items recognized in profit or loss:		
Deferred income tax assets on:		
Lease liabilities	**$131,030**	$101,006
Unrealized foreign exchange adjustments - net	**39,105**	28,889
Reserves and others	**59,268**	44,968
Allowance for inventory losses	**11,936**	4,586
NOLCO	**–**	30,120
MCIT	**6,460**	–
	247,799	209,569
Deferred income tax liabilities on:		
Right-of-use assets	**($111,573)**	($76,693)
Finance lease receivables	**(10,424)**	(6,324)
Estimated breakage for unutilized passenger tickets	**(5,487)**	(5,531)
Prepaid commission and others	**(10,706)**	(4,048)
Changes in exchange rates related to nonmonetary assets and liabilities - net	**(43,029)**	(39,741)
	(181,219)	(132,337)
	66,580	77,232
Deferred income tax items recognized directly in OCI:		
Deferred income tax assets on remeasurement losses on defined benefit retirement plan	**9,701**	8,740
Deferred income tax liabilities on:		
Revaluation increment in property	**(3,973)**	(4,741)
Net changes in fair value of financial assets at FVTOCI	**(5)**	(5)
Investment property carried at deemed cost	**(16)**	(16)
	5,707	3,978
Net deferred income tax assets	**$72,287**	$81,210

Deferred income tax assets on lease liabilities and deferred income tax liabilities on right-of-use assets and finance lease receivables pertain to lease arrangements that are treated as operating leases for tax reporting purposes.

In accounting for deferred income tax relating to such operating leases, the Group considers both the right-of-use asset and lease liability separately. The Group separately accounts for deferred taxation on the taxable temporary difference and deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred income tax is recognized on subsequent changes to taxable and deductible temporary differences.

Deferred income tax on changes in exchange rates related to nonmonetary assets and liabilities arises from the difference between the tax base and accounting base of a nonmonetary assets and liabilities recorded at US Dollar, the functional currency.

The utilization of the net deferred income tax assets is dependent on future taxable income in excess of the income arising from the reversal of the taxable temporary differences. The future taxable income is based on the forecast prepared by management considering the revenue enhancement programs (see Notes 2 and 4).

The Parent Company did not recognize deferred income tax assets on the following deductible temporary differences as of December 31:

	2025	2024
NOLCO	**$296,297**	$413,483
Excess of MCIT over RCIT	**16,330**	19,266
Allowance for ECL	**76,392**	109,027
Impairment loss	**4,593**	3,621
Accrued retirement benefits	**217,157**	215,867
Provisions	**18,760**	19,240

c. The Parent Company's outstanding NOLCO as of December 31, 2025 available for application against future taxable income is as follows:

Year Incurred	Amount	Applied	Expired	Revaluation	Balance	Available Until
December 31, 2020	$232,825	($171,865)	($57,222)	($3,738)	$–	December 31, 2025
December 31, 2021	$301,138	$–	$–	($4,841)	$296,297	December 31, 2026
	$533,963	($171,865)	($57,222)	($8,579)	$296,297	

d. The Parent Company's outstanding MCIT as of December 31, 2025 available for application against future income tax due is as follows:

Year Incurred	Amount	Expired	Revaluation	Balance	Available Until
December 31, 2025	$6,460	$–	$–	$6,460	December 31, 2028
December 31, 2024	6,692	–	(170)	6,522	December 31, 2027
December 31, 2023	9,968	–	(160)	9,808	December 31, 2026
	$23,120	$–	($330)	$22,790	

e. The reconciliation between the statutory tax rate and the Group's effective tax rate follows:

	2025	2024	2023
Statutory tax rate	**25.00%**	25.00%	25.00%
Adjustments resulting from:			
Application of NOLCO for which no deferred income tax assets were previously recognized	**(22.77%)**	–	(33.62%)
Recognition of deferred income tax asset on NOLCO for which no deferred income tax asset were previously recognized	–	(8.60%)	(5.51%)
Movement in deductible temporary differences for which no deferred income tax assets were recognized	**1.07%**	(5.06%)	4.68%
Interest income subjected to final tax or exempted from tax	**(0.20%)**	(3.25%)	(2.02%)
Nondeductible portion of interest expense	**0.04%**	0.64%	0.40%
Nontaxable income (BOI)	**–**	–	(0.06%)
Nondeductible expenses and others – net	**6.45%**	3.29%	12.53%
Effective income tax rate	**9.59%**	12.02%	1.40%

f. As discussed in Note 1, the Parent Company has been registered with the BOI as new operator of air transport services on non-pioneer status under the Omnibus Investment Codes of 1987 (Executive Order No. 226). For the six aircraft registered with the BOI in 2018, the Parent Company can avail of bonus years in certain cases, if applicable, provided that the aggregate ITH entitlement shall not exceed eight (8) years. In 2021, the registrations of the two aircraft were extended and entitled for the ITH until June 30, 2023.

In 2025, two Airbus A350-1000 aircraft were registered with BOI under 2022 SIPP.

g. Base Erosion and Profit Shifting Pillar 2
The Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Global Anti-Base Erosion (GloBE) (Pillar Two model rules), which ensure that a multinational company with an annual consolidated group revenue of at least EUR750 million for 2 out of 4 preceding fiscal years is subjected to a minimum 15% tax rate in each jurisdiction where they operate ("Pillar Two").

Pillar Two model rules legislation has been enacted or substantively enacted in certain jurisdictions in which the Group operates. For the Group's financial year beginning January 1, 2024, the Group has adopted the amendments to PAS 12, *Income taxes*, which include a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of Pillar Two model rules. Hence, there is no expected deferred tax impact to the financial statements of the Group. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent financial information of the constituent entities in the Group. Based on the assessment performed, the Group does not expect a potential exposure to Pillar Two top-up taxes in 2025 and 2024. The Group monitors the Pillar Two legislative developments in jurisdictions where it operates to evaluate potential future impact to the Group once the rules become effective.

21. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the year ended December 31, 2025

	December 31, 2024	Cash flows			Others	December 31, 2025
		Availments	Payments	Net		
Current portion of long term-obligations	**$406,364**	**$–**	**($501,807)**	**($501,807)**	**$538,779**	**$443,336**
Long term-obligations - net of current portion	**980,453**	**418,009**	**–**	**418,009**	**(155,794)**	**1,242,668**
Total liabilities from financing activities	**$1,386,817**	**$418,009**	**($501,807)**	**($83,798)**	**$382,985**	**$1,686,004**

For the year ended December 31, 2024

	December 31, 2023	Cash flows			Others	December 31, 2024
		Availments	Payments	Net		
Current portion of long term-obligations	$467,650	$–	($538,113)	($538,113)	$476,827	$406,364
Long term-obligations - net of current portion	1,273,051	90,000	–	90,000	(382,598)	980,453
Total liabilities from financing activities	$1,740,701	$90,000	($538,113)	($448,113)	$94,229	$1,386,817

"Others" includes the effect of reclassification of the non-current portion to current due to the passage of time, new leases, the amortization of direct costs capitalized and the impact of the lease amendments and termination. The Group classifies interest paid as cash flows from operating activities.

22. Commitments

Aircraft Purchase Agreements

Airbus aircraft

In January 2015, by virtue of an amendment to the Purchase Agreement executed in August 2012, the Group purchased two additional Airbus A321-231 NEO aircraft and revised the delivery of its firm orders of 10 Airbus A321-231 CEO aircraft from the original schedule of delivery in years 2015 to 2016 to years 2021 to 2025 and converted the same into Airbus A321-231 NEO aircraft.

In July 2021, the Group and Airbus amended the Purchase Agreement that covers amendment to certain terms and conditions including the rescheduled delivery of NEO Aircraft within 2026 to 2029. As of December 31, 2025, the remaining aircraft that are for delivery in the future include 13 Airbus A321-271 NEO.

In June 2023, the Group and Airbus entered into a new Purchased Agreement to purchase nine Airbus A350-1000 to be delivered from 2025 to 2027. In addition, Airbus granted the Group the right to purchase up to three additional Airbus A350-1000 aircraft.

In December 2023, the Group and Airbus amended the Airbus A350-1000 Purchase agreement to revise the delivery date of the fourth Airbus A350-1000 aircraft from second half of the 2026 to second quarter of the same year.

In 2025 and 2024, the Parent Company paid the predelivery payments related to the acquisition of Airbus A350-1000 aircraft amounting to $103.41 million and $147.31 million, respectively.

In December 23, 2025, Airbus returned the payments made by the Parent Company for the predelivery of the first Airbus A350-1000 aircraft amounting to $45.80 million and for the buyer-furnished equipment amounting to $9.08 million. This is after the assignment of Parent Company of its purchase right to a purchaser-lessor. The Parent Company entered into an operating lease with the purchaser-lessor of the first Airbus A350-1000. The arrangement fee for the lease transaction, which was applied against the returned payments, amounted to $7.79 million in 2025 (see Note 10).

Total predelivery payments relating to the acquisition of the remaining undelivered Airbus A321-231 NEO aircraft and Airbus A350-1000 under the Purchase Agreements amounted to $325.22 million and $285.96 million as of December 31, 2025 and 2024, respectively (see Note 10).

Spare Engine Purchase Agreements

Agreement with Rolls Royce PLC

In June 2023, in support of Parent Company's acquisition of nine firm Airbus A350-1000 aircraft and three Airbus A350-1000 aircraft purchase rights, the Parent Company and Rolls Royce PLC entered into an Engine Support and Total Care Agreement relating to Trent XWB-97 engines. A Purchase Agreement for the three Trent XWB-97 spare engines was also entered by both parties with the expected deliveries from 2025 to 2027. Total deposits related to these spare engines amounted to $24.77 million and $26.43 million as of December 31, 2025 and 2024, respectively.

In 2025, Rolls Royce returned the predelivery payments amounting to $15.47 million, which was applied against the purchase price of one Trent XWB-97 engine delivered in November 2025 (see Note 10).

The TotalCare will commence from the date of delivery to the Parent Company of the first Aircraft, with each Engine remaining within the TotalCare for a minimum of 12 years ("Minimum Term"), and then continuing until the Parent Company sells, retires, or otherwise disposes of all of the Aircraft, which the Parent Company may do at any time after the Minimum Term for an Engine, subject to an agreed notice period.

International Aero Engines, LLC ("IAE LLC")

In March 2016, PAL and International Aero Engines, LLC (IAE) entered into a Purchase Agreement relating to the purchase of three firm spare engines and three purchase right spare engines (the "Engine Purchase Agreement"). PAL and IAE entered subsequent amendments to amend the terms of the purchase agreement.

In February 2025, IAE issued a Credit Memo amounting to $26.35 million for AOG Special Support Compensation. The purpose of these credits is to alleviate the financial impact resulting from aircraft downtime caused by AOG engine issues for the period October 2023 to September 2024. This amount was included as part of "Other income (charges) - net" in consolidated income statements (see Note 18).

Concurrently, PAL took delivery of its fifth spare engine on February 28, 2025, and sixth spare engine on July 30, 2025. PAL utilized the AOG credits to settle the purchase price of $25.82 million for the two spare engines.

Aircraft and Engine Leases - Group as Lessee

Details of aircraft under lease arrangements as of December 31, 2025 and 2024 are disclosed in Note 10. The carrying values of these aircraft under lease arrangements amounted as follows:

	2025	2024
Airbus aircraft	**$1,148,055**	$1,036,371
Boeing aircraft	**221,929**	277,019
Bombardier aircraft	**54,751**	61,257
Aircraft engines	**116,906**	26,531

Short-term aircraft and engine leases

As of December 31, 2025 and 2024, the Group has short-term lease agreements on various aircraft and engines ranging from three to 12 months.

Ground Property Leases - Group as Lessee

Minimum rental commitments under these lease contracts as of December 31 are presented in Note 13. In 2013, the Parent Company entered into a lease agreement with Manila International Airport Authority (MIAA) covering a parcel of land situated at Aviation Support Industrial Area 2 (formerly Nayong Pilipino) to be utilized as an aircraft parking facility. This lease agreement is for a period of 25 years commencing on December 23, 2013. The lease agreement was subsequently assigned by the MIAA to New NAIA Infra Corp. (NNIC), the new concessionaire of Ninoy Aquino International Airport (NAIA) effective September 14, 2024. In the meantime, the Parent Company continued to lease and use the property, which is effective until 2038.

In 2014, the Parent Company required additional space and entered into a lease agreement with PAGCOR covering an adjoining parcel of land intended to be used for aircraft parking as well. This lease was valid until the effectivity of the legislative franchise of PAGCOR. In 2024, the parties mutually agreed to terminate the lease agreement effective on July 3, 2024.

In June 2025, the Parent Company entered into another lease agreement with MIAA covering the area at Andrews Avenue-MBC Area, NAIA Complex, Pasay City whereas the leased premises will be exclusively used for the construction and operation of Administration, Training, and Medical Facilities. The lease shall be effective for a period of fifteen years upon signing of the lease or earlier depending on the MIAA development plans affecting the area.

The carrying value of these ground property under lease amounted to $64.68 million and $11.42 million as of December 31, 2025 and 2024, respectively (see Note 10).

As of December 31, 2025 and 2024, the Group has short-term lease agreements on various ground properties ranging from three to 12 months.

Leases - Group as Lessor

The Group has existing aircraft finance and operating sublease agreements with a related party (see Note 16).

Aircraft under finance lease

Set out below is the roll forward analysis of lease receivables under aircraft finance sublease agreements, which comprised of six Bombardier Q400-NG and eight Airbus A320-200:

	2025	2024
Beginning balances	**$52,824**	$59,676
Adjustments related to lease modification and reassessment	**4,461**	10,611
Additions	**28,643**	–
Accretion for the year	**4,633**	5,146
Billings	**(22,010)**	(22,609)
Ending balances	**$68,551**	$52,824

The future minimum lease receivable from these finance lease agreements as of December 31 are as follows:

	2025	2024
Due within one year	**$22,234**	$21,645
Due after one year but within five years	**52,988**	36,778
More than five years	**5,164**	4,373
Minimum lease payments	**80,386**	62,796
Interest and others	**(11,835)**	(9,972)
	68,551	52,824
Less current portion	**17,475**	17,302
	$51,076	$35,522

Aircraft under operating lease

The future minimum lease income from these operating lease agreements, which comprised of five Bombardier Q400-NG, nine Airbus A320-200 and four Airbus A321-231 as of December 31 are as follows:

	2025	2024
Due within one year	**$17,938**	$19,079
Due after one year but within five years	**32,338**	46,556
More than five years	**1,230**	4,949

Lease-related Income (Charges)

Set out below are the amounts recognized in the consolidated statements of comprehensive income in relation to the Group's lease arrangements:

	2025	2024	2023
Other revenue:			
Lease income -Fixed	**$19,079**	$19,079	$19,079
Lease income -Variable	**11,780**	11,430	10,656
Interest income	**4,633**	5,146	3,573
	35,492	35,655	33,308
Expenses:			
Depreciation expense of right-of-use assets	**(330,494)**	(294,342)	(311,209)
Interest expense on lease liabilities	**(82,064)**	(85,495)	(95,911)
Lease charges - short-term leases	**(51,461)**	(76,530)	(26,824)
Lease charges - variable lease payments*	**(7,088)**	(7,319)	(8,279)
	(471,107)	(463,686)	(442,223)
Total amounts recognized in profit or loss	**($435,615)**	($428,031)	($408,915)

**Presented as part of "Ground handling charges" account.*

From June 2024 to January 2025, the Group entered into a wet lease agreement with foreign carrier for two Airbus A330 aircraft. The related lease charges are recorded as part of short-term leases.

23. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. In line with this objective, the Group is targeting to keep its Total Debt to EBITDA ratio to not more than 3.5:1.

For the purpose of capital management, the Company considers its issued capital stock and capital in excess of par as of December 31, 2025 and 2024 totaling to $564.44 million as its capital. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may issue new shares or return capital to shareholders. The Group manages its capital by monitoring its cash flows and debt levels. No changes were made in the objectives, policies or processes in 2025, 2024 and 2023.

24. Financial Risk Management Objectives and Policies

Risk Management Structure

BOD

The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and policies of the Group.

Finance Group

The Finance Group has the overall responsibility for the development of financial risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to financial risk issues (fuel price and foreign exchange risk, in particular) in order to make relevant decisions.

In addition, the Finance Group is responsible for the comprehensive monitoring, evaluation and analysis of the Group's financial risks in line with the policies and limits set by the Group.

Financial Risk Management

The Group's principal financial instruments consist of loans and borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and financial liabilities such as receivables, accounts payable, accrued expenses and deposits which arise directly from its operations. The main risks arising from the use of financial instruments are market risks (consisting of foreign exchange risk, cash flow interest rate risk and fuel price risk), liquidity risk, counterparty risk and credit risk.

Market risks

The Group's operating, investing and financing activities are directly affected by changes in foreign exchange rates, interest rates and fuel prices. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities. Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk and fuel price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Foreign exchange risk
The Group is exposed to foreign exchange rate fluctuations arising from its revenue, expenses and borrowings in currencies other than its functional currency. The Group manages this exposure by matching its receipts and payments for each individual currency. Any surplus is sold as soon as practicable.

The Group's significant foreign currency-denominated monetary assets and liabilities (in USD equivalent) as of December 31 are as follows:

	2025	2024
Financial Assets and Financial Liabilities		
Financial assets:		
Cash	**$95,038**	$93,682
Receivables	**71,031**	287,288
Others*	**32,745**	75,392
	198,814	456,362
Financial liabilities:		
Accounts payable	**($17,388)**	($25,430)
Accrued expenses	**(124,796)**	(41,668)
Others**	**(8,463)**	(8,574)
	(150,647)	(75,672)
Net foreign currency-denominated financial assets	**48,167**	380,690
Nonfinancial Liabilities		
Accrued employee benefits	**(273,082)**	(262,342)
Provisions	**(33,030)**	(27,949)
	(306,112)	(290,291)
Net Foreign Currency-denominated Monetary Assets (Liabilities)	**($257,945)**	$90,399

**Includes miscellaneous deposits and security deposits.*
***Substantially pertaining to passenger taxes.*

The Group recognized net foreign exchange gain (loss) amounting to $11.19 million in 2025, ($30.65) million in 2024 and $4.49 million in 2023 included under "Other income - net" in the consolidated statements of comprehensive income arising from the translation and settlement of these foreign currency-denominated financial and nonfinancial instruments. The Group's foreign currency-denominated exposures comprise primarily of Philippine peso (PHP), Canadian dollar (CAD), and Japanese Yen (JPY). Other foreign currency exposures include Euro (EUR), Australian dollar (AUD), Singaporean dollar (SGD), Chinese Yuan (CNY), Thai Baht (THB), Hong Kong dollar (HKD), Saudi riyal (SAR) and Emirati dirham (AED).

Shown below is the impact on the Group's income before income tax of reasonably possible changes in the exchange rates of foreign currencies (CCY) against the USD, with all other variables held constant.

	December 31, 2025			
			Net Gain (Loss) Effect on Income before Income Tax	
Currency	**Closing rates**	**Movement in CCY/USD**	**Increase in CCY/USD**	**Decrease in CCY/USD**
PHP	**58.79**	**6.77%**	**$15,477**	**($15,477)**
CAD	**1.38**	**5.59%**	**(2,345)**	**2,345**
JPY	**156.45**	**9.51%**	**(699)**	**699**
Others*	**–**	**0.74% to 10.37%**	**(2,908)**	**2,908**
Net			**$9,525**	**($9,525)**

**Includes various currencies (i.e. EUR, AUD, SGD, CNY, THB, HKD, SAR, AED and others*



	December 31, 2024			
				Net Gain (Loss) Effect on Income before Income Tax
Currency	Closing rates	Movement in CCY/USD	Increase in CCY/USD	Decrease in CCY/USD
PHP	57.85	6.34%	$4,797	($4,797)
CAD	1.44	5.58%	(3,526)	3,526
JPY	155.52	9.55%	(3,672)	3,672
Others*		0.57% to 10.18%	(8,118)	8,118
Net	–		($10,519)	$10,519

**Includes various currencies (i.e. EUR, AUD, SGD, CNY, THB, HKD, SAR, AED and others).*

Cash flow interest rate risk
The Group's exposure to cash flow interest rate risk arises from the regular repricing of interest on its floating-rate loans. The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates. The ratio of floating-rate long-term loans to the total borrowings is 0.83:1 and 0.75:1 as of December 31, 2025 and 2024, respectively.

Income before income tax in 2025, 2024 and 2023 would either decrease by $4.13 million, $7.76 million and $6.86 million or increase by $4.13 million, $7.76 million and $6.86 million, respectively, if the USD interest rate for the periods had been higher or lower by 70 basis points, 106 basis points and 78 basis points, respectively. There is no other impact on the Group's equity other than those already affecting profit or loss. The Group assumes concurrent movements in interest rates and parallel shifts in the yield curves.

Fuel price risk
The Group is exposed to price risk on jet fuel purchases. This risk is managed by a combination of strategies with the objective of managing price levels within an acceptable band through various types of derivatives. The Group implements such strategies to manage and minimize the risks within acceptable risk parameters. As of December 31, 2025 and 2024, the Group had no outstanding fuel derivatives.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments (e.g., long-term obligations) or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to maintain a minimum cash balance, including access to committed credit facilities, representing 15% of revenues; (b) to ensure that adequate funding is available at all times; (c) to meet commitments as they arise without incurring unnecessary costs;(d) to be able to access funding when needed at the least possible cost; and (e) to maintain an adequate time spread of refinancing maturities.

The tables below summarize the maturity analysis of the Group's financial liabilities as of December 31 based on contractual undiscounted payments (principal and interest):

	2025						
	≤1 Year	**>1≤2 Years**	**>2≤3 Years**	**>3≤4 Years**	**>4≤5 Years**	**>5 Years**	**Total**
Accounts payable and accrued expenses*	**$494,883**	**$–**	**$–**	**$–**	**$–**	**$–**	**$494,883**
Lease liabilities**	**361,483**	**320,281**	**270,180**	**214,766**	**143,249**	**385,012**	**1,694,971**
Long-term debt***	**185,745**	**118,546**	**38,918**	**-**	**–**	**–**	**343,209**
	547,228	**438,827**	**309,098**	**214,766**	**143,249**	**385,012**	**2,038,180**
	$1,042,111	**$438,827**	**$309,098**	**$214,766**	**$143,249**	**$385,012**	**$2,533,063**

**Excludes nonfinancial liabilities amounting to $34.02 million.*
***Includes interest amounting to $327.26 million.*
****Includes interest amounting to $23.28 million.*

	2024						
	≤1 Year	>1≤2 Years	>2≤3 Years	>3≤4 Years	>4≤5 Years	>5 Years	Total
Accounts payable and accrued expenses*	$549,660	$–	$–	$–	$–	$–	$549,660
Lease liabilities**	311,691	251,106	191,749	147,409	101,720	164,774	1,168,449
Long-term debt***	184,829	130,853	100,973	38,999	–	–	455,654
	496,520	381,959	292,722	186,408	101,720	164,774	1,624,103
	$1,046,180	$381,959	$292,722	$186,408	$101,720	$164,774	$2,173,763

**Excludes nonfinancial liabilities amounting to $29.91 million.*
***Includes interest amounting to $191.24 million.*
****Includes interest amounting to $46.05 million.*

The Group's total financial liabilities to be settled currently amounting to $1.04 billion and $1.05 billion as of December 31, 2025 and 2024, include current liabilities aggregating to $494.88 million and $549.66 million, respectively, that management considers as working capital. For the other liabilities totaling to $547.23 million and $496.52 million as of December 31, 2025 and 2024, respectively, management expects to settle these from the Group's cash to be generated from operations.

The following are the Group's financial assets as of December 31 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	2025						
	≤1 Year	**>1≤2 Years**	**>2≤3 Years**	**>3≤4 Years**	**>4≤5 Years**	**>5 Years**	**Total**
Cash	**$342,138**	**$–**	**$–**	**$–**	**$–**	**$–**	**$342,138**
Loans and receivables:							
Cash equivalents	**89,307**	**–**	**–**	**–**	**–**	**–**	**89,307**
Receivables - net*	**157,485**	**–**	**–**	**–**	**–**	**–**	**157,485**
Finance lease receivables**	**22,234**	**16,301**	**13,380**	**12,173**	**11,133**	**5,164**	**80,385**
	$611,164	**$16,301**	**$13,380**	**$12,173**	**$11,133**	**$5,164**	**$669,315**

**Excludes receivables arising from statutory requirements, net of allowance, amounting to $0.21 million.*
***Includes interest amounting to $11.83 million.*

	2024						
	≤1 Year	>1≤2 Years	>2≤3 Years	>3≤4 Years	>4≤5 Years	>5 Years	Total
Cash	$218,050	$–	$–	$–	$–	$–	$218,050
Loans and receivables:							
Cash equivalents	168,955	–	–	–	–	–	168,955
Receivables - net*	423,502	–	–	–	–	–	423,502
Finance lease receivables**	21,645	16,083	8,034	6,232	6,429	4,373	62,796
	$832,152	$16,083	$8,034	$6,232	$6,429	$4,373	$873,303

**Excludes receivables arising from statutory requirements, net of allowance, amounting to $0.88 million.*
***Includes interest amounting to $9.97 million.*

Counterparty risk

The Group's counterparty risk encompasses issuer risk on investment securities, credit risk on cash in banks, time deposits and security deposits and settlement risk on derivatives. The Group manages its counterparty risk by transacting with counterparties of good financial condition and selecting investment grade securities. Settlement risk on derivatives is managed by limiting aggregate exposure on all outstanding derivatives to any individual counterparty, taking into account its credit rating. The Group also enters into master netting arrangements and implements counterparty and transaction limits to avoid concentration of counterparty risk.

The tables below show the maximum counterparty exposure as of December 31 after taking into account information about rights of offset and related arrangements for financial instruments subject to master netting agreements:

	2025					
	Gross maximum exposure	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position**	**Master netting agreement**	**Fair value of financial collateral**	**Net exposure**
Financial Assets						
Cash in banks and cash equivalents	**$428,070**	**$–**	**$428,070**	**$–**	**$–**	**$428,070**
Receivables - net	**157,485**	**–**	**157,485**	**–**	**41,098**	**116,387**
Finance lease receivables	**68,551**	**–**	**68,551**	**–**	**–**	**68,551**
Margin deposits, lease deposits and others	**62,448**	**–**	**62,448**	**–**	**–**	**62,448**
	$716,554	**$–**	**$716,554**	**$–**	**$41,098**	**$675,456**

	2024					
	Gross maximum exposure	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position	Master netting agreement	Fair value of financial collateral	Net exposure
Financial Assets						
Cash in banks and cash equivalents	$383,144	$–	$383,144	$–	$–	$383,144
Receivables - net	423,502	–	423,502	–	40,821	382,681
Finance lease receivables	52,824	–	52,824	–	–	52,824
Margin deposits, lease deposits and others	166,866	–	166,866	–	–	166,866
	$1,026,336	$–	$1,026,336	$–	$40,821	$985,515

Credit risk

The Group's exposure to credit risk arises from the possibility that agents, financial institutions and other counterparties may fail to fulfill their agreed obligations and that the collaterals held may not be sufficient to cover the Group's claims. To manage such risk, the Group, through its Credit Monitoring and Control Division, employs a credit evaluation process prior to the accreditation or re-accreditation of its travel and cargo agents. The Group considers, among other factors, the size, paying habits and the financial condition of the agents. To further mitigate the risk, the Group requires from its agents financial guarantees in the form of cash bonds, letters of credit and assignment of time deposits. The carrying value of these collaterals held as of December 31, 2025 and 2024 amounted to $41.10 million and $40.82 million, respectively.

The Group, to the best of its knowledge, has no significant concentration of credit risk with any counterparty.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group using internal credit quality ratings. The aging per class of receivable and the expected credit loss as of December 31 follow:

	2025						
	Current	**0-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**ECL**	**Total**
General traffic	**$71,052**	**$3,976**	**$1,166**	**$6,203**	**$50,498**	**($52,078)**	**$80,817**
Related parties	**358**	**1,101**	**655**	**663**	**59,129**	**(6,999)**	**54,907**
Non-trade	**29,602**	**–**	**–**	**–**	**44,710**	**(52,346)**	**21,966**
Finance lease receivables	**68,551**	**–**	**–**	**–**	**–**	**–**	**68,551**
Total	**$169,563**	**$5,077**	**$1,821**	**$6,866**	**$154,337**	**($111,423)**	**$226,241**

	2024						
	Current	0-60 days	61-90 days	91-180 days	Over 180 days	ECL	Total
General traffic	$51,079	$14,308	$18,442	$13,464	$59,023	($56,809)	$99,507
Related parties	–	–	–	30,910	216,578	(6,646)	240,842
Non-trade	6,152	1,075	452	8,597	116,967	(49,208)	84,035
Finance lease receivables	52,824	–	–	–	–	–	52,824
Total	$110,055	$15,383	$18,894	$52,971	$392,568	(112,663)	$477,208

25. Fair Value Measurements

Fair Values of Financial Instruments

The table below presents the Group's financial instruments as of December 31 measured at fair value and financial instruments for which fair values are disclosed:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets at amortized cost- margin deposits, lease deposits, finance lease receivables and others	**$130,999**	**$130,999**	$219,690	$219,690
Financial assets at FVTOCI	**2,230**	**2,230**	2,222	2,222
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Lease liabilities	**1,366,070**	**1,609,834**	977,214	1,097,696
Long-term debt	**319,934**	**326,578**	409,603	425,667

The carrying amounts of cash and cash equivalents, receivables, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments that is different from their carrying amount:

Financial assets at FVTOCI

The fair values of quoted equity investments are based on market prices in active markets.

As of December 31, 2025 and 2024, the fair value of unquoted equity investments is based on Level 3. Significant inputs in determining the fair value are the market prices of the shares of comparable companies.

Margin deposits, lease deposits and others

As of December 31, 2025 and 2024, the margin deposits, lease deposits and others are classified as current as such their carrying amounts approximate their fair values.

Long-term obligations

The fair value of long-term obligations (whether fixed or floating) is generally based on the present value of expected cash flows with discount rates that are based on risk-adjusted benchmark rates (in the case of floating rate liabilities with quarterly repricing, the carrying value approximates the fair value in view of the recent and regular repricing based on current market rates). The discount rates used for USD-denominated loans ranged from 3.06% to 5.09% and 2.65% to 5.65% as of December 31, 2025 and 2024, respectively.

Fair value of investment properties
The fair value of investment properties with carrying value of $4.75 million as of December 31, 2025 and 2024 has been determined based on valuation reports by various qualified, independent and Philippine SEC-accredited appraisers dated December 2024. The valuation undertaken considered the fair market value of similar or substitute properties and related market data and established estimated value by processes involving comparison (Level 3).

The valuation techniques used and key inputs to valuation on investment properties are as follows:

	Valuation technique	Significant unobservable input
Land	Sales comparison approach and income approach	Adjusted sales price of comparable properties, rental rates
Buildings and improvements	Sales comparison approach	Adjusted sales price of comparable properties

Significant increases (decreases) in estimated inputs above would result in a significantly higher (lower) fair value of the properties.

These properties were held by the Group for capital appreciation, which also represents their current use. The appraisers determined that the highest and best use of these properties is for residential, agricultural and commercial utility. For strategic reasons, the properties are not currently used in this manner.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair Value Hierarchy

As of December 31, 2025

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI (Note 11):				
Quoted equity shares	**$199**	**$199**	**$–**	**$–**
Unquoted equity shares	**2,031**	**–**	**–**	**2,031**
Property and equipment (Note 10)	**15,100**	**–**	**–**	**15,100**
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits, finance lease receivables and others (Note 11)	**130,999**	**–**	**130,999**	**–**
Lease liabilities (Note 13)	**1,609,834**	**–**	**1,609,834**	**–**
Long-term debt (Note 13)	**326,578**	**–**	**326,578**	**–**
Investment properties (Note 11)	**12,758**	**–**	**–**	**12,758**

As of December 31, 2024

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI (Note 11):				
Quoted equity shares	$191	$191	$–	$–
Unquoted equity shares	2,031	–	–	2,031
Property and equipment (Note 10)	17,968	–	–	17,968
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits, finance lease receivables and others (Note 11)	219,690	–	219,690	–
Lease liabilities (Note 13)	1,097,696	–	1,097,696	–
Long-term debt (Note 13)	425,667	–	425,667	–
Investment properties (Note 11)	12,758	–	–	12,758

There were no transfers between hierarchy levels during the years ended December 31, 2025 and 2024.

26. **Event After Reporting Period**

Impact of Middle East Conflict

Subsequent to the reporting date, the conflict involving the United States, Israel, and Iran resulted in widespread airspace closures across multiple Middle Eastern countries, including Iran, Israel, Iraq, Jordan, Qatar, Bahrain, Kuwait, and the United Arab Emirates (UAE). These closures caused significant disruptions to global aviation beginning February 28, 2026, as major regional air corridors were shut down, requiring substantial rerouting by airlines worldwide. PAL operates flights to certain destinations in the Middle East, including Qatar, Saudi Arabia and UAE.

While PAL's operated routes are outside the immediate conflict zones, the restrictions on regional airspace and the resulting congestion and rerouting across adjacent corridors may lead to potential operational impacts. These may include cancellation of flights, longer flight times to include technical stops, higher fuel consumption, and possible adjustments to schedules or temporary suspension of flights depending on the evolution of regional airspace availability. Broader industry-wide supply-chain disruptions, including potential impacts on aviation fuel availability and pricing, may also arise depending on how the situation develops. In addition, the conflict has affected several major connecting hubs within the region, which may indirectly influence PAL's passenger flows - particularly for travelers using Middle Eastern carriers for onward connections.

Management has assessed the situation and determined that the conflict constitutes a non-adjusting event under PAS 10, *Events after the Reporting Period*, as it does not provide evidence of conditions existing at the reporting date. As of March 30, 2026, the potential future financial impact on PAL's operations cannot yet be reliably estimated.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Airlines, Inc.
Lucio K. Tan, Jr. Center, PAL
Gate 5, Andrews Avenue,
Barangay 184, Pasay City

Opinion

We have audited the consolidated financial statements of Philippine Airlines, Inc. (a subsidiary of PAL Holdings, Inc.) and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2024 and 2023, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2024 and 2023, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

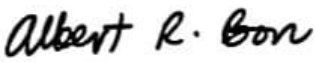
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.



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We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.



Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, April 16,2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10465275, January 2, 2025, Makati City

February 24, 2025

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PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(United States Dollar Amounts in Thousands)

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 17)	**$387,005**	$423,854
Short-term investments (Notes 5 and 17)	**–**	309,447
Receivables (Notes 4, 6, 14 and 17)	**424,384**	544,180
Expendable parts, fuel, materials and supplies (Note 7)	**83,106**	75,486
Other current assets (Notes 5, 8,17 and 23)	**176,461**	153,748
Total Current Assets	**1,070,956**	1,506,715
Noncurrent Assets		
Property and equipment (Notes 4, 10, 14, 17 and 23):		
At cost	**2,265,848**	2,144,244
At appraised values	**17,968**	18,750
Investment properties (Note 11)	**4,753**	4,755
Deferred income tax assets - net (Notes 4 and 21)	**81,210**	95,834
Other noncurrent assets (Notes 5, 12, 14 and 23)	**260,550**	239,314
Total Noncurrent Assets	**2,630,329**	2,502,897
TOTAL ASSETS	**$3,701,285**	$4,009,612
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (Note 17)	**$187,575**	$280,136
Accrued expenses and other current liabilities (Notes 13 and 17)	**391,991**	442,555
Unearned transportation revenue (Note 4)	**484,966**	497,032
Current portion of long-term obligations (Notes 4, 14, 17 and 23)	**406,364**	467,650
Total Current Liabilities	**1,470,896**	1,687,373
Noncurrent Liabilities		
Long-term obligations - net of current portion (Notes 4, 14, 17 and 23)	**980,453**	1,273,051
Accrued employee benefits (Notes 4 and 20)	**262,342**	261,196
Reserves and other noncurrent liabilities (Notes 4, 10, 15 and 17)	**202,115**	146,853
Total Noncurrent Liabilities	**1,444,910**	1,681,100
Total Liabilities	**2,915,806**	3,368,473
Equity		
Capital stock (Notes 1 and 16)	**34,892**	34,892
Capital in excess of par (Note 16)	**529,548**	529,548
Other equity reserves (Note 9)	**27,039**	27,039
Other comprehensive loss (Note 18)	**(12,750)**	(13,788)
Retained earnings (Deficit) (Note 16)	**29,154**	(116,433)
Equity Attributable to Equity Holders of the Parent Company	**607,883**	461,258
Non-controlling Interests (Note 9)	**177,596**	179,881
Total Equity	**785,479**	641,139
TOTAL LIABILITIES AND EQUITY	**$3,701,285**	$4,009,612

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(United States Dollar Amounts in Thousands)

	Years Ended December 31	
	2024	2023
REVENUE		
Passenger (Note 4)	**$2,702,731**	$2,870,315
Cargo (Note 4)	**159,664**	142,728
Ancillary (Note 4)	**241,227**	207,562
Others (Note 17)	**30,509**	29,735
	3,134,131	3,250,340
EXPENSES (Note 19)		
Flying operations (Note 17)	**1,624,505**	1,544,897
Maintenance (Note 17)	**365,286**	379,853
Aircraft and traffic servicing (Note 17)	**313,295**	279,958
Passenger service (Note 17)	**223,423**	211,777
Reservation and sales	**238,818**	196,642
General and administrative (Note 6)	**54,440**	136,119
	2,819,767	2,749,246
OTHER INCOME (CHARGES) - Net		
Financing charges (Notes 14, 15 and 17)	**(123,027)**	(153,836)
Other income (charges) - net (Notes 5, 7, 10, 12, 15, 17, 19 and 23)	**(23,794)**	44,691
	(146,821)	(109,145)
INCOME BEFORE INCOME TAX	**167,543**	391,949
INCOME TAX EXPENSE (Note 21)	**(20,145)**	(5,477)
NET INCOME	**147,398**	386,472
OTHER COMPREHENSIVE INCOME (LOSS)		
Other comprehensive income (loss), net of deferred income tax effect (Note 18)	**3,730**	(7,517)
TOTAL COMPREHENSIVE INCOME	**$151,128**	$378,955
Net income attributable to:		
Equity holders of the Parent Company	**$142,861**	$383,706
Non-controlling interests (Note 9)	**4,537**	2,766
	$147,398	$386,472
Total comprehensive income attributable to:		
Equity holders of the Parent Company	**$146,619**	$376,173
Non-controlling interests (Note 9)	**4,509**	2,782
	$151,128	$378,955

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023
(United States Dollar Amounts in Thousands)

				Other Comprehensive Income (Loss)								
	Capital Stock (Notes 1 and 16)	**Capital in Excess of Par** (Note 16)	**Other Equity Reserves** (Note 9)	**Net Changes in Fair Values of Financial Assets at Fair Value through OCI (FVTOCI)** (Notes 12 and 18)	**Revaluation Increment** (Notes 10 and 18)	**Remeasurement Gains (Losses) on Defined Benefit Plan** (Notes 18 and 20)	**Cumulative Translation Adjustment** (Note 18)	**Subtotal**	**Retained Earnings (Deficit)** (Note 16)	**Total Equity (Capital Deficiency) Attributable to Equity Holders of the Parent Company**	**Non-controlling Interests** (Note 9)	**Total**
BALANCES AT JANUARY 1, 2023	**$34,892**	**$529,548**	**$27,039**	**$1**	**$16,560**	**($21,464)**	**$1,266**	**($3,637)**	**($502,754)**	**$85,088**	**$182,021**	**$267,109**
Net income for the year	–	–	–	–	–	–	–	–	383,706	383,706	2,766	386,472
Other comprehensive income (loss) for the year (Note 18)	–	–	–	82	–	(7,661)	46	(7,533)	–	(7,533)	16	(7,517)
Total comprehensive income for the year	–	–	–	82	–	(7,661)	46	(7,533)	383,706	376,173	2,782	378,955
Return of investment by Fortunate Star Ltd.	–	–	–	–	–	–	–	–	–	–	(4,922)	(4,922)
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	(2,618)	–	–	(2,618)	2,615	(3)	–	(3)
BALANCES AT DECEMBER 31, 2023	**34,892**	**529,548**	**27,039**	**83**	**13,942**	**(29,125)**	**1,312**	**(13,788)**	**(116,433)**	**461,258**	**179,881**	**641,139**
Net income for the year	–	–	–	–	–	–	–		142,861	142,861	4,537	147,398
Other comprehensive income (loss) for the year (Note 18)	–	–	–	(28)	1,469	2,627	(310)	3,758	–	3,758	(28)	3,730
Total comprehensive income (loss) for the year	–	–	–	(28)	1,469	2,627	(310)	3,758	142,861	146,619	4,509	151,128
Return of investment by Fortunate Star Ltd.	–	–	–	–	–	–	–	–	–	–	(6,794)	(6,794)
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	–	–	–	–	(2,720)	–	–	(2,720)	2,726	6	–	6
BALANCES AT DECEMBER 31, 2024	**$34,892**	**$529,548**	**$27,039**	**$55**	**$12,691**	**($26,498)**	**$1,002**	**($12,750)**	**$29,154**	**$607,883**	**$177,596**	**$785,479**

See accompanying Notes to Consolidated Financial Statements.

PHILIPPINE AIRLINES, INC.
(A Subsidiary of PAL Holdings, Inc.)
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(United States Dollar Amounts in Thousands)

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**$167,543**	$391,949
Adjustments for:		
Depreciation and amortization (Note 10)	**323,412**	257,489
Loss (Gain) on disposal of property and equipment and others (Note 10)	**485**	(2)
Reversal of impairment losses (Notes 4, 10, 11 and 19)	**(3,327)**	(5,844)
Financing charges (Notes 14 and 15)	**123,027**	153,836
Provision for (reversal of provision for) litigations, and other noncurrent liabilities - net (Note 15)	**24,732**	15,726
Interest income (Notes 5 and 12)	**(30,763)**	(38,927)
Dividend income	**–**	(21)
Income on manufacturers' credits (Note 23)	**(2,129)**	(1,230)
Unrealized foreign exchange loss (gains) - net	**17,384**	(3,534)
Movement in accrued employee benefits (Note 20)	**16,791**	19,640
Operating income before working capital changes	**637,155**	789,082
Decrease (increase) in:		
Receivables	**146,017**	39,904
Expendable parts, fuel, materials and supplies	**(7,699)**	(21,749)
Other current assets	**(32,662)**	18,605
Increase (decrease) in:		
Accounts payable	**(109,042)**	(8,107)
Accrued expenses and other current liabilities	**(90,280)**	30,702
Unearned transportation revenue	**9,426**	131,910
Cash generated from operations	**552,915**	980,347
Financing charges paid	**(81,081)**	(110,064)
Interest received	**31,337**	25,923
Income taxes paid (including final and creditable withholding taxes)	**(10,189)**	(12,838)
Net cash flows from operating activities	**492,982**	883,368
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Notes 10 and 22)	**(383,687)**	(166,679)
Acquisition of investment properties (Note 11)	**–**	(484)
Proceeds from (Investment in) money market placements (Notes 5 and 17)	**307,065**	(109,319)
Additions to security deposits (Note 12)	**(5,557)**	(8,517)
Proceeds from disposal of assets held for sale (Note 8)	**1,498**	–
Return of various deposits (Note 12)	**5,450**	5,415
Dividend received	**–**	21
Net cash flows used in investing activities	**(75,231)**	(279,563)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of long-term obligation (Notes 14 and 22)	**90,000**	61,250
Payments of long-term obligations (Notes 14, 17, 22 and 23)	**(538,113)**	(562,276)
Net cash flows used in financing activities	**(448,113)**	(501,026)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(6,487)**	(2,183)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(36,849)**	100,596
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**423,854**	323,258
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**$387,005**	$423,854

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information and Authorization for Issuance of the Consolidated Financial Statements

Corporate Information

Philippine Airlines, Inc. (the Parent Company or PAL), referred to as the Philippines' national flag carrier, was incorporated in the Philippines on February 25, 1941. On March 20, 1990, the Parent Company applied and was granted an extension of its corporate life by the Philippine Securities and Exchange Commission (SEC) for another 50 years from February 1991. However, under the Revised Corporation Code of the Philippines, the Parent Company shall have perpetual life.

The Parent Company and its subsidiaries (collectively referred to herein as "the Group") are primarily engaged in air transport of passengers and cargo within the Philippines and between the Philippines and several international destinations.

As of December 31, 2024, PAL Holdings, Inc. (PHI) ownership interest in the Parent Company increased to 97.89%, from 79.49% as of December 31, 2023, following the issuance of new shares by PHI to Buona Sorte Holdings, Inc. (BSHI) and certain non-controlling shareholders of the Parent Company, being the former Supporting Creditors under the 2021 Restructuring Plan (see Note 17). Consequently, BSHI obtained 37.99% direct ownership interest in PHI, while the ownership interest of Trustmark Holdings Corporation (Trustmark) in PHI was reduced to 33.26% as of December 31, 2024, from 76.92% as of December 31, 2023. As of December 31, 2024 and 2023, Trustmark is 60% owned by BSHI and 40% owned by Horizon Global Investments, Ltd. (HGIL). BSHI is the ultimate parent of the Group. BSHI, Trustmark and PHI were likewise incorporated in the Philippines and are part of the Lucio Tan Group of Companies, while HGIL was incorporated in British Virgin Islands.

The Parent Company's registered office address is Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Avenue, Barangay 184, Pasay City.

Franchise

The Parent Company operates under a franchise, which extends up to the year 2034, granted by the Philippine Government under Presidential Decree No. 1590. As provided for under the franchise, the Parent Company is subject to:

a. corporate income tax based on net taxable income; or
b. franchise tax of 2% of the gross revenue derived from non-transport, domestic transport and outgoing international transport operations,

whichever is lower, in lieu of all other taxes, duties, royalties, registration licenses and other fees and charges of any kind, nature, or description, imposed, levied, established, assessed, or collected by any municipal, city, provincial, or national authority or government agency, except real property tax.

As further provided for under its franchise, the Parent Company can carry forward as a deduction from taxable income, net loss incurred in any year up to five years following the year of such loss (see Note 21). In addition, the payment of the principal, interest, fees, and other charges on foreign loans obtained by the Parent Company, and all rentals, interest, fees and other charges paid by the Parent Company to lessors for the lease of aircraft, engines, spares, other flight or ground equipment, and other personal property are exempt from all taxes, including withholding tax, provided that the

liability for the payment of said taxes is assumed by the Parent Company. Under Republic Act (RA) No. 9337 or the E-VAT Act of 2005 which took effect on November 1, 2005, the franchise tax of the Parent Company was abolished, and the Parent Company became subject to the corporate income tax. The Parent Company remains exempt from any taxes, duties, royalties, registration license, and other fees and charges, as may be provided under the Parent Company's franchise.

Board of Investments (BOI) Registration
In 2018, the Parent Company registered with the BOI as a new operator of air transport services on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order No. 226). Under the terms of the registration with the BOI, the Parent Company is entitled to certain fiscal and non-fiscal incentives available to the registered project, including among others, an income tax holiday (ITH) for a period of four years from the month following the delivery date or actual start of commercial operations of the aircraft, whichever is earlier. The availment of which, however, shall in no case be earlier than the date of registration. In 2021, the registration of the two aircraft were extended and entitled for the ITH until June 30, 2023 (see Note 21).

Authorization for Issuance of the Consolidated Financial Statements
These accompanying consolidated financial statements as at December 31, 2024 and 2023 and for the years then ended were authorized for issuance by the Parent Company's BOD on February 24, 2025.

2. Status of Operations

The Group reported consolidated comprehensive income amounting to $151.13 million in 2024 and $378.96 million in 2023. This resulted in retained earnings of $29.15 million as of December 31, 2024, from a deficit of $116.43 million as of December 31, 2023. The consolidated equity increased to $785.48 million as of December 31, 2024, from $641.14 million as of December 31, 2023.

Management plans to enhance the Group's financial condition, operations and cash flows by focusing on: (1) optimizing network planning; (2) increasing efficiency and reliability; (3) improving customer engagement and loyalty; (4) ensuring safety; (5) containing costs; and (6) managing liquidity.

3. Material Accounting Policy Information

Basis of Preparation
The consolidated financial statements have been prepared using the historical cost convention, except for buildings and improvements under property and equipment which are carried at revalued amounts. The consolidated financial statements are presented in United States dollar (USD), the Parent Company's functional and presentation currency. All amounts are rounded to the nearest thousands, except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Group has adopted the following new accounting pronouncements starting January 1, 2024. The new accounting pronouncements do not have significant impact to the consolidated financial statements, unless otherwise indicated:

- Amendments to Philippine Accounting Standard (PAS 1), *Presentation of Financial Statements*, *Classification of Liabilities as Current or Non-current*
  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right.
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

- Amendments to PFRS 16, *Leases*, *Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

- Amendments to PAS 7, *Statement of Cash Flows*, and PFRS 7, *Financial Instruments*: *Disclosures - Supplier Finance Arrangements*
  The amendments specify disclosure requirements to enhance the current requirements, which are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to December 31, 2024

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on the consolidated financial statements. The Group intends to adopt these pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange* Rates, *Lack of exchangeability*
  The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9, *Financial Instruments*, and PFRS 7, *Classification and Measurement of Financial Instruments*
  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.



The amendments also clarify how to assess the contractual cash flow characteristics of financial assets that include environmental, social and governance (ESG)-linked features and other similar contingent features. Furthermore, the amendments clarify the treatment of non-recourse assets and contractually linked instruments.

The Group is currently assessing the impact of these amendments.

- Annual Improvements to PFRS Accounting Standards-Volume 11
  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved and their related amendments.

  - Amendments to PFRS 1, *First-Time Adoption of International Financial Reporting Standards*, *Hedge Accounting by a First-time Adopter*

  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
    The amendments updated the language of paragraph B38 of PFRS 7 on unobservable inputs and included a cross reference to paragraphs 72 and 73 of PFRS 13, *Fair Value Measurement*.

  - Amendments to PFRS 9
    a) Lessee Derecognition of Lease Liabilities
       The amendments to paragraph 2.1 of PFRS 9 clarified that when a lessee has determined that a lease liability has been extinguished in accordance with PFRS 9, the lessee is required to apply paragraph 3.3.3 and recognize any resulting gain or loss in profit or loss.

    b) Transaction Price
       The amendments to paragraph 5.1.3 of PFRS 9 replaced the reference to 'transaction price as defined by PFRS 15, *Revenue from Contracts with Customers*' with 'the amount determined by applying PFRS 15'. The term 'transaction price' in relation to PFRS 15 was potentially confusing and so it has been removed. The term was also deleted from Appendix A of PFRS 9.

  - Amendments to PFRS 10, *Consolidated Financial Statements*, *Determination of a 'De Facto Agent'*
    The amendments to paragraph B74 of PFRS 10 clarified that the relationship described in B74 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor.

  - Amendments to PAS 7, *Cost Method*
    The amendments to paragraph 37 of PAS 7 replaced the term 'cost method' with 'at cost', following the prior deletion of the definition of 'cost method'.

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

  The Group is currently assessing the impact of these amendments.



- PFRS 19, *Subsidiaries without Public Accountability*
  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at December 31, 2024 and 2023 and for the years then ended. The financial statements of the subsidiaries are prepared using consistent accounting policies as those of the Parent Company.

The subsidiaries and the respective percentage of ownership of the Parent Company as at December 31, 2024 and 2023 are as follows:

		Ownership interest		
Company	**Incorporation**	**2024**	2023	**Nature of operations**
Sabre Travel Network (Philippines), Inc. (Sabre)	Philippines	**83%**	83%	Development and marketing of computerized airline reservation system
PAL Receivables Co. Ltd. (PRC)	Cayman Island	–	–	Structured entity
Fortunate Star Limited (FSL)	Cayman Island	**65%**	65%	Holding company and lessor of aircraft
Mabuhay Miles Inc. (MMI)*	Philippines	**100%**	100%	Promote the frequent flyer program of the Parent Company.
Maritime Express Transport Inc. (MMET)*	Philippines	**100%**	100%	Water transportation of passengers and cargoes

**MMI and MMET ceased their commercial operations in 2018 and 2019, respectively.*

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent Company. All intra-group balances, transactions, unrealized gains and losses, resulting from intra-group transactions and dividends are eliminated in full.

Fair Value Measurement

The Group measures financial instruments, such as financial assets at FVTOCI, and nonfinancial assets such as buildings and improvements carried at revalued amounts, at fair value at the end of reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.



Financial Instruments

Financial assets measured at amortized cost

The Group's cash and cash equivalents, short-term investments, receivables, security deposits and due from a related party are classified under this category because the following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Financial liabilities measured at amortized cost

The Group's accounts payable, accrued expenses, long-term obligations and other current liabilities are classified under this category.

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any direct attributable transaction cost.

Embedded Derivatives

The Group assesses whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Changes in fair values of derivatives are included in profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Derecognition of Financial Assets and Financial Liabilities

The Group's financial assets (or, where applicable, a part of a financial asset or part of a group of similar financial assets) are generally derecognized when the rights to receive the cash flows from the asset have expired.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Impairment of Financial Assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows and all the discounted cash flows that the Group expects to receive, which include cash flows from the sale of collateral held or other credit enhancements.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For general trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Group and all of the counterparties.

Expendable Parts, Fuel, Materials and Supplies
Expendable parts, fuel, materials and supplies are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method. Net realizable value represents the replacement cost of these expendable parts, fuel, materials and supplies, considering factors such as age and physical condition of these assets.

Property and Equipment
Property and equipment (except buildings and improvements) are stated at cost less accumulated depreciation and any impairment in value. Buildings and improvements are stated at revalued amounts less accumulated depreciation and any impairment in value. Revalued amounts were determined based on valuations performed by various qualified, independent and Philippine SEC-accredited appraisers. Revaluations are made with sufficient regularity.

For subsequent revaluations, the accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. The amount of adjustment to accumulated depreciation forms part of the increase or decrease in the carrying amount. Any resulting increase in the asset's carrying amount as a result of the revaluation is recognized as OCI credited directly to equity as "Revaluation increment - net of deferred income tax effect". Any resulting decrease is directly charged against the related revaluation increment previously recognized in respect of the same asset and any excess is charged against profit or loss.

The portion of revaluation increment is transferred to retained earnings when these are realized through depreciation or upon the disposal or retirement of buildings and improvements.

The initial cost of property and equipment comprises its purchase price, any related capitalizable borrowing costs attributed to predelivery payments incurred on account of aircraft acquisition and other qualifying assets under construction, and other directly attributable costs of bringing the asset to its working condition and location for its intended use. Manufacturers' credits received from aircraft and engine manufacturers which were directly applied against the purchase price of the aircraft are recorded upon delivery of the related aircraft and engines as a reduction from the cost of the property and equipment (including those under finance lease). Manufacturer's credits that are not applied to aircraft and engines purchased, and whose risks and rewards are retained with the Group, are recognized as income as it is earned.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance costs, are normally charged to profit or loss in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of property and equipment.



Expenditures for scheduled and mandatory heavy maintenance on aircraft's airframe and landing gear are capitalized at cost and depreciated over the estimated number of years until the next major overhaul. Generally, heavy maintenance visits are required every six to eight years for airframe and 10 years for landing gear.

Depreciation, which commences when the asset is available for its intended use, is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Passenger aircraft	4 to 20
Engines	4 to 20
Buildings and improvements	5 to 40
Rotable and reparable parts	3 to 18
Ground property and equipment	3 to 8
Leasehold improvements (whichever is shorter between the lease term or life of the improvements)	4 to 12

Leasehold improvements are amortized over the term of the lease or life of the improvements, whichever is shorter. Assets under lease arrangements are depreciated over the term of the lease or the useful life of the asset, whichever is shorter, unless there is purchase option reasonably certain to be exercised by the Group. In which case, the asset is depreciated over its useful life.

"Construction in progress" represents aircraft, buildings and improvements and other ground property under construction, while "Predelivery payments" represent advance payments for aircraft acquisition. "Construction in progress" and "Predelivery payments" are not depreciated until such time when the construction of the relevant assets is completed and when assets are available for their intended use.

Leases

Right-of-use assets

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received.

The right-of-use assets are classified in the consolidated statement of financial position as part of property and equipment. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, is presented below:

	Number of Years
Passenger aircraft	4 to 20
Engines	4 to 20
Ground property and equipment	3 to 8
Leasehold improvements (whichever is shorter between the lease term or life of the improvements)	4 to 12

If the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated based on the estimated useful life of the underlying assets.

Lease liabilities
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term, which are classified as long-term obligations in the consolidated statement of financial position. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

Lease modifications and termination
After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Group remeasures the lease liability to reflect changes to the lease payments. The Group determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. The Group recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Group recognizes any remaining amount of the remeasurement in profit or loss.

In the case of lease termination, the Group decreases the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Group recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Group as lessor
Leases where the Group does not transfer substantially all the risks and rewards of ownership of the assets are classified as operating leases. Lease income is recognized on a straight-line basis over the lease term.

Sale and leaseback transactions
A sale and leaseback transaction involves the sale of an asset and the leasing back of the same asset. If a sale and leaseback transaction results in an operating lease, and it is clear that the transaction is at fair value, any profit or loss is recognized immediately. If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated for by future lease payments below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used. If a sale and

leaseback transaction results in a finance lease, any difference between the sales proceeds and the carrying amount is deferred and amortized over the lease term.

If the Group is a seller-lessee, the Group determines after the commencement date in a sale and leaseback transaction the 'lease payments' or 'revised lease payments' in such a way that the Group would not recognize any amount of the gain or loss that relates to the right of use retained by the Group.

Asset Restoration Obligation (ARO)
The Group is required under various aircraft lease agreements to restore the leased aircraft to their original condition and to bear the cost of dismantling and restoration at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF), based on aircraft hours flown and engine cycles until the next scheduled checks. If the estimated cost of dismantling and restoration is expected to exceed the cumulative MRF or where the lease agreement does not require contribution of MRF, an additional obligation is recognized over the remaining term of the leases. The amount of obligation is carried at amortized cost using the effective interest method.

Investment Properties
Investment properties include parcels of land, buildings and improvements that are not used in operations. Investment properties are measured initially at cost, including any transaction costs. Investment properties (except land) are subsequently measured at cost less accumulated depreciation and any impairment in value. Land is subsequently carried at cost less any impairment in value.

Impairment of Property and Equipment, including Right-of-Use Assets, and Investment Properties
The carrying values of property and equipment, including right-of-use assets, and investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amounts, the assets or cash generating units (CGU) are written down to their recoverable amounts. The recoverable amount is the greater of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. Impairment losses, if any, are recognized in profit or loss.

Provisions and Contingencies
Provisions are recognized when (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate of the amount of the obligation can be made.

Contingent liabilities are not recognized in the consolidated statement of financial position. They are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled to in exchange for the goods and services.



The specific recognition criteria for each type of revenue are as follows:

Passenger ticket, cargo waybills and related fuel and insurance surcharges are recognized as revenue when the related services are rendered (e.g., over time as the passengers and cargo are flown or lifted). Customer payments for services which have not yet been rendered are classified as contract liabilities under "Unearned transportation revenue" account in the consolidated statement of financial position.

Revenue from charter, mail, excess baggage and other transport-related and ancillary services revenue are recognized when the related services have been rendered.

Revenue from estimated breakage (expiration) of unused passenger tickets are recognized based on the historical expiration experience of the Group on the unused passenger tickets.

The disaggregation of total revenue is presented in the consolidated statements of comprehensive income.

Contract Balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer.

Trade receivables

Refer to accounting policies of financial assets in section "*Financial instruments: Financial assets measured at amortized cost*".

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. Contract liabilities are recognized as revenue when the Group performs under the contract. Contract liabilities is presented under "Unearned transportation revenue" account in the consolidated statement of financial position.

Contract Liability Under Frequent Flyer Program

The Parent Company operates a frequent flyer program called "Mabuhay Miles". A portion of passenger revenue attributable to the award of frequent flyer miles, estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its relative fair value. The deferred revenue is included under "Reserves and other noncurrent liabilities" in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

Retirement Benefits Cost and Other Long-term Employee Benefits

Accrued employee benefits, as presented in the consolidated statement of financial position, consist of retirement benefits under defined benefit plans and other long-term employee benefits.

Retirement benefits - defined benefit plans

Accrued retirement benefits is the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The retirement benefits cost comprises of service cost and net interest on the net defined benefit liability or asset.

Remeasurements comprising actuarial gains and losses, difference between interest income and actual return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund and measured at fair value.

Other long-term employee benefits
Other long-term employee benefits such as vacation leave and sick leave commutation and retention programs are measured using the projected unit credit method. Actuarial gains and losses on these employee benefits are recognized in full in profit or loss.

Borrowing Costs
Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. All other borrowing costs are expensed as incurred.

Deferred Income Tax
Deferred income tax is provided using the liability method on all temporary differences.

Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency-denominated Transactions and Translations
Transactions denominated in currencies other than the USD are recorded using the exchange rate prevailing at the date of the transaction. Outstanding monetary assets and liabilities denominated in foreign currencies are translated using the closing rate of exchange at the end of the reporting period. Any resulting foreign exchange gains or losses are taken to income or loss in the consolidated statement of comprehensive income.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the amounts reported in the consolidated financial statements. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the end of the reporting period. Future events may occur which will cause the assumptions used in arriving at the estimates to change.



The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on amounts recognized in the consolidated financial statements:

Determination of functional currency

The Group generates revenue and incurs costs and expenses substantially in USD. The pricing of an airline's services is highly influenced by competition in each country where the airline operates, and to a considerable extent, also affected by the demand for air transport. Based on the economic substance of the underlying events and circumstances relevant to the Group, the functional currency has been determined to be the USD.

Recognition and measurement of revenue from contracts with customers and determination of the timing of satisfaction of performance obligation

The Group assessed that performance obligation for passenger, cargo, ancillary and other services are rendered to the customers over time. As a result, the Group recognized revenue based on the extent of progress towards completion of the performance obligation. The selection of the method to measure progress towards completion requires judgment.

Determination of whether the Group is acting as principal or agent

Management exercises judgment in determining whether the Group is acting as a principal or as an agent under its codeshare arrangements with other airlines. Management determined that the Group is acting as an agent on codeshare arrangements where it is acting as the marketing airline considering that the risks and rewards are with the operating airlines.

Classification of financial instruments

From 2015 to 2019, the Group sold its rights to the cash flows arising from certain credit card receivables including future credit card receivables from sales in United States, for a total cash consideration of $685.00 million. On the same period, the Group also sold its rights to the cash flows arising from the receivables denominated in Japanese Yen through certain agents in Japan, including future receivables, for a total cash consideration of $450.00 million. The Group determined that substantially all the risks and rewards of the sold portfolios have been retained and consequently, the receivables were not derecognized. The Group accounted for the transaction as a collateralized borrowing and recorded the cash received as a financial liability. The carrying value of these financial liabilities is disclosed in Note 14.

Classification of leases - Group as lessor

The Group has sublease agreements covering some of its aircraft lease arrangements with the original lessors where it has determined that it has retained substantially all the risks and rewards incidental to ownership of the leased assets. These leases are classified as operating subleases (see Note 23).

Measurement of ARO

The Group is contractually committed to return a number of aircraft held under operating leases to the lessors in a physical condition agreed at the inception of each lease. The Parent Company estimates the costs of heavy maintenance on the leased aircraft and engines required on the redelivery to the lessor and recognizes an obligation for the excess of estimated costs over the cumulative MRF or for the total estimated costs where the lease agreement does not require contribution of MRF. As of December 31,



2024 and 2023, no provision for ARO was recognized because management assessed that the cumulative balance of MRF is sufficient to cover the estimated costs of heavy maintenance on the lease aircraft and engines required on the redelivery to the lessor.

Contingencies
The Group is involved in various labor disputes, litigations, claims and tax assessments that are normal to its business. Based on the opinion of the Group's legal counsels on the progress and legal grounds of these cases, the Group believes that it may have a present obligation arising from a past event on some cases but that their likely outcome and estimated potential cash outflow cannot be determined reasonably as of this time. As such, no provision was made for these contingencies (see Note 15).

Estimates
The key assumptions concerning the future and other key sources of estimation and uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows:

Recognition and measurement of passenger and cargo revenue
Passenger and cargo sales are recognized as revenue over time when the related passengers and cargoes are flown or lifted. Passenger tickets that are unused are recognized as revenue based on the expected breakage (expiration) of the passenger ticket using the Group's historical expiration experience. The carrying amount of unearned transportation revenue as of December 31, 2024 and 2023 amounted to $484.97 million and $497.03 million, respectively. In 2024 and 2023, the Group earned revenue from its contract liabilities as at January 1, 2024 and 2023 amounting to $387.87 million and $259.66 million, respectively.

A portion of passenger revenue attributable to the award of frequent flyer miles is deferred until they are utilized. The unredeemed miles are measured at fair value based on its relative stand-alone selling price. Redeemed miles are measured based on the weighted average value of miles. Deferred revenue included as part of "Reserves and other noncurrent liabilities" amounted to $143.26 million and $121.77 million as of December 31, 2024 and 2023, respectively (see Note 15).

Provision for ECL of trade receivables and contract assets
The provision rates are based on days past due for groupings of various agents and customer segments that have similar loss patterns (i.e., by geography and customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the provision matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast of economic conditions (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the airline sector, the historical default rates are adjusted.

The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions.

The carrying value of receivables, net of allowance for ECL, as of December 31, 2024 and 2023 amounted to $424.38 million and $544.18 million, respectively. The allowance for ECL as of December 31, 2024 and 2023 amounted to $112.66 million and $138.61 million, respectively (see Note 6).

Estimation of useful lives and residual values of property and equipment
The Group estimates the useful lives of property and equipment, including right-of-use assets, based on internal technical evaluation and experience with similar assets. The estimated useful lives and residual values are reviewed periodically and updated if expectations differ from previous estimates

due to physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. The carrying amount of depreciable property and equipment, net of accumulated depreciation and impairment, amounted to $1.89 billion and $1.90 billion as of December 31, 2024 and 2023, respectively (see Note 10).

Impairment of aircraft and related equipment (rotables and reparables)
The Group determines whether its aircraft, including right-of-use assets, and related equipment (i.e., rotables and reparables) are impaired, when events or changes in circumstances indicate that the carrying values may not be recoverable. The recoverable amount of aircraft and related equipment is the greater of the asset's fair value less costs to sell and value-in-use. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the CGU and applying an appropriate discount rate in order to calculate the present value of those cash flows. In discounting, the Group uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. Other assumptions used in projecting the future cash flows include passenger load factor, passenger yield, fuel surcharge rate and fuel costs, among others.

The Group recognized a reversal of impairment loss amounting to $3.33 million and $5.84 million for its CGU based on its value-in-use as of December 31, 2024 and 2023, respectively. As of December 31, 2024 and 2023, accumulated impairment loss amounted to $190.05 million and $193.38 million, respectively.

As of December 31, 2024 and 2023, the aggregate carrying value of the Group's aircraft and related equipment amounted to $1.81 billion and $1.83 billion, respectively (see Note 10).

Valuation of lease liabilities and right-of-use assets
The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of right-of-use assets. These include determining the contract term and determining the interest rate used for discounting of future cash flows.

The lease term determined by the Group comprises the non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term, the Group estimates the length of the contract to be equal to the economic useful life of non-current assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of right-of-use assets.

The present value of the lease payment is determined using the discount rate representing the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

The carrying value of lease liabilities and right-of-use assets amounted to $0.98 billion and $1.41 billion as of December 31, 2024, respectively, and $1.19 billion and $1.56 billion as of December 31, 2023, respectively (see Notes 10 and 14).

Estimation of retirement and other long-term employee benefits cost
The Group's retirement and other long-term benefits costs relating to its defined benefit plans are actuarially computed which entail using certain assumptions like discount rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit

obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of long-term Philippine government bonds to correspond with the expected term of the defined benefit obligation. Further details about pension obligations are disclosed in Note 20. Accrued employee benefits as of December 31, 2024 and 2023 amounted to $262.34 million and $261.20 million, respectively (see Note 20).

Provisions
Management exercises judgment in assessing the probability of the Group becoming liable. An estimate of the provision is based on known information as of reporting date. The amount of provision is being reassessed at least on an annual basis to consider new and relevant information. Provisions recognized amounted to $44.07 million and $20.38 million as of December 31, 2024 and 2023, respectively (see Note 15).

Recognition of deferred income tax assets
The Group assesses at each reporting date and recognizes deferred income tax assets to the extent of probable future taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized. Management uses judgment and estimates in assessing the probability and level of future taxable profits, considering management's future plan of actions, including the timing of reversal of deferred income tax liability, aided by forecasting and budgeting techniques. Deferred income tax assets recognized amounted to $218.31 million and $269.16 million as of December 31, 2024 and 2023, respectively (see Note 21). On the other hand, the details of deferred income tax assets that were not recognized since based on the projection, not all temporary differences and carryforward benefits of NOLCO and excess MCIT over RCIT will be realized, are disclosed in Note 21.

5. Cash and Cash Equivalents and Short-term Investments

	2024	2023
Cash on hand and in banks (Note 17)	**$218,050**	$152,657
Cash equivalents (Note 17)	**168,955**	271,197
	$387,005	$423,854

Cash in banks and cash equivalents earned interest at the respective bank deposit rates totaling $14.91 million and $10.39 million for the years ended December 31, 2024 and 2023, respectively included under "Other income - net" in the consolidated statements of comprehensive income (see Notes 17 and 19).

The Group invested in various money market placements with maturity of more than 90 days but less than one year, which are presented as "Short-term investments". These money market placements amounting to $309.45 million as of December 31, 2023 matured in 2024. Interest income earned amounted to $9.48 million in 2024 and $22.35 million in 2023 (see Notes 17 and 19).

Cash and cash equivalents used to collateralize various surety bonds issued in connection with certain litigations and sinking fund related to asset-backed securities are presented as part of "Other noncurrent assets" (see Note 12).



6. Receivables

	2024	2023
General traffic (Note 14)	**$156,316**	$278,650
Related parties (Note 17)	**247,488**	249,142
Non-trade (Note 12)*	**133,243**	154,996
	537,047	682,788
Allowance for ECL	**(112,663)**	(138,608)
	$424,384	$544,180

**Non-trade receivables include, among others, accounts under litigation, receivables from employees and other receivables.*

Receivables attributable to general traffic are noninterest-bearing and are generally on a 5- to 60-day term.

Movements in allowance for ECL as of December 31 presented by class are as follows:

	2024			
	General Traffic	**Related Parties**	**Non-trade**	**Total**
Balance at beginning of year	**$54,004**	**$6,043**	**$78,561**	**$138,608**
Provisions (Reversals)	**2,994**	**603**	**(27,026)**	**(23,429)**
Accounts written-off	**(189)**	–	**(3,713)**	**(3,902)**
Foreign exchange adjustments	–	–	**1,386**	**1,386**
Balance at end of year	**$56,809**	**$6,646**	**$49,208**	**$112,663**

	2023			
	General Traffic	Related Parties	Non-trade	Total
Balance at beginning of year	$34,751	$3,207	$66,259	$104,217
Provisions	21,313	2,836	11,919	36,068
Accounts written-off	(2,060)	–	–	(2,060)
Foreign exchange adjustments	–	–	383	383
Balance at end of year	$54,004	$6,043	$78,561	$138,608

The net provisions (reversals) for impairment losses on receivables are recognized in the consolidated statements of comprehensive income under “General and administrative expenses”.

7. Expendable Parts, Fuel, Materials and Supplies

	2024	2023
At cost:		
Expendable parts	**$33,854**	$25,911
Fuel	**31,412**	31,208
Materials and supplies	**5,793**	6,321
	71,059	63,440
At net realizable value - expendable parts	**12,047**	12,046
	$83,106	$75,486

The cost of expendable parts carried at net realizable value amounted to $26.75 million and $27.39 million as of December 31, 2024 and 2023, respectively. Reversals of provision for inventory obsolescence amounted to $0.64 million in 2024 and $0.65 million in 2023. Expendable parts recognized as maintenance expense amounted to $20.22 million in 2024 and $13.67 million in 2023 (see Note 19).

8. Other Current Assets

	2024	2023
Deposits and prepayments	**$78,748**	$67,233
Security deposits (Note 12)	**51,650**	24,712
Finance lease receivables (Notes 12, 17 and 23)	**17,302**	16,227
Input VAT	**21,048**	35,247
Others	**7,713**	10,329
	$176,461	$153,748

Deposits and prepayments pertain to advance payments for aircraft parts and maintenance, materials and supplies, prepaid rentals and miscellaneous payments.

Security deposits mainly pertain to current portion of hold-out deposits for bank merchant services.

"Others" includes assets held for sale, claims for compensation on damaged assets and other insurance claims. In 2024, the assets held for sale with carrying amount of $0.65 million was sold at $1.50 million.

9. Investment in Subsidiary with Material Non-controlling Interest

FSL is the significant subsidiary with material non-controlling interest. From 2017 to 2019, there were changes in the ownership interest of the Parent Company in FSL, from 40% to 65%. The Group recognized $27,039 in equity under "Other equity reserves" as a result of the change in ownership interest, which pertains to the excess of the consideration received over net assets disposed.

In 2024 and 2023, FSL executed proportionate partial withdrawal of subscription agreements among the Parent Company, Horizon Global Investments Limited, and Trustmark Holdings Corporation.

The following are the summarized financial information of FSL and the Group's share in equity, net income and total comprehensive income of FSL as of and for the years ended December 31:

	2024	2023
Current assets	**$262,228**	$236,350
Noncurrent assets	**356,626**	494,471
Current liabilities	**41,843**	87,217
Noncurrent liabilities	**71,148**	130,927
Equity	**505,863**	512,677
Equity attributable to:		
Equity holders of the Parent Company	**328,811**	333,240
Non-controlling interest	**177,052**	179,437

	2024	2023
Revenue	**$63,688**	$69,032
Net income	**12,598**	7,539
Net income/Total comprehensive income attributable to:		
Equity holders of the Parent	**8,189**	4,900
Non-controlling interest	**4,409**	2,639

10. **Property and Equipment**

	2024				
	December 31, 2023	**Additions/ Reversals**	**Disposals/ Retirements**	**Reclassifications and Others**	**December 31, 2024**
At Cost					
Cost:					
Passenger aircraft, engines and improvements (Notes 14 and 23)	**$222,432**	**$10,228**	**$-**	**($45,650)**	**$187,010**
Rotable and reparable parts	**198,307**	**34,493**	**(9,499)**	**12,137**	**235,438**
Ground property and equipment	**233,483**	**11,780**	**(11,764)**	**19,991**	**253,490**
Right-of-use assets:					
Passenger aircraft, engines and leasehold improvements	**3,484,388**	**242,565**	**(234,921)**	**38,810**	**3,530,842**
Ground property and equipment (Note 14)	**50,875**	**1,199**	**(7,749)**	**(10,288)**	**34,037**
	4,189,485	**300,265**	**(263,933)**	**15,000**	**4,240,817**
Accumulated depreciation:					
Passenger aircraft, engines and improvements	**(95,935)**	**(7,620)**	**–**	**781**	**(102,774)**
Rotable and reparable parts	**(107,776)**	**(14,016)**	**2,769**	**4,167**	**(114,856)**
Ground property and equipment	**(206,292)**	**(7,434)**	**11,445**	**102**	**(202,179)**
Right-of-use assets:					
Passenger aircraft, engines and leasehold improvements	**(1,675,959)**	**(330,773)**	**217,917**	**56,300**	**(1,732,515)**
Ground property and equipment (Note 14)	**(24,336)**	**(9,023)**	**7,087**	**3,654**	**(22,618)**
	(2,110,298)	**(368,866)**	**239,218**	**65,004**	**(2,174,942)**
Accumulated impairment:					
Passenger aircraft and engines	**(193,380)**	**3,327**	**–**	**–**	**(190,053)**
Construction-in-progress	**(4,200)**	**–**	**–**	**178**	**(4,022)**
Ground property and equipment	**(243)**	**–**	**–**	**10**	**(233)**
Rotable and reparable parts	**(3,050)**	**–**	**–**	**–**	**(3,050)**
	(200,873)	**3,327**	**–**	**188**	**(197,358)**
Net book value	**1,878,314**	**(65,274)**	**(24,715)**	**80,192**	**1,868,517**
Construction in progress	**265,930**	**194,765**	**(2,050)**	**(61,314)**	**397,331**
Total	**$2,144,244**	**$129,491**	**($26,765)**	**$18,878**	**$2,265,848**
At Revalued Amount					
Buildings and improvements:					
Revalued amount	**$21,756**	**$1,945**	**$–**	**$–**	**$23,701**
Accumulated depreciation and amortization	**(3,006)**	**(2,727)**	**–**	**–**	**(5,733)**
Net Book Value	**$18,750**	**($782)**	**$–**	**$–**	**$17,968**

	2023				
	December 31, 2022	Additions/ Reversals	Disposals/ Retirements	Reclassifications and Others	December 31, 2023
At Cost					
Cost:					
Passenger aircraft, engines and improvements (Notes 14 and 23)	$349,575	$71,395	($6,473)	($192,065)	$222,432
Rotable and reparable parts	183,417	33,305	(23,844)	5,429	198,307
Ground property and equipment	256,420	6,190	(31,423)	2,296	233,483
Right-of-use assets:					
Passenger aircraft, engines and leasehold improvements	3,290,806	356,796	(127,648)	(35,566)	3,484,388
Ground property and equipment (Note 14)	43,259	10,171	(1,922)	(633)	50,875
	4,123,477	477,857	(191,310)	(220,539)	4,189,485
Accumulated depreciation:					
Passenger aircraft, engines and improvements	(205,338)	(7,356)	5,825	110,934	(95,935)
Rotable and reparable parts	(107,463)	(14,585)	14,902	(630)	(107,776)
Ground property and equipment	(230,764)	(6,944)	31,403	13	(206,292)
Right-of-use assets:					
Passenger aircraft, engines and leasehold improvements	(1,473,554)	(297,791)	65,757	29,629	(1,675,959)
Ground property and equipment (Note 14)	(12,865)	(13,418)	1,922	25	(24,336)
	(2,029,984)	(340,094)	119,809	139,971	(2,110,298)
Accumulated impairment:					
Passenger aircraft and engines	(199,224)	5,844	–	–	(193,380)
Construction-in-progress	(4,200)	–	–	–	(4,200)
Ground property and equipment	(214)	–	–	(29)	(243)
Rotable and reparable parts	(3,052)	–	–	2	(3,050)
	(206,690)	5,844	–	(27)	(200,873)
Net book value	1,886,803	143,607	(71,501)	(80,595)	1,878,314
Construction in progress	109,514	231,703	–	(75,287)	265,930
Total	$1,996,317	$375,310	($71,501)	($155,882)	$2,144,244
At Revalued Amount					
Buildings and improvements:					
Revalued amount	$21,756	$–	$–	$–	$21,756
Accumulated depreciation and amortization	(391)	(2,615)	–	–	(3,006)
Net Book Value	$21,365	($2,615)	$–	$–	$18,750

Construction in progress mainly includes predelivery payments for aircraft acquisition.

Property and equipment with carrying value of $10.68 million was used to secure a long-term debt as of December 31, 2023. In 2024, the related loan was paid in full (see Note 14).

In 2024 and 2023, the Group reversed a portion of the previously recognized impairment loss amounting to $3.33 million and $5.84 million, respectively, for its CGU based on its value-in-use (see Note 19).

Movements in Fleet

Boeing B777-300ER

In 2024, the Group accepted delivery of two Boeing B777-300ER aircraft under operating lease agreement with third-party lessors and redelivered one aircraft to its lessor.

Airbus A330-300

In 2024, the Group entered into a refinancing arrangement with third party lessors for its two Airbus A330-300 aircraft (see Note 14).

In 2023, the Group leased back two Airbus A330-300 previously returned to its lessors in 2021.

Airbus A321-231

In 2023, the Group leased back one Airbus A321-231 previously returned to its lessor in 2022.

Airbus A320-200

In 2023, the Group entered into a refinancing arrangement with third party lessors for its seven Airbus A320-200 aircraft (see Note 14).

DHC 8-400 NG

In 2023, the Group leased back one DHC 8-400 NG previously returned to its lessor in 2022.

As of December 31, 2024 and 2023, all of the DHC 8-400 NG aircraft are subleased to APC.

The fleet as of December 31 is as follows (see Notes 14, 17 and 23):

	2024	2023
Owned:		
Airbus A320-200	**2**	2
Bombardier DHC 8-400*	**5**	5
Bombardier DHC 8-300*	**4**	4
Under lease:		
Boeing B777-300ER	**10**	9
Airbus A350-900	**2**	2
Airbus A330-300	**11**	11
Airbus A321-231	**22**	22
Airbus A321-271N	**6**	6
Airbus A321-271NX	**2**	2
Airbus A320-200	**13**	13
Bombardier DHC 8-400 NG	**11**	11
	88	87

**Non-operational. These aircraft are not included in the total operating fleet of 79 and 78 as of December 31, 2024 and 2023, respectively.*

Buildings and Improvements

Buildings and improvements, whose fair value can be measured reliably, are carried at appraised values determined based on valuations performed by various qualified and Philippine SEC-accredited independent appraisers. The appraised values as of December 31, 2024 and 2023 are based on appraisal studies performed in December 2024 and 2022, respectively. In the valuation process using market comparison method (a market approach), the appraisers compared the fair market value of similar assets adjusted for dissimilarities and considered the best use of the properties at hand (Level 3). Significant unobservable valuation input in determining the fair value of buildings and improvements includes adjusted offer prices of similar properties. Increases (decreases) in estimated inputs would result in a significantly higher (lower) fair value.

The additional revaluation increase, net of deferred income tax effect of $0.48 million, in 2024 amounted to $1.47 million (see Note 18). There was no revaluation increase recognized in 2023.

If buildings and improvements were carried at cost less accumulated depreciation, the amounts as of December 31 would be as follows:

	2024	2023
Cost	**$174**	$174
Accumulated depreciation	**(174)**	(174)
	$–	$–

11. Investment Properties

	2024		
	Land	**Buildings and Improvements**	**Total**
Cost			
Beginning and ending of year	**$3,991**	**$5,189**	**$9,180**
Accumulated depreciation and impairment loss			
Beginning of year	**(475)**	**(3,950)**	**(4,425)**
Depreciation	**–**	**(2)**	**(2)**
End of year	**(475)**	**(3,952)**	**(4,427)**
Net book value	**$3,516**	**$1,237**	**$4,753**

	2023		
	Land	Buildings and Improvements	Total
Cost			
Beginning of year	$3,507	$5,175	$8,682
Additions	484	14	498
End of year	3,991	5,189	9,180
Accumulated depreciation and impairment loss			
Beginning of year	(475)	(3,941)	(4,416)
Additions	–	(9)	(9)
End of year	(475)	(3,950)	(4,425)
Net book value	$3,516	$1,239	$4,755

The aggregate fair value of investment properties amounted to $12.76 million and $9.35 million as of December 31, 2024 and 2023 (see Note 26).

Direct costs related to these investment properties (e.g., property taxes, among others) amounted to $0.02 million for the years ended December 31, 2024 and 2023.

12. Other Noncurrent Assets

	2024	2023
Long-term security deposits (Notes 5, 14 and 17)	**$100,296**	$104,294
Deposits on aircraft leases (Notes 17 and 23)	**19,865**	15,859
Finance lease receivables - net of current portion (Notes 8, 17 and 23)	**35,522**	43,449
Manufacturers' credits (Note 23)	**1,000**	3,980
Creditable withholding taxes	**64,805**	63,900
Financial assets at FVTOCI	**2,222**	2,260
Others	**36,840**	5,572
	$260,550	$239,314

Long-term Security Deposits

Long-term security deposits include the following, among others:

- hold-out deposits for bank merchant services amounting to $77.54 million and $64.15 million as of December 31, 2024 and 2023, respectively;
- sinking fund amounting to $18.63 million and $27.56 million as of December 31, 2024 and 2023, respectively, set aside to guarantee the periodic payments of asset-backed securities (see Note 14);
- cash amounting to $0.38 million and $0.57 million as of December 31, 2024 and 2023, respectively, set aside to collateralize various surety bonds issued (as required under the legal proceedings) in connection with certain litigations (see Note 5); and,
- deposits to various airports and agencies amounted to $3.75 million and $12.01 million as of December 31, 2024 and 2023, respectively.

Total interest income earned on long-term security deposits amounted to $0.21 million in 2024 and $0.24 million in 2023 (see Note 19).

Deposits on Aircraft Leases

The Group has security deposits required under certain lease agreements to cover qualifying maintenance events.

The Group's deposits on aircraft leases are carried at amortized cost. Accretion on these deposits, included under "Other income - net" in the consolidated statements of comprehensive income, amounted to $1.02 million in 2024 and $2.36 million in 2023.

Finance Lease Receivables

The Group's finance lease receivables pertain to certain aircraft subleased to APC that qualified as finance lease. As of December 31, 2024 and 2023, the carrying value of finance lease receivables amounted to $52.82 million and $59.68 million, respectively (see Note 23).

Financial assets at FVTOCI
The Group's financial assets at FVTOCI include certain quoted equity investments and club shares amounting to $0.19 million and $0.23 million as of December 31, 2024 and 2023, respectively, and unquoted equity investments amounting to $2.03 million as of December 31, 2024 and 2023.

The fair value of quoted equity investments and club shares is determined by reference to quoted market prices as of the end of each reporting period.

The unquoted equity investments include the Group's investments in shares of stock of various private companies. As of December 31, 2024 and 2023, the unquoted equity investments are carried at fair value, which is based on significant unobservable inputs (see Note 26).

The movements in "Net changes in fair values of financial assets at FVTOCI", net of deferred income tax effect are presented in Note 18.

Others
This mainly include the noncurrent portion of nontrade claims receivables amounting to $23.27 million as of December 31, 2024 (see Note 6).

13. Accrued Expenses and Other Current Liabilities

	2024	2023
Accrued expenses:		
Maintenance (Note 17)	**$242,813**	$302,645
Salaries and wages	**25,554**	33,363
Ground handling charges (Note 17)	**22,738**	29,339
Lease charges (Note 14)	**22,279**	15,793
Agent incentive	**17,072**	–
Landing and take-off fees	**16,478**	16,290
Professional fees and other services	**15,657**	11,932
Passenger food and supplies	**6,797**	5,435
Interest	**4,339**	4,245
Taxes	**3,379**	8,248
Foreign station	**2,735**	2,316
Others	**12,150**	12,949
	$391,991	$442,555

Other accrued expenses include accruals for advertising expense and other operating expenses.

14. Long-term Obligations

	2024	2023
Lease liabilities (Note 23)	**$977,214**	$1,192,094
Long-term debt (Note 17)	**409,603**	548,607
	1,386,817	1,740,701
Less current portion	**406,364**	467,650
	$980,453	$1,273,051

Note 25 presents the undiscounted contractual maturity analysis of financial liabilities, including long-term obligations.

Lease Liabilities

Set out below is the roll forward analysis of lease liabilities:

	2024	2023
Beginning balances	**$1,192,094**	$1,234,636
Additions	**81,298**	114,521
Accretion for the year*	**85,495**	95,911
Payments	**(385,793)**	(389,633)
Adjustments related to effect of modification and reassessment (Note 10)	**4,120**	136,659
Ending balances	**$977,214**	$1,192,094

**Presented as part of financing charges*

Aircraft and engine leases

The present value of minimum lease commitments for the Group's lease liabilities as of December 31 follows:

	2024		2023	
	Minimum lease commitments	**Present value of lease commitments***	Minimum lease commitments	Present value of lease commitments*
Due within one year	**$308,866**	**$245,264**	$377,095	$299,143
Due after one year but within five years	**685,292**	**577,221**	804,403	676,190
Due in more than five years	**153,485**	**140,610**	203,787	186,384
Minimum lease payments	**1,147,643**	**963,095**	1,385,285	1,161,717
Interest and others	**(184,548)**	–	(223,568)	–
	963,095	**963,095**	1,161,717	1,161,717
Less current portion	**245,264**	**245,264**	299,143	299,143
	$717,831	**$717,831**	$862,574	$862,574

**Include obligations under lease with bargain purchase option amounting to $537.15 million as of December 31, 2024 and $675.63 million as of December 31, 2023.*

Details of the aircraft and engine leases are presented in Note 23. Note 22 presents the movement of lease liabilities in 2024 and 2023.

The carrying value of the aircraft and engine leases recognized in the consolidated statements of financial position amounted to $1.61 billion and $1.62 billion as of December 31, 2024 and 2023, respectively (see Note 10).

The unpaid portion of the lease liabilities that are due as of December 31, 2024 and 2023 amounting to $22.28 million and $15.79 million, respectively, is presented under "Accrued expenses and other liabilities" (see Note 13).

$61.25 million Aircraft Financing

In January 2023, the Parent Company entered into Purchase Agreement and Facility Agreement to secure financing of its owned seven Airbus A320-200 aircraft. In addition, these aircraft were leased back to the Parent Company. The Parent Company assessed that the sale of aircraft to the purchaser-lessor does not qualify as a sale under PFRS 15, and instead covered by PFRS 9 and PFRS 16 as a financing transaction due to the following reasons:

- The ownership of the subject aircraft is highly probable to ultimately revert to the Parent Company by the end of the lease term or effectively at any time at the option of the Parent Company to terminate the lease provided it pays the agreed sums of $1; and,
- Substantially all of the risks and rewards over the subject aircrafts are still retained by the Parent Company.

The Parent Company recognized the obligations as part of lease liability amounting to $61.25 million. Transaction costs incurred amounted to $1.13 million.

As of December 31, 2024 and 2023, the carrying amount of obligation amounted to $45.51 million and $54.18 million, respectively. The total financing charges amounted to $4.95 million in 2024 and $5.20 million in 2023.

$40.00 million Aircraft Financing
In December 2024, the Group entered into Purchase Agreement and Facility Agreement to secure financing of its owned two Airbus A330-300 aircraft. In addition, these aircraft were leased back to the Parent Company.

The Group recognized the obligations as part of lease liability amounting to $40.00 million. Transaction costs incurred amounted to $0.47 million.

As of December 31, 2024, the carrying amount of obligation amounted to $39.53 million. The total financing charges amounted to $0.07 million in 2024.

Ground property
The present value of minimum lease commitments for the Group's ground property leases as of December 31 follows:

	2024		2023	
	Minimum lease commitments	**Present value of lease commitments**	Minimum lease commitments	Present value of lease commitments
Due within one year	**$2,825**	**$1,910**	$12,801	$9,119
Due after one year but within five years	**6,691**	**3,837**	12,465	6,820
More than five years	**11,290**	**8,372**	19,036	14,438
Minimum lease payments	**20,806**	**14,119**	44,302	30,377
Interest and others	**(6,687)**	**–**	(13,925)	–
	14,119	**14,119**	30,377	30,377
Less current portion	**1,910**	**1,910**	9,119	9,119
	$12,209	**$12,209**	$21,258	$21,258

The Group has various ground property lease agreements in which the related right-of-use assets' carrying value amounted to $11.42 million and $26.54 million as of December 31, 2024 and 2023, respectively (see Note 10).

Interests paid on these leases are based on 6.73% rates as of December 31, 2024 and 2023. Principal payments amounted to $13.78 million and $17.98 million in 2024 and 2023, respectively.

Long-term Debt

	2024	2023
Long-term debt:		
Secured loans, net of debt issuance costs*	**$322,581**	$418,899
Unsecured loan (Note 17)	**84,609**	125,000
Notes payable	**2,413**	4,708
	409,603	548,607
Less current portion	**159,190**	159,388
	$250,413	$389,219

**Net of unamortized debt issued cost amounting to $0.99 million and $0.33 million as of December 31, 2024 and 2023, respectively.*

Secured Loans

$685.00 million US Dollar asset-backed securities

From 2015 to 2019, the Parent Company obtained asset-backed securities totaling $685.00 million from a counterparty bank for additional working capital. In October 2024, the Parent Company availed additional loan facility amounting to $50.00 million. The loans are secured by current and future collections from passenger sales made in the United States through designated credit card companies. The loans are repaid through monthly installment subject to interest of one-month London Interbank Offered Rate (LIBOR) basis prior to July 25, 2023 and Secure Overnight Financing Rate (SOFR) basis floating rate from July 25, 2023 onwards maturing in June 2028.

The outstanding balance of these loans amounted to $224.85 million and $240.50 million as of December 31, 2024 and 2023, with the current portion amounting to $64.63 million and $64.85 million, respectively. Total financing charges related to these loans amounted to $16.98 million in 2024 and $20.86 million in 2023.

As of December 31, 2024 and 2023, there are no outstanding pledged receivables. The receivables collected through the credit card companies will be applied against the monthly installment due. As discussed in Note 12, a sinking fund amounting to $14.48 million and $23.42 million as of December 31, 2024 and 2023, respectively, was set aside to guarantee these loans. These loans are subject to certain covenants which include, among others, maintenance of a coverage ratio. As of December 31, 2024 and 2023, the Parent Company was compliant with the loan covenants.

On July 30, 2021, the Parent Company and the counterparty bank entered into a supplemental agreement to amend the final maturity date of the loan to August 25, 2027. On October 23, 2024, the Parent Company and the counterparty bank entered into a supplemental agreement to amend the final maturity date of the loan to June 25, 2028.

$450.00 million Japanese Yen asset-backed securities

From 2015 to 2019, the Parent Company obtained asset-backed securities totaling $450.00 million from a counterparty bank for additional working capital. The loans are secured by current and future passenger and cargo receivables denominated in Japanese Yen through identified agents in Japan. The loans are repaid through monthly installment subject to interest of one-month LIBOR plus margin basis prior to July 31, 2023 and SOFR basis from July 31, 2023 onwards maturing in August 2026.

In September 2021, the Parent Company and the counterparty bank entered into a supplemental agreement to extend the final maturity date of the loans to March 2028.

On June 30, 2023, the parties entered into an amendment agreement for the transition of floating reference rate from LIBOR to SOFR and to update the required coverage ratio.

In October 2024, the Parent Company executed a Voluntary Prepayment Notice to partially prepay the outstanding principal amount with accrued interest.

As of December 31, 2024 and 2023, outstanding balance of these loans amounted to $97.74 million and $170.00 million, with current portion amounting to $30.07 million and $40.00 million, respectively. Total financing charges related to these loans amounted to $12.09 million in 2024 and $15.50 million in 2023.

As of December 31, 2024 and 2023, the outstanding pledged receivables amounted to $3.83 million and $5.35 million, respectively (see Note 6). The receivables collected through the identified agents in Japan will be applied against the monthly installment due. As discussed in Note 12, a sinking fund

amounting to $4.15 million was set aside to guarantee the loans as of December 31, 2024 and 2023. These loans are subject to certain covenants which include maintenance of a coverage ratio.

On October 29, 2024, the Parent Company renegotiated for a lower coverage ratio by virtue of an amendment agreement effective January 1, 2024. As of December 31, 2024, the Parent Company was compliant with the required coverage ratio.

Unsecured Loans
$16.50 million term loan from a local bank
In March 2020, the Parent Company obtained a $16.50 million asset-backed security from a local bank. The loan requires quarterly payments of interest based on three-month LIBOR plus margin. In December 2021, the Parent Company and the local bank entered into a loan amendment agreement. The purpose of the amendment is to extend the final maturity date of the loan to September 2024 and reflect the new payment terms.

As of December 31, 2023, the outstanding balance of the loan amounted to $8.40 million and secured by an aircraft with carrying value of $10.68 million. The loan was paid in full in 2024.

Total financing charges related to this loan amounting to $0.42 million in 2024 and $0.87 million in 2023.

$250.00 million from BSHI [Debtor in Possession (DIP) A Facility]
In accordance with the Restructuring Support Agreement (RSAs) and the Plan, the Parent Company and BSHI executed the DIP Credit Agreement for the DIP A Facility (the DIP A Facility Agreement) on September 17, 2021 amounting to $250.00 million, which was used for refinancing the prepetition bridge loan, payment of fees and for costs and expenses of the DIP lender, working capital requirements and administration costs of the Chapter 11 case and general corporate purposes of the Parent Company. The Plan Term Sheet of the RSAs and the DIP A Facility Agreement provide the following material terms of the credit facility implemented as part of restructuring: (a) interest will apply only for the first 27 months; (b) quarterly amortization starting on the 28th month until the 63rd month following the availment date; and (c) first priority security interests in eight (8) A320-200 aircraft and related engines, four (4) DHC 8-300 and two (2) DHC 8-400 aircraft and related engines (collectively the Tranche A Security Package).

Upon the effective date of the Plan, at the sole discretion of the Parent Company, the Tranche A Security Package had been released and the DIP A Facility was converted into an unsecured loan facility for the remainder of the original 63-month post-petition term.

In 2023, the Parent Company and BSHI entered into three amendment agreements. The amendment agreements allowed the Parent Company to prepay the loan in the amount of $25.00 million, $50.00 million and $50.00 million, respectively. In 2024, the Parent Company paid the loan amounting to $43.85 million.

As of December 31, 2024 and 2023, the outstanding balance of this loan amounted to $81.15 million and $125.00 million, with current portion amounting to $58.62 million and $43.85 million, respectively. Total financing charges related to these loans amounted to $10.57 million in 2024 and $20.44 million in 2023.

Notes payable
Outstanding notes payable pertains to the promissory notes issued by the Parent Company and its operating lessors in accordance with the Plan due until 2025. The outstanding balance of the notes payable amounted to $2.41 million and $4.71 million as of December 31, 2024 and 2023.



Interest rate on these notes payable is 5.00% and the related interest expense charged to profit or loss amounted to $0.17 million in 2024 and $0.28 million in 2023.

15. Reserves and Other Noncurrent Liabilities

	2024	2023
Deferred revenue under frequent flyer program (Note 4)	**$143,258**	$121,765
Provisions	**44,074**	20,383
Manufacturer's credit	**6,882**	3,553
Other noncurrent liabilities (Note 17)	**7,901**	1,152
	$202,115	$146,853

Provisions
Provisions consist substantially of probable claims and other litigations involving the Group. The timing of the cash outflows of these provisions is uncertain as it depends upon the outcome of the Group's negotiations and/or legal proceedings, which are currently ongoing with the parties involved.

	2024	2023
Balance at beginning of year	**$20,383**	$558
Addition (Note 19)	**24,619**	19,826
Settlement / Reversal	**(262)**	(15)
Translation adjustment	**(666)**	14
Balance at end of year	**$44,074**	$20,383

Disclosure of additional details beyond the present disclosures may seriously prejudice the Group's position. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Other Noncurrent Liabilities
Other noncurrent liabilities include deposits on subleased aircraft.

16. Equity

The Parent Company's capital stock consists of the following shares as of December 31, 2024 and 2023:

Par value	₱1.00
Authorized number of common shares	7,000,000,000
Issued and outstanding number of common shares	1,759,342,188

On September 21, 2021 and October 28, 2021, the Parent Company's BOD and Stockholders, respectively, approved the following amendments of the Parent Company's Articles of Incorporation.

- Decrease the par value of the Parent Company's shares from ₱1.00 to ₱0.001 per common share, which will result in a decrease in the authorized capital stock of the Parent Company from ₱13.00 billion divided into 13.0 billion common shares with a par value of ₱1.00 per common share to ₱13.00 million divided into 13.0 billion common shares with a par value of ₱0.001 per common share, and a decrease in the amount of issued and outstanding capital stock of $300.17 million and an increase in additional paid-in capital by the same amount.



Increase in the par value per common share from ₱0.001 to ₱1.00 per share and authorized capital stock from ₱13.00 million divided into 13.0 million common shares with par value of ₱1.00 per share to ₱7.00 billion divided into 7.0 billion common shares with a par value of ₱1.00 per share.

On December 31, 2021, the Philippine SEC approved the Parent Company's Amended Articles of Incorporation reflecting the changes in the par value and authorized capital stock.

In accordance with the Plan, the Parent Company issued common shares to PHI on December 31, 2021 in relation to the DIP B Facility and to the Supporting Creditors in relation to the general unsecured claims totaling to 1,386,220,789 shares and 360,665,148 shares, respectively. The issuance of shares increased the Parent Company's capital stock by $34,592 and capital in excess of par by $227.55 million. Consequently, the issuance of shares to the Supporting Creditors reduced the ownership interest of PHI in the Parent Company from 98.92% to 79.49% as of December 31, 2021.

On December 29, 2022, PAL issued a letter to the Supporting Creditors, which provides the status of the swap process and the mechanism whereby the Supporting Creditors will be able to exchange their PAL shares to PHI shares. On February 27, 2023, the BOD of PHI approved the exchange ratio between PHI and PAL of 15.57 PHI shares to 1 PAL share. On April 15, 2024, PHI and PAL completed the swap process of the shares issued to the Supporting Creditors. Consequently, PHI's ownership interest in the Parent Company increased to 97.89% in 2024, from 79.49% as of December 31, 2023.

17. Related Party Transactions

The following tables present the amounts and outstanding balances of the Group's transactions with its related parties which are not eliminated:

	2024		
Transactions	**Volume**	**Outstanding Receivable (Payable)**	**Terms and Conditions**
Ultimate, immediate and intermediate parent entities			
Receivable (Note 6)	**$–**	**$62,235**	Non-interest bearing; unsecured; unimpaired
DIP A Facility (Note 14)	**43,848**	**(81,152)**	Unsecured loan; To be settled in Tranches
Entities under common control			
Cash and money placements, including interest income (Notes 5 and 12)	**3,682**	**73,611**	Partly secured; unimpaired
Receivables (Note 6)	**–**	**172,700**	Non-interest bearing; unsecured; unimpaired
Finance lease receivables (Notes 8 and 12)	**(6,852)**	**52,824**	Non-interest bearing; unsecured; unimpaired
Accounts payable	**17,497**	**(12,358)**	Non-interest bearing; Unsecured
Aircraft operating lease income and interest income on finance leases (Notes 6 and 23)	**35,655**	**–**	Receivable monthly based on fixed and variable rates;
Aircraft security deposit (Note 15)	**–**	**(1,105)**	Refundable at the end of lease term
Sales and other income (Note 6)	**1,046**	**1,742**	Receivable in 30 days; unimpaired
Transportation and other expenses on Code Share Agreement (Note 19)	**165,774**	**–**	Payable after 30 days

Forward

Transactions	**2024** Volume	**Outstanding Receivable (Payable)**	**Terms and Conditions**
Entities under significant shareholder group			
Aircraft maintenance and other charges (Notes 13 and 19)	**$269,803**	**($33,106)**	Payable after 15 to 30 days
Sales and other income (Note 6)	**10,417**	**10,263**	Receivable in 30 days; with impairment amounting to $508

Transactions	2023 Volume	Outstanding Receivable (Payable)	Terms and Conditions
Ultimate, immediate and intermediate parent entities			
Receivable (Note 6)	$–	$65,017	Non-interest bearing; unsecured; unimpaired
DIP A Facility (Note 15)	125,000	(125,000)	Unsecured loan; To be settled in Tranches
Entities under common control			
Cash and money placements, including interest income (Notes 5 and 12)	17,332	224,011	Partly secured; unimpaired
Receivables (Note 6)	–	172,700	Non-interest bearing; unsecured; unimpaired
Finance lease receivables (Notes 8 and 12)	18,296	59,676	Non-interest bearing; unsecured; unimpaired
Accounts payable	36,483	(29,698)	Non-interest bearing; Unsecured
Aircraft operating lease income and interest income on finance leases (Notes 6 and 23)	33,308	–	Receivable monthly based on fixed and variable rates;
Aircraft security deposit (Note 15)	1,935	(1,105)	Refundable at the end of lease term
Sales and other income (Note 6)	956	1,873	Receivable in 30 days; unimpaired
Transportation and other expenses on Code Share Agreement (Note 19)	142,870	–	Payable after 30 days
Entities under significant shareholder group			
Aircraft maintenance and other charges (Notes 13 and 19)	233,747	(29,746)	Payable after 15 to 30 days
Sales and other income (Note 6)	5,103	9,552	Receivable in 30 days; with impairment amounting to $508

Terms and Conditions of Transactions with Related Parties

Outstanding balances of accounts with related parties at year-end are unsecured, payable on demand and are settled in cash or are applied against any outstanding advances to or from the related party, unless otherwise stated.

a. Outstanding receivable from immediate and intermediate parent companies amounted to $62.24 million and $65.02 million as of December 31, 2024 and 2023, respectively.

b. Outstanding balance of the DIP A Facility loan from BSHI amounted to $81.15 million and $125.00 million as of December 31, 2024 and 2023, respectively (see Note 14).

c. As of December 31, 2024 and 2023, cash and cash equivalents and security deposits (included under “Cash and cash equivalents” and “Other noncurrent assets” in the consolidated statements of financial position) with a bank under common control amounted to $73.61 million and $224.01 million, respectively (see Notes 5 and 12). The related interest income on these investments and cash deposits amounted to $3.68 million in 2024 and $17.44 million in 2023.

d. As of December 31, 2024 and 2023, the Parent Company has finance lease receivables from APC amounting to $52.82 million and $59.68 million, respectively (see Notes 8, 12 and 23).

e. The retirement plan assets of the Parent Company are managed by a bank under common control (see Note 20).

f. The transactions with APC, an entity under common control, include joint services and code share agreements, and maintenance services.

Effective March 2014, the Parent Company entered into the Code Share Agreement with APC. Under the Code Share Agreement, the Parent Company markets the codeshare flights while APC operates the flights based on agreed rates. Total transportation expenses incurred by the Parent Company as a result of the Code Share Agreement with APC amounted to $165.77 million in 2024 and $142.87 million in 2023.

As of December 31, 2024 and 2023, the Parent Company has outstanding operating lease agreements with APC covering Airbus A321-231, Airbus A320-200 aircraft, Bombardier DHC 8-300 and Bombardier DHC 8-400 aircraft, for a period of 24 to 144 months (see Notes 10 and 23). In 2023, one additional Airbus A320-200 and one Bombardier DHC 8-400 aircraft were subleased to APC. Lease income generated by the Parent Company amounted to $30.51 million in 2024 and $29.74 million in 2023. The related deposit from APC amounted to $1.11 million as of December 31, 2024 and 2023 (included under "Reserves and other noncurrent liabilities - Others" in Note 15).

The Parent Company and APC do not have master netting agreements in respect of their intercompany transactions but settle their accounts on a net basis. As of December 31, 2024 and 2023, the Group presented in the consolidated statements of financial position a payable from APC (shown as part of "Payable to related parties") of $11.56 million and $29.06 million, respectively, with gross amounts presented below:

	Receivable	Payable	Net payable (Notes 6 and 14)
December 31, 2024	**$22,230**	**$33,794**	**($11,564)**
December 31, 2023	$26,976	$56,037	($29,061)

g. As of December 31, 2023, the Parent Company has a lease agreement with an entity under common control for the lease of a portion of the PNB Financial Center Building. The outstanding rental liability relating to the said lease contract amounted to $0.78 million (see Note 23). In March 2024, the offices in the PNB Financial Center moved to its new corporate headquarters in Lucio K. Tan, Jr. Center in PAL Gate 5.

h. In September 2015, the Parent Company entered into a five-year General Terms and Agreement for Maintenance, Repair and Overhaul Services (GTA) with Lufthansa Technik Philippines (LTP) covering line maintenance, component maintenance, C-check, D-check and other support services. The GTA will automatically renew unless terminated by either party.

In 2022, LTP and the Parent Company executed a Supplement Letter covering the Line Maintenance, Technical Management Services and Support Services effective January 1, 2022 for a duration of one year.

On January 1, 2023, the Parent Company entered into a supplementary agreement for line maintenance and technical management services which is valid and effective for one year. As of December 31, 2024 and 2023, negotiation with LTP is on-going.

Total LTP-related maintenance and repair costs charged to operations amounted to $176.81 million in 2024 and $159.07 million in 2023. In addition, related expendable parts sold to LTP amounted to $0.25 million in 2024 and $0.19 million in 2023. As of December 31, 2024 and 2023, the Parent Company has outstanding amounts payable to and estimated unbilled charges from LTP totaling $31.20 million and $27.50 million (included under "Accounts payable" in the consolidated statements of financial position), net of revolving fund, unapplied credits from and advance payments to LTP amounting to $2.90 million and $8.79 million, respectively.

The Parent Company, in the normal course of its business, renders various services to LTP. Revenues earned from these services are included under "Other income - net" in the consolidated statements of comprehensive income. Receivables from LTP amounted to $0.56 million and $1.22 million as of December 31, 2024 and 2023, respectively (see Note 6).

i. The Parent Company has a groundhandling and catering agreement with MacroAsia Airport Services Corporation (MASC) and MacroAsia SATS Inflight Services Corporation (MSISC), entities under common shareholder group.

Related ground handling expenses amounted to $67.54 million in 2024 and $46.93 million in 2023. Outstanding payable to MASC amounting to $1.91 million and $0.15 million as of December 31, 2024 and 2023, respectively, is included under "Accounts payable" in the consolidated statements of financial position.

Catering expenses related to MSISC amounted to $25.46 million in 2024 and $27.75 million in 2023. Outstanding payable to MSISC amounting to $0.001 million and $2.09 million as of December 31, 2024 and 2023, respectively, is included under "Accounts payable" in the consolidated statements of financial position.

j. As of December 31, 2024 and 2023, the Parent Company has various aircraft lease agreements with the subsidiaries of FSL covering Airbus A330-300, Airbus A321-231 and Boeing B777-300ER aircraft (see Notes 10 and 24). The following are the balances between PAL and FSL eliminated in the consolidated statements of financial position:

Receivable (Payable) Balance	**2024**	2023
Deposits on aircraft leases (Other long-term liability)	**$49,304**	$61,857
Lease receivable (Accrued lease charges)	**(25,043)**	(58,675)
Other non-current liability	**(59,688)**	–

k. The compensation of key management personnel of the Group consisted of short-term employee benefits amounting to $1.82 million in 2024 and $1.83 million in 2023, and retirement benefits amounting to $0.25 million in 2024 and $0.30 million in 2023.

18. Other Comprehensive Income

Movements in other comprehensive income are as follows:

	2024	2023
OCI to be reclassified to profit or loss in subsequent periods:		
Cumulative translation adjustment:		
Balance at beginning of year, net of deferred income tax effect	**$1,220**	$1,158
Cumulative translation adjustment for the year	**(338)**	62
Balance at end of year	**882**	1,220
OCI not to be reclassified to profit or loss in subsequent periods:		
Revaluation increment (Note 10):		
Balance at beginning of year, net of deferred income tax effect	**13,942**	16,560
Revaluation increment for the year	**1,945**	–
Deferred income tax effect on the revaluation increment for the year	**(476)**	–
Transfer of portion of revaluation increment in property realized through depreciation - net of deferred income tax effect and foreign exchange adjustment	**(2,720)**	(2,618)
Balance at end of year	**12,691**	13,942
Accumulated remeasurement losses on defined benefit obligation (Note20):		
Balance at beginning of year, net of deferred income tax effect	**(29,187)**	(21,526)
Remeasurement gain (loss) for the year	**3,502**	(10,215)
Deferred income tax effect on remeasurement gain (loss) for the year	**(875)**	2,554
Balance at end of year	**(26,560)**	(29,187)
Net changes in fair values of financial assets at FVTOCI (Note 12):		
Balance at beginning of year, net of deferred income tax effect	**$83**	$1
Gain (Loss) on changes in fair values for the year	**(37)**	109
Deferred income tax effect on the fair value changes for the year	**9**	(27)
Balance at end of year	**55**	83
Total other comprehensive loss at the end of the year	**($12,932)**	($13,942)
Other comprehensive loss attributable to:		
Equity holders of the Parent Company	**($12,750)**	($13,788)
Non-controlling interests	**(182)**	(154)
	($12,932)	($13,942)

19. General Expenses and Other Income (Charges) - Net

The significant components of expenses by nature are as follows:

	2024	2023
Fuel and oil	**$966,458**	$1,022,579
Repairs and maintenance (Notes 7and 17)	**353,807**	366,065
Depreciation, amortization and obsolescence (Notes 7 and 10)	**323,412**	256,119
Crew and staff costs (Note 20)	**197,841**	208,951
Ground handling charges (Notes 17 and 23)	**185,355**	170,515
Transportation (Note 17)	**165,774**	142,870
Landing and take-off fees	**103,950**	87,155

(Forward)

	2024	2023
Reservation and selling costs	**$90,562**	$70,384
Passenger food (Note 17)	**81,410**	74,200
Lease charges (Notes 17 and 23)	**76,530**	26,824
Utilities	**42,030**	39,747
Flight amenities	**37,597**	34,592
Outside services	**16,527**	11,700
Professional fees	**6,743**	9,409

The Group's other income (charges) - net are as follows:

	2024	2023
Foreign exchange gain (loss) - net	**($30,653)**	$4,487
Provision for contingencies (Note 15)	**(24,619)**	(19,826)
Interest income (Notes 5, 12 and 17)	**30,612**	38,874
Reversal of impairment losses (Note 10)	**3,327**	5,844
Other income (charges) - net (Notes 15 and 23)	**(2,462)**	15,312
	($23,795)	$44,691

Other income (charges) - net consists of provisions, manufacturers' credit and other items that are individually immaterial.

20. Accrued Employee Benefits

Characteristics of the Plans

The Group's retirement plans are noncontributory defined benefit plans covering all regular employees. Benefits are based on the employees' years of service and final plan salary.

The Trustee bank is responsible for the administration of the plan assets and for the definition of the investment strategy.

The retirement plans meet the minimum retirement benefit specified under Republic Act 7641, *The Retirement Pay Law*

The Group's accrued employee benefits as of December 31 consisted of the following:

	2024	2023
Regular retirement benefits	**$109,947**	$113,339
Other long-term benefits:		
Sick leave and vacation leave	**18,623**	19,114
Others	**133,772**	128,743
	$262,342	$261,196

"Others" includes benefits from pilot loyalty program, pilot occupational disability program, pilots' retirement plan and retirement benefits for foreign stations' employees.

The components of retirement costs included under "Expenses" in the consolidated statements of comprehensive income are shown on the next page.

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2024	2023	**2024**	2023
Current service cost	**$7,445**	$6,192	**$2,202**	$1,756
Net interest cost	**6,559**	6,490	**1,124**	1,156
Remeasurement gain (loss) on other long-term benefits	**–**	–	**(758)**	1,989
	$14,004	$12,682	**$2,568**	$4,901

Remeasurement gains (losses) on regular retirement benefits recognized in OCI are as follows:

	2024	2023
Defined benefit obligation	**$3,853**	($10,908)
Plan assets	**(109)**	619
	$3,744	($10,289)

The net amounts in the consolidated statements of financial position arising from the Group's obligation in respect of its defined benefit plan and sick leave and vacation leave benefits are as follows:

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2024	2023	**2024**	2023
Present value of benefit obligation (PVBO)	**$113,783**	$117,137	**$19,579**	$20,098
Fair value of plan assets (FVPA)	**(3,836)**	(3,798)	**(956)**	(984)
	$109,947	$113,339	**$18,623**	$19,114

Changes in the PVBO are as follows:

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2024	2023	**2024**	2023
Beginning of year	**$117,137**	$99,508	**$20,098**	$16,965
Current service cost	**7,445**	6,192	**2,202**	1,756
Interest expense	**6,825**	6,808	**1,182**	1,226
Benefits paid from retirement fund	**(8,914)**	(7,430)	**–**	–
Benefits paid from Parent Company operating funds	**(10)**	(28)	**(2,308)**	(1,896)
Remeasurement loss (gain) arising from:				
Financial assumptions	**(4,338)**	9,804	**(803)**	1,929
Experience adjustments	**485**	1,104	**–**	–
Translation adjustment	**(4,847)**	1,179	**(792)**	118
End of year	**$113,783**	$117,137	**$19,579**	$20,098

Changes in the FVPA are as follows:

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2024	2023	**2024**	2023
Beginning of year	**$3,798**	$3,698	**$984**	$968
Interest income	**266**	318	**58**	70
Contributions	**8,941**	6,616	**1,718**	1,245
Benefits paid	**(8,914)**	(7,430)	**(1,718)**	(1,245)
Remeasurement gain (loss) arising from return on plan assets	**(109)**	619	**(44)**	(60)
Translation adjustment and others	**(146)**	(23)	**(42)**	6
End of year	**$3,836**	$3,798	**$956**	$984

The movements in accrued employee benefits are as follows:

	Regular retirement benefits		Sick leave and vacation leave benefits	
	2024	2023	**2024**	2023
Beginning of year	**$113,339**	$95,810	**$19,114**	$15,997
Retirement cost	**14,004**	12,682	**2,567**	4,901
Remeasurements recognized in OCI	**(3,744)**	10,289	**–**	–
Contributions	**(8,941)**	(6,616)	**(1,718)**	(1,245)
Benefits paid from Group's operating funds	**(10)**	(28)	**(3)**	(61)
Benefits leaves utilized	**–**	–	**(586)**	(591)
Translation adjustment and others	**(4,701)**	1,202	**(751)**	113
End of year	**$109,947**	$113,339	**$18,623**	$19,114

The retirement plans' assets and investments, which are being maintained by a trustee bank that is under common control (see Note 17), consist of the following:

- Cash and cash equivalents, which include regular savings and time deposits, earning interest at their respective bank deposit rates; and
- Investments in debt instruments, consisting of both short and long-term corporate notes of foreign commercial banks, which earn interest at 9.03% and will mature on March 15, 2029.

The major categories of the plan assets as percentages of the fair value of total plan assets as of December 31 are as follows:

	2024	2023
Cash and cash equivalents	**63%**	9%
Investment in debt securities	**36%**	90%
Accrued interest from financial assets	**1%**	1%
	100%	100%

The discount rates and future salary increase rates used in determining retirement obligation for the defined benefit plans as of January 1 are shown below:

	2024	2023
Discount rates	**6.05% to 6.15%**	7.13% to 7.37%
Future salary increase rate	**$34 to $74 or 6%, as applicable**	6.00%

As of December 31, 2024, the discount rate ranged from 6.02% to 6.11% per annum while future salary increase rates varies per group.

The sensitivity analysis below has been determined based on reasonably possible changes of each significant actuarial assumption on the defined benefit obligation as of December 31 assuming all other assumptions were held constant:

	2024		2023	
	Increase (decrease)	**Effect on PVBO**	Increase (decrease)	Effect on PVBO
Discount rate per annum	**1.00%**	**($8,328)**	1.00%	($9,022)
	-1.00%	**9,581**	-1.00%	10,444
Future annual salary increase rate:				
Ground employees	**1.00%**	**3,025**	1.00%	3,143
	-1.00%	**(2,706)**	-1.00%	(2,744)
Cabin crew	**1.00%**	**2,950**	1.00%	2,976
	-1.00%	**(2,950)**	-1.00%	(2,581)
Pilots	**1.00%**	**4,884**	1.00%	4,790
	-1.00%	**(4,360)**	-1.00%	(4,261)

The weighted average duration of the defined benefit obligation of the Parent Company and Sabre as of December 31, 2024 are 12.54 years and 7.9 years (13.29 years and 7.9 years as of December 31, 2023), respectively. The expected total contribution to the retirement plans in 2025 based on normal cost amounts to $18.3 million.

The table below shows the payments that are to be made in the future years out of the defined benefit obligation as of December 31:

	2024	2023
Within one year	**$8,602**	$9,433
More than one year to 5 years	**49,342**	47,168
More than 5 years to 10 years	**68,804**	73,739
More than 10 years to 15 years	**65,862**	66,649
More than 15 years to 20 years	**69,136**	70,490
More than 20 years	**162,020**	203,191

The funds are invested significantly in short-term investments and corporate and government bonds. The Group's management ensures that there will be sufficient assets to pay retirement benefits as they fall due.

21. Income Taxes

a. The income tax expense consists of the following:

	2024	2023
Current income tax	**$6,875**	$10,394
Deferred income tax	**13,270**	(4,917)
	$20,145	$5,477

b. The recognized net deferred income tax assets (liabilities) as of December 31 are as follows:

	2024	2023
Deferred income tax items recognized in profit or loss:		
Deferred income tax assets on:		
Lease liabilities	**$101,006**	$153,170
Unrealized foreign exchange adjustments - net	**28,889**	24,464
Reserves and others	**44,968**	30,441
Allowance for inventory losses	**4,586**	3,838
NOLCO	**30,120**	47,611
	209,569	259,524
Deferred income tax liabilities on:		
Right-of-use assets	**(76,693)**	(110,091)
Finance lease receivables	**(6,324)**	(10,639)
Estimated breakage for unutilized passenger tickets	**(5,531)**	(16,751)
Prepaid commission and others	**(4,048)**	(1,406)
Changes in exchange rates related to nonmonetary assets and liabilities - net	**(39,741)**	(29,446)
	(132,337)	(168,333)
	77,232	91,191
Deferred income tax items recognized directly in OCI:		
Deferred income tax assets on remeasurement losses on defined benefit retirement plan	**8,740**	9,633
Deferred income tax liabilities on:		
Revaluation increment in property	**(4,741)**	(4,953)
Net changes in fair value of financial assets at FVTOCI	**(5)**	(14)
Investment property carried at deemed cost	**(16)**	(23)
	3,978	4,643
Net deferred income tax assets	**$81,210**	$95,834

Deferred income tax assets on lease liabilities and deferred income tax liabilities on right-of-use assets and finance lease receivables pertain to lease arrangements that are treated as operating leases for tax reporting purposes.

In accounting for deferred income tax relating to such operating leases, the Group considers both the right-of-use asset and lease liability separately. The Group separately accounts for deferred taxation on the taxable temporary difference and deductible temporary difference, which upon initial recognition are equal and offset to zero. Deferred income tax is recognized on subsequent changes to taxable and deductible temporary differences.

Deferred income tax on changes in exchange rates related to nonmonetary assets and liabilities arises from the difference between the tax base and accounting base of a nonmonetary assets and liabilities recorded at US Dollar, the functional currency.

The utilization of the net deferred income tax assets is dependent on future taxable income in excess of the income arising from the reversal of the taxable temporary differences. The future taxable income is based on the forecast prepared by management considering the revenue enhancement programs (see Notes 2 and 4).

The Parent Company did not recognize deferred income tax assets on the following deductible temporary differences as of December 31:

	2024	2023
NOLCO	**$413,483**	$491,746
Excess of MCIT over RCIT	**19,266**	13,132
Allowance for ECL	**109,027**	138,608
Impairment loss on investment property	**3,621**	3,621
Accrued retirement benefits	**215,867**	220,297
Provisions	**19,240**	20,383

c. The Parent Company's outstanding NOLCO as of December 31, 2024 available for application against future taxable income is as follows:

Year Incurred	Amount	Applied	Expired	Revaluation	Balance	Available Until
December 31, 2021	$314,599	$–	$–	($13,461)	$301,138	December 31, 2026
December 31, 2020	367,591	(129,811)	–	(4,955)	232,825	December 31, 2025
	$682,190	($129,811)	$–	($18,416)	$533,963	

d. The Parent Company's outstanding MCIT as of December 31, 2024 available for application against future income tax due is as follows:

Year Incurred	Amount	Expired	Revaluation	Balance	Available Until
December 31, 2024	$6,692	$–	$–	$6,692	December 31, 2027
December 31, 2023	10,366	–	(398)	9,968	December 31, 2026
December 31, 2022	2,766	–	(160)	2,606	December 31, 2025
	$19,824	$–	($558)	$19,266	

e. The reconciliation between the statutory tax rate and the Group's effective tax rate follows:

	2024	2023
Statutory tax rate	**25.00%**	25.00%
Adjustments resulting from:		
Application of NOLCO for which no deferred income tax assets were previously recognized	**–**	(33.62%)
Recognition of deferred income tax asset on NOLCO for which no deferred income tax assets were previously recognized	**(8.60%)**	(5.51%)
Movement in deductible temporary differences for which no deferred income tax assets were recognized	**(5.06%)**	4.68%
Interest income subjected to final tax or exempted from tax	**3.25%**	(2.02%)
Nondeductible portion of interest expense	**0.64%**	0.40%
Nontaxable income (BOI)	**–**	(0.06%)
Nondeductible expenses and others - net	**(3.75%)**	12.53%
Effective income tax rate	**11.48%**	1.40%

f. RR No. 10-2002 defines expenses to be classified as entertainment, amusement and recreation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes, i.e., 1% of net revenue for sales of services and 0.50% of net sales for sales of goods. EAR expenses amounted to $0.15 million in 2024 and $0.17 million in 2023.

g. As discussed in Note 1, the Parent Company has been registered with the BOI as new operator of air transport services on non-pioneer status under the Omnibus Investment Codes of 1987 (Executive Order No. 226). For the six aircraft registered with the BOI in 2018, the Parent Company can avail of bonus years in certain cases, if applicable, provided that the aggregate ITH entitlement shall not exceed eight (8) years. In 2021, the registration of the two aircraft were extended and entitled for the ITH until June 30, 2023.

h. Base Erosion and Profit Shifting Pillar 2
The Organization for Economic Co-operation and Development (OECD)/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS) published the Global Anti-Base Erosion (GloBE) (Pillar Two model rules), which ensure that a multinational company with an annual consolidated group revenue of at least EUR750 million for 2 out of 4 preceding fiscal years is subjected to a minimum 15% tax rate in each jurisdiction where they operate ("Pillar Two").

Pillar Two model rules legislation have been enacted or substantively enacted in certain jurisdictions in which the Group operates. For the Group's financial year beginning January 1, 2024, the Group has adopted the amendments to PAS 12, *Income taxes*, which include a mandatory temporary exception to the accounting for deferred taxes arising from the implementation of Pillar Two model rules. Hence, there is no expected deferred tax impact to the financial statements of the Group. The Group has performed an assessment of the Group's potential exposure to Pillar Two income taxes. This assessment is based on the most recent financial information of the constituent entities in the Group. Based on the assessment performed, the Group does not expect a potential exposure to Pillar Two top-up taxes in 2024 given that the constituent entities of the Group are not located in a jurisdiction with an effective Pillar Two legislation. The Group monitors the Pillar Two legislative developments in jurisdictions where it operates to evaluate potential future impact to the Group once the rules become effective.

22. Notes to Consolidated Statements of Cash Flows

Changes in liabilities arising from financing activities are as follows:

For the year ended December 31, 2024

	December 31, 2023	**Cash flows**			**Others**	**December 31, 2023**
		Availments	**Payments**	**Net**		
Current portion of lease liabilities	**$308,262**	**$–**	**($346,306)**	**($346,306)**	**$285,218**	**$247,174**
Current portion of long-term loans	**159,388**	**–**	**(191,807)**	**(191,807)**	**191,609**	**159,190**
Noncurrent portion of lease liabilities	**883,832**	**40,000**	**–**	**40,000**	**(193,792)**	**730,040**
Noncurrent portion of long-term loans	**389,219**	**50,000**	**–**	**50,000**	**(188,806)**	**250,413**
Total liabilities from financing activities	**$1,740,701**	**$90,000**	**($538,113)**	**($448,113)**	**$94,229**	**$1,386,817**

For the year ended December 31, 2023

	December 31, 2022	Cash flows			Others	December 31, 2023
		Availments	Payments	Net		
Current portion of lease liabilities	$257,837	$–	($326,404)	($326,404)	$376,829	$308,262
Current portion of long-term loans	111,048	–	(110,872)	(110,872)	159,212	159,388
Noncurrent portion of lease liabilities	976,799	61,250	–	61,250	(154,217)	883,832
Noncurrent portion of long-term loans	672,842	–	(125,000)	(125,000)	(158,623)	389,219
Total liabilities from financing activities	$2,018,526	$61,250	($562,276)	($501,026)	$223,201	$1,740,701

"Others" includes the effect of reclassification of the non-current portion to current due to the passage of time, new leases, the amortization of direct costs capitalized and the impact of the lease amendments and termination. The Group classifies interest paid as cash flows from operating activities.

23. Commitments

Aircraft Purchase Agreements

Airbus aircraft

In January 2015, by virtue of an amendment to the Purchase Agreement executed in August 2012, the Group purchased two additional Airbus A321-231 NEO aircraft and revised the delivery of its firm orders of 10 Airbus A321-231 CEO aircraft from the original schedule of delivery in years 2015 to 2016 to years 2021 to 2025 and converted the same into Airbus A321-231 NEO aircraft.

In July 2021, the Group and Airbus amended the Purchase Agreement that covers amendment to certain terms and conditions including the rescheduled delivery of NEO Aircraft within 2026 to 2029. As of December 31, 2023, the remaining aircraft that are for delivery in the future include 13 Airbus A321-271 NEO.

In June 2023, the Group and Airbus entered into a new Purchased Agreement to purchase nine Airbus A350-1000 to be delivered from 2025 to 2027. In addition, Airbus granted the Group the right to purchase up to three additional Airbus A350-1000 aircraft.

In December 2023, the Group and Airbus amended the Airbus A350-1000 Purchase agreement to revise the delivery date of the fourth Airbus A350-1000 aircraft from second half of the 2026 to second quarter of the same year.

In 2024 and 2023, the Parent Company paid the predelivery payments related to the acquisition of Airbus A350-1000 aircraft amounting to $147.31 million and $78.86 million, respectively.

Total predelivery payments relating to the acquisition of the remaining undelivered Airbus A321-231 NEO aircraft and Airbus A350-1000 under the Purchase Agreements amounted to $285.96 million and $138.65 million as of December 31, 2024 and 2023, respectively (see Note 10).

Agreement with Rolls-Royce plc.

In September 2021, the Parent Company and Rolls-Royce plc. (Rolls-Royce), in accordance with the terms of the RSAs, amended the agreement for the maintenance services of aircraft engines. The amendments include the waiver of minimum utilization for the period commencing on September 1, 2020 up to February 28, 2022 and other applicable commercial terms.

In June 2023, in support of the Parent Company's acquisition of nine Airbus A350-1000 aircraft and three Airbus A350-1000 aircraft purchase rights, the Parent Company and Rolls-Royce entered into Engine Support and TotalCare Agreement relating to Trent XWB-97 engines. The three spare engines under the Agreement will be delivered from 2025 to 2027. In 2024 and 2023, the Parent Company paid deposits related to these spare engines amounting to $13.15 million and $13.28 million, respectively.

The TotalCare will commence from the date of delivery to PAL of the first Aircraft, with each Engine remaining within the TotalCare for a minimum of 12 years ("Minimum Term"), and then continuing until the Parent Company sells, retires or otherwise disposes of all of the Aircraft, which the Parent Company may do at any time after the Minimum Term for an Engine, subject to an agreed notice period.



Aircraft and Engine Leases - Group as Lessee

The future minimum lease payments related to the lease agreements of aircraft and engines as of December 31 are presented in Note 14.

Airbus aircraft

Details of Airbus aircraft under lease arrangements as of December 31, 2024 and 2023 are disclosed in Note 10. The carrying value of these Airbus aircraft under lease arrangements amounted to $1.12 billion and $1.22 billion as of December 31, 2024 and 2023, respectively (see Note 10).

Boeing aircraft

Details of Boeing aircraft under lease arrangements as of December 31, 2024 and 2023 are disclosed in Note 10. The total carrying value of these aircraft under lease arrangements amounted to $320.90 million and $291.91 million as of December 31, 2024 and 2023, respectively (see Note 10).

Bombardier aircraft

Details of Bombardier aircraft under lease arrangements as of December 31, 2024 and 2023 are disclosed in Note 10. The total carrying value of these aircrafts under lease arrangements amounted to $68.40 million and $76.09 million as of December 31, 2024 and 2023, respectively (see Notes 10).

Aircraft engines

As of December 31, 2024 and 2023, the Group has various engines under lease arrangements. The carrying value of these engines amounted to $26.53 million and $30.48 million as of December 31, 2024 and 2023, respectively (see Note 10).

Short-term aircraft and engine leases

As of December 31, 2024 and 2023, the Group has short-term lease agreements on various aircraft and engines ranging from three to 12 months.

Manufacturer's credit

The Group recognized manufacturer's credit amounting to $2.13 million in 2024 and $1.23 million in 2023 under "Other income (charges) - net" in the consolidated statements of comprehensive income.

Ground Property Leases

Minimum rental commitments under these lease contracts as of December 31 are presented in Note 14. In 2013, the Parent Company entered into a lease agreement with Manila International Airport Authority (MIAA) covering a parcel of land situated at Aviation Support Industrial Area 2 (formerly Nayong Pilipino) to be utilized as an aircraft parking facility. This lease agreement is for a period of 25 years commencing on December 23, 2013. The lease agreement was subsequently assigned by the MIAA to New NAIA Infra Corp. (NNIC), the new concessionaire of Ninoy Aquino International Airport (NAIA) effective September 14, 2024. In the meantime, the Parent Company continued to lease and use the property, which is effective until 2038.

In 2014, the Parent Company required additional space and entered into a lease agreement with PAGCOR covering an adjoining parcel of land intended to be used for aircraft parking as well. This lease was valid until the effectivity of the legislative franchise of PAGCOR. In 2024, the parties mutually agreed to terminate the lease agreement effective on July 3, 2024.

The carrying value of these ground property under lease amounted to $11.42 million and $26.54 million as of December 31, 2024 and 2023, respectively (see Note 10).

As of December 31, 2024 and 2023, the Group has short-term lease agreements on various ground properties ranging from three to 12 months.



Leases - Group as Lessor

The Group has existing aircraft finance and operating sublease agreements with a related party (see Note 18). Set out below is the roll forward analysis of finance lease receivables.

	2024	2023
Beginning balances	**$59,676**	$41,381
Adjustments related to lease modification and reassessment	**10,611**	32,298
Additions	**–**	4,502
Accretion for the year	**5,146**	3,573
Billings	**(22,609)**	(22,078)
Ending balances	**$52,824**	$59,676

The future minimum lease receivables from these agreements as of December 31 are as follows:

	2024	2023
Due within one year	**$21,645**	$18,830
Due after one year but within five years	**36,778**	43,828
More than five years	**4,373**	–
	$62,796	$62,658

Set out below are the amounts recognized in the consolidated statements of comprehensive income in relation to the Group's lease arrangements:

	2024	2023
Other revenue:		
Lease income	**$30,509**	$29,735
Interest income	**5,146**	3,573
	35,655	33,308
Expenses:		
Depreciation expense of right-of-use assets	**(339,796)**	(311,209)
Interest expense on lease liabilities	**(85,495)**	(95,911)
Lease charges - short-term leases	**(76,530)**	(26,824)
Lease charges - variable lease payments*	**(7,319)**	(8,279)
	(509,140)	(442,223)
Total amounts recognized in profit or loss	**($473,485)**	($408,915)

**Presented as part of "Ground handling charges" account.*

From June 2024 to December 2024, the Group entered into a lease agreement with foreign carrier for two Airbus A330 aircraft. The related lease charges are recorded as part of short-term leases.

24. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

For the purpose of capital management, the Company considers its issued capital stock and capital in excess of par as of December 31, 2024 and 2023 totaling to $564.44 million as its capital. The Group manages its capital structure and makes adjustment to it, in light of changes in economic conditions. To maintain or adjust capital structure, the Group may issue new shares or return capital to shareholders. The Group manages its capital by monitoring its cash flows and debt levels. No changes were made in the objectives, policies or processes in 2024 and 2023.

25. Financial Risk Management Objectives and Policies

Risk Management Structure

BOD
The BOD is mainly responsible for the overall risk management approach and for the approval of risk strategies and policies of the Group.

Treasury Department
The Treasury Department has the overall responsibility for the development of financial risk strategies, principles, frameworks, policies and limits. It establishes a forum of discussion of the Group's approach to financial risk issues (fuel price and foreign exchange risk, in particular) in order to make relevant decisions.

In addition, the Department is responsible for the comprehensive monitoring, evaluation and analysis of the Group's financial risks in line with the policies and limits set by the Department.

Financial Risk Management

The Group's principal financial instruments consist of loans and borrowings and cash and cash equivalents. The main purpose of these financial instruments is to raise financing for the Group's operations. The Group has various other financial assets and financial liabilities such as receivables, short-term investments, accounts payable, accrued expenses and deposits which arise directly from its operations. The main risks arising from the use of financial instruments are market risks (consisting of foreign exchange risk, cash flow interest rate risk and fuel price risk), liquidity risk, counterparty risk and credit risk.

Market risks
The Group's operating, investing and financing activities are directly affected by changes in foreign exchange rates, interest rates and fuel prices. Increasing market fluctuations in these variables may result in significant equity, cash flow and profit volatility risks for the Group. For this reason, the Group seeks to manage and control these risks primarily through its regular operating and financing activities. Management of financial market risk is a key priority for the Group. The Group generally applies sensitivity analysis in assessing and monitoring its market risks. Sensitivity analysis enables management to identify the risk position of the Group as well as provide an approximate quantification of the risk exposures. Estimates provided for foreign exchange risk, cash flow interest rate risk and fuel price risk are based on the historical volatility for each market factor, with adjustments being made to arrive at what the Group considers to be reasonably possible.

Foreign exchange risk
The Group is exposed to foreign exchange rate fluctuations arising from its revenue, expenses and borrowings in currencies other than its functional currency. The Group manages this exposure by matching its receipts and payments for each individual currency. Any surplus is sold as soon as practicable.



The Group's significant foreign currency-denominated monetary assets and liabilities (in USD equivalent) as of December 31 are as follows:

	2024	2023
Financial Assets and Financial Liabilities		
Financial assets:		
Cash	**$93,682**	$98,521
Receivables	**287,288**	386,936
Others*	**75,392**	225,435
	456,362	710,892
Financial liabilities:		
Accounts payable	**(25,430)**	(31,636)
Accrued expenses	**(41,668)**	(77,062)
Others**	**(8,574)**	(28,445)
	(75,672)	(137,143)
Net foreign currency-denominated financial assets	**380,690**	573,749
Nonfinancial Liabilities		
Accrued employee benefits	**(262,342)**	(261,162)
Provisions	**(27,949)**	(971)
	(290,291)	(262,133)
Net Foreign Currency-denominated Monetary Assets (Liabilities)	**$90,399**	$311,616

**Includes miscellaneous deposits and security deposits.*
***Substantially pertaining to passenger taxes.*

The Group recognized net foreign exchange gain (loss) amounting to ($30.65) million in 2024 and $4.49 million in 2023 included under "Other income - net" in the consolidated statements of comprehensive income arising from the translation and settlement of these foreign currency-denominated financial and nonfinancial instruments. The Group's foreign currency-denominated exposures comprise primarily of Philippine peso (PHP) and Japanese Yen (JPY). Other foreign currency exposures include Canadian dollar (CAD), Euro (EUR), Australian dollar (AUD), Singaporean dollar (SGD), Chinese Yuan (CNY), Thai Baht (THB), Hong Kong dollar (HKD), Saudi riyal (SAR) and Emirati dirham (AED).

Shown below is the impact on the Group's income before income tax of reasonably possible changes in the exchange rates of foreign currencies (CCY) against the USD, with all other variables held constant.

	December 31, 2024		
		Net Gain (Loss) Effect on Income before Income Tax	
Currency	**Movement in CCY/USD**	**Increase in CCY/USD**	**Decrease in CCY/USD**
PHP	**6.34%**	**$4,797**	**($4,797)**
JPY	**9.55%**	**(3,672)**	**3,672**
Others*	**0.57% to 10.18%**	**(11,644)**	**11,644**
Net		**($10,519)**	**$10,519**

	December 31, 2023		
		Net Gain (Loss) Effect on Income before Income Tax	
Currency	Movement in CCY/USD	Increase in CCY/USD	Decrease in CCY/USD
PHP	6.63%	$4,554	($4,554)
JPY	9.86%	(6,350)	6,350
Others*	0.01% to 10.78%	(15,529)	15,529
Net		($17,325)	$17,325

**Includes various currencies (i.e., CAD, EUR, AUD, SGD, CNY, THB, HKD, SAR, AED and others).*

Cash flow interest rate risk
The Group's exposure to cash flow interest rate risk arises from the regular repricing of interest on its floating-rate loans. The Group's policy on interest rate risk is designed to limit the Group's exposure to fluctuating interest rates. The ratio of floating-rate long-term loans to the total borrowings is 0.75:1 and 0.69:1 as of December 31, 2024 and 2023, respectively.

Income before income tax in 2024 and 2023 would either decrease by $7.76 million and $6.86 million or increase by $7.76 million and $6.86 million, respectively, if the USD interest rate for the periods had been higher or lower by 106 basis points and 78 basis points, respectively. There is no other impact on the Group's equity other than those already affecting profit or loss. The Group assumes concurrent movements in interest rates and parallel shifts in the yield curves.

Fuel price risk
The Group is exposed to price risk on jet fuel purchases. This risk is managed by a combination of strategies with the objective of managing price levels within an acceptable band through various types of derivatives. The Group implements such strategies to manage and minimize the risks within acceptable risk parameters. As of December 31, 2024 and 2023, the Group had no outstanding fuel derivatives.

Liquidity risk
Liquidity risk arises from the possibility that the Group may encounter difficulties in raising funds to meet commitments from financial instruments (e.g., long-term obligations) or that a market for derivatives may not exist in some circumstances.

The Group's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The tables below summarize the maturity analysis of the Group's financial liabilities as of December 31 based on contractual undiscounted payments (principal and interest):

	2024						
	≤1 Year	**>1≤2 Years**	**>2≤3 Years**	**>3≤4 Years**	**>4≤5 Years**	**>5 Years**	**Total**
Accounts payable and accrued expenses*	**$549,660**	**$–**	**$–**	**$–**	**$–**	**$–**	**$549,660**
Lease liabilities**	**311,691**	**251,106**	**191,749**	**147,409**	**101,720**	**164,774**	**1,168,449**
Long-term debt***	**184,829**	**130,853**	**100,973**	**38,999**	**–**	**–**	**455,654**
	496,520	**381,959**	**292,722**	**186,408**	**101,720**	**164,774**	**1,624,103**
	$1,046,180	**$381,959**	**$292,722**	**$186,408**	**$101,720**	**$164,774**	**$2,173,763**

**Excludes nonfinancial liabilities amounting to $29.91 million.*
***Includes interest amounting to $191.24 million.*
****Includes interest amounting to $46.05 million.*

	2023						
	≤1 Year	>1≤2 Years	>2≤3 Years	>3≤4 Years	>4≤5 Years	>5 Years	Total
Accounts payable and accrued expenses*	$639,915	$–	$–	$–	$–	$–	$639,915
Lease liabilities**	389,896	299,820	230,908	161,697	124,443	222,823	1,429,587
Long-term debt***	200,034	191,329	139,113	89,198	10,116	–	629,790
	589,930	491,149	370,021	250,895	134,559	222,823	2,059,377
	$1,229,845	$491,149	$370,021	$250,895	$134,559	$222,823	$2,699,292

**Excludes nonfinancial liabilities amounting to $82.78 million.*
***Includes interest amounting to $237.49 million.*
****Includes interest amounting to $81.18 million.*

The Group's total financial liabilities to be settled currently amounting to $1.05 billion and $1.23 billion as of December 31, 2024 and 2023, include liabilities aggregating to $549.66 million and $639.92 million, respectively, that management considers as working capital. For the other liabilities totaling to $496.52 million and $589.93 million as of December 31, 2024 and 2023, respectively, management expects to settle these from the Group's cash to be generated from operations.

The following are the Group's financial assets as of December 31 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	2024						
	≤1 Year	**>1≤2 Years**	**>2≤3 Years**	**>3≤4 Years**	**>4≤5 Years**	**>5 Years**	**Total**
Cash	**$218,050**	**$–**	**$–**	**$–**	**$–**	**$–**	**$218,050**
Loans and receivables:							
Cash equivalents	**168,955**	**–**	**–**	**–**	**–**	**–**	**168,955**
Receivables - net*	**423,502**	**–**	**–**	**–**	**–**	**–**	**423,502**
Finance lease receivables**	**21,645**	**16,083**	**8,034**	**6,232**	**6,429**	**4,373**	**62,796**
	$832,152	**$16,083**	**$8,034**	**$6,232**	**$6,429**	**$4,373**	**$873,303**

**Excludes receivables arising from statutory requirements, net of allowance, amounting to $0.88 million.*
***Includes interest amounting to $9.97 million.*

	2023						
	≤1 Year	>1≤2 Years	>2≤3 Years	>3≤4 Years	>4≤5 Years	>5 Years	Total
Cash	$152,657	$–	$–	$–	$–	$–	$152,657
Loans and receivables:							
Cash equivalents	271,197	–	–	–	–	–	271,197
Short term investments	309,447	–	–	–	–	–	309,447
Receivables - net*	542,461	–	–	–	–	–	542,461
Finance lease receivables**	18,830	16,242	11,755	15,831	–	–	62,658
	$1,294,592	$16,242	$11,755	$15,831	$–	$–	$1,338,420

**Excludes receivables arising from statutory requirements, net of allowance, amounting to $1.72 million.*
***Includes interest amounting to $2.98 million.*

Counterparty risk

The Group's counterparty risk encompasses issuer risk on investment securities, credit risk on cash in banks, time deposits and security deposits and settlement risk on derivatives. The Group manages its counterparty risk by transacting with counterparties of good financial condition and selecting investment grade securities. Settlement risk on derivatives is managed by limiting aggregate exposure on all outstanding derivatives to any individual counterparty, taking into account its credit rating. The Group also enters into master netting arrangements and implements counterparty and transaction limits to avoid concentration of counterparty risk.

The tables below show the maximum counterparty exposure as of December 31 after taking into account information about rights of offset and related arrangements for financial instruments subject to master netting agreements:

	2024					
	Gross maximum exposure	**Gross amounts offset in accordance with the offsetting criteria**	**Net amount presented in statements of financial position**	**Master netting agreement**	**Fair value of financial collateral**	**Net exposure**
Financial Assets						
Cash in banks and cash equivalents	**$383,144**	**$–**	**$383,144**	**$–**	**$–**	**$383,144**
Receivables - net	**423,502**	**–**	**423,502**	**–**	**40,821**	**382,681**
Finance lease receivables	**52,824**	**–**	**52,824**	**–**	**–**	**52,824**
Margin deposits, lease deposits and others	**166,866**	**–**	**166,866**	**–**	**–**	**166,866**
	$1,026,336	**$–**	**$1,026,336**	**$–**	**$40,821**	**$985,515**

	2023					
	Gross maximum exposure	Gross amounts offset in accordance with the offsetting criteria	Net amount presented in statements of financial position	Master netting agreement	Fair value of financial collateral	Net exposure
Financial Assets						
Cash in banks and cash equivalents	$418,599	$−	$418,599	$−	$−	$418,599
Short term investments	309,447	−	309,447	−	−	309,447
Receivables - net	542,461	−	542,461	−	38,355	504,106
Finance lease receivables	59,676	−	59,676	−	−	59,676
Margin deposits, lease deposits and others	117,297	−	117,297	−	−	117,297
	$1,447,480	$−	$1,447,480	$−	$38,355	$1,409,125

Credit risk

The Group's exposure to credit risk arises from the possibility that agents, financial institutions and other counterparties may fail to fulfill their agreed obligations and that the collaterals held may not be sufficient to cover the Group's claims. To manage such risk, the Group, through its Credit Monitoring and Control Division, employs a credit evaluation process prior to the accreditation or re-accreditation of its travel and cargo agents. The Group considers, among other factors, the size, paying habits and the financial condition of the agents. To further mitigate the risk, the Group requires from its agents financial guarantees in the form of cash bonds, letters of credit and assignment of time deposits. The carrying value of these collaterals held as of December 31, 2024 and 2023 amounted to $40.82 million and $38.36 million, respectively.

The Group, to the best of its knowledge, has no significant concentration of credit risk with any counterparty.

Credit quality per class of financial assets

The credit quality of receivables is managed by the Group using internal credit quality ratings. The aging per class of receivable and the expected credit loss as of December 31 follow:

	2024						
	Current	**0-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**	**ECL**	**Total**
General traffic	**$51,079**	**$14,308**	**$18,442**	**$13,464**	**$59,023**	**($56,809)**	**$99,507**
Related parties	**–**	**–**	**–**	**30,910**	**216,578**	**(6,646)**	**240,842**
Non-trade	**6,152**	**1,075**	**452**	**8,597**	**116,967**	**(49,208)**	**84,035**
Finance lease receivables	**52,824**	**–**	**–**	**–**	**–**	**–**	**52,824**
Total	**$110,055**	**$15,383**	**$18,894**	**$52,971**	**$392,568**	**(112,663)**	**$477,208**

	2023						
	Current	0-60 days	61-90 days	91-180 days	Over 180 days	ECL	Total
General traffic	$118,985	$29,544	$8,381	$12,076	$109,664	($54,004)	$224,646
Related parties	–	–	1,075	869	247,198	(6,043)	243,099
Non-trade	7,186	13,364	3,718	33,512	97,216	(78,561)	76,435
Finance lease receivables	59,676	–	–	–	–	–	59,676
Total	$185,847	$42,908	$13,174	$46,457	$454,078	(138,608)	$603,856

26. Fair Value Measurements

Fair Values of Financial Instruments

The table below presents the Group's financial instruments as of December 31 measured at fair value and financial instruments for which fair values are disclosed.

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets at amortized cost- margin deposits, lease deposits, finance lease receivables and others	**$219,690**	**$219,690**	$176,973	$176,973
Financial assets at FVTOCI	**2,222**	**2,222**	2,260	2,260
Financial Liabilities				
Financial liabilities carried at amortized cost:				
Lease liabilities	**977,214**	**1,097,696**	1,192,094	1,339,639
Long-term debt	**409,603**	**425,667**	548,607	573,261

The carrying amounts of cash and cash equivalents, short-term investments, receivables, accounts payable and accrued expenses approximate their fair value due to the short-term nature of these accounts.

The following methods and assumptions are used to estimate the fair value of each class of financial instruments that is different from their carrying amount:

Financial assets at FVTOCI

The fair values of quoted equity investments are based on market prices in active markets.

As of December 31, 2024 and 2023, the fair value of unquoted equity investments is based on Level 3. Significant inputs in determining the fair value are the market prices of the shares of comparable companies.

Margin deposits, lease deposits and others

As of December 31, 2024 and 2023, the margin deposits, lease deposits and others are classified as current as such their carrying amounts approximate their fair values.

Long-term obligations

The fair value of long-term obligations (whether fixed or floating) is generally based on the present value of expected cash flows with discount rates that are based on risk-adjusted benchmark rates (in the case of floating rate liabilities with quarterly repricing, the carrying value approximates the fair value in view of the recent and regular repricing based on current market rates). The discount rates used for USD-denominated loans ranged from 2.65% to 5.65% and 2.65% to 6.82% as of December 31, 2024 and 2023, respectively.



Fair value of investment properties
The fair value of investment properties with carrying value of $4.75 million and $4.76 million as of December 31, 2024 and 2023 has been determined based on valuation reports by various qualified, independent and Philippine SEC-accredited appraisers dated December 2024 and 2022. The valuation undertaken considered the fair market value of similar or substitute properties and related market data and established estimated value by processes involving comparison (Level 3).

The valuation techniques used and key inputs to valuation on investment properties are as follows:

	Valuation technique	Significant unobservable input
Land	Sales comparison approach and income approach	Adjusted sales price of comparable properties, rental rates
Buildings and improvements	Sales comparison approach	Adjusted sales price of comparable properties

Significant increases (decreases) in estimated inputs above would result in a significantly higher (lower) fair value of the properties.

These properties were held by the Group for capital appreciation, which also represents their current use. The appraisers determined that the highest and best use of these properties is for residential, agricultural and commercial utility. For strategic reasons, the properties are not currently used in this manner.

The Group has no restrictions on the realizability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Fair Value Hierarchy

As of December 31, 2024

		Fair value measurement using		
	Total	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI (Note 12):				
Quoted equity shares	**$191**	**$191**	**$–**	**$–**
Unquoted equity shares	**2,031**	**–**	**–**	**2,031**
Property and equipment (Note 10)	**17,968**	**–**	**–**	**17,968**
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits, finance lease receivables and others (Note 12)	**219,690**	**–**	**219,690**	**–**
Lease liabilities (Note 14)	**1,097,696**	**–**	**1,097,696**	**–**
Long-term debt (Note 14)	**425,667**	**–**	**425,667**	**–**
Investment properties (Note 11)	**12,758**	**–**	**–**	**12,758**

As of December 31, 2023

	Total	Fair value measurement using: Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets and liabilities measured at fair value:				
Financial assets at FVTOCI (Note 12):				
Quoted equity shares	$229	$229	$–	$–
Unquoted equity shares	2,031	–	–	2,031
Property and equipment (Note 10)	18,750	–	–	18,750
Assets and liabilities for which fair values are disclosed:				
Margin deposits, lease deposits, finance lease receivables and others (Note 12)	176,973	–	176,973	–
Lease liabilities (Note 14)	1,339,639	–	1,339,639	–
Long-term debt (Note 14)	573,261	–	573,261	–
Investment properties (Note 11)	9,345	–	–	9,345

There were no transfers between hierarchy levels in 2024 and 2023.

SGV
Building a better working world

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Philippine Airlines, Inc.
Lucio K. Tan, Jr. Center, PAL
Gate 5, Andrews Avenue,
Barangay 184, Pasay City

We have audited the consolidated financial statements of Philippine Airlines, Inc. (a subsidiary of PAL Holdings, Inc.) and its subsidiaries (the Group) as at December 31, 2024 and 2023 and for the years then ended, on which we have rendered the attached report dated February 24, 2025.

In compliance with Securities Regulation Code Rule 68, As Amended (2011), we are stating that the above Company has 18 stockholders owning 100 or more shares each.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, April 16,2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10465275, January 2, 2025, Makati City

February 24, 2025

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REPORT ON REVIEW OF INTERIM CONDENSED FINANCIAL STATEMENTS

The Stockholders and the Board of Directors
Air Philippines Corporation
R-1 Hangar, APC Gate 1, Andrews Avenue, Nichols, Pasay City

Introduction
We have reviewed the accompanying interim condensed financial statements of Air Philippines Corporation (the Company), a subsidiary of Zuma Holdings and Management Corporation, which comprise the interim condensed statements of financial position as at March 31, 2026 and December 31, 2025 and the related interim condensed statements of comprehensive income, statements of changes in equity and statements of cash flows for the three-month periods ended March 31, 2026 and 2025 and explanatory notes to interim condensed financial statements. Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review
We conducted our review in accordance with Philippine Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Philippine Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the accompanying unaudited interim condensed financial statements are not prepared, in all material respects, in accordance with PAS 34.

SYCIP GORRES VELAYO & CO.

Shane Dave D. Tanguin
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Valid to cover audit of 2026 to 2030 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2026 to 2030 financial statements
BIR Accreditation No. 08-001998-157-2024, October 2, 2024, valid until October 1, 2027
PTR No. 10765136, January 2, 2026, Makati City

June 24, 2026

A member firm of Ernst & Young Global Limited

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

INTERIM CONDENSED STATEMENTS OF FINANCIAL POSITION
March 31, 2026
(With Comparative Audited Figures as at December 31, 2025)
(Amounts in Thousands)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 3)	**₱462,528**	₱561,230
Short-term investments	**123,015**	64,669
Receivables (Note 4)	**1,368,228**	974,999
Expendable parts, fuel, materials, and supplies (Note 5)	**1,639,676**	1,406,640
Other current assets (Note 6)	**834,960**	778,608
Total Current Assets	**4,428,407**	3,786,146
Noncurrent Assets		
Property and equipment (Note 7)	**7,949,091**	6,717,707
Other noncurrent assets (Note 9)	**1,071,602**	1,081,891
Total Noncurrent Assets	**9,020,693**	7,799,598
TOTAL ASSETS	**₱13,449,100**	₱11,585,744
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 10)	**₱2,002,215**	₱1,628,846
Current portion of lease liabilities (Note 11)	**2,050,461**	1,888,802
Total Current Liabilities	**4,052,676**	3,517,648
Noncurrent Liabilities		
Lease liabilities - net of current portion (Note 11)	**5,965,192**	4,642,425
Accrued employee benefits	**1,439,746**	1,391,386
Total Noncurrent Liabilities	**7,404,938**	6,033,811
Total Liabilities	**11,457,614**	9,551,459
Equity		
Capital stock (Note 12)	**71,818**	71,818
Additional paid-in capital (Note 12)	**1,121,737**	1,121,737
Accumulated remeasurement gains on defined benefit obligation	**304,972**	304,972
Retained earnings	**492,959**	535,758
Total Equity	**1,991,486**	2,034,285
TOTAL LIABILITIES AND EQUITY	**₱13,449,100**	₱11,585,744

See accompanying Notes to Interim Condensed Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

INTERIM CONDENSED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31
(Amounts in Thousands)

	2026 (Unaudited)	2025 (Unaudited)
REVENUE		
Transportation revenue	**₱3,099,870**	₱2,618,559
Others	**2,900**	1,950
	3,102,770	2,620,509
EXPENSES		
Flying operations (Note 13)	**1,244,350**	1,030,119
Maintenance	**516,833**	504,938
Aircraft and traffic servicing (Note 13)	**487,928**	303,325
Passenger service	**174,229**	184,249
General and administrative (Note 13)	**187,679**	191,316
	2,611,019	2,213,947
OTHER INCOME (CHARGES)		
Financing income	**481**	5,638
Financing charges	**(150,126)**	(142,749)
Share in net income of a Subsidiary (Note 8)	**–**	874
Other income (charges) - net (Note 13)	**(301,291)**	39,382
	(450,936)	(96,855)
INCOME BEFORE INCOME TAX	**40,815**	309,707
PROVISION FOR INCOME TAX	**83,614**	55,689
NET INCOME (LOSS)	**(42,799)**	254,018
OTHER COMPREHENSIVE INCOME	**–**	–
TOTAL COMPREHENSIVE INCOME (LOSS)	**(₱42,799)**	₱254,018

See accompanying Notes to Interim Condensed Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

INTERIM CONDENSED STATEMENTS OF CHANGES IN EQUITY
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2026 AND 2025
(Amounts in Thousands)

	Capital Stock	Additional Paid-In Capital	Accumulated Remeasurements on Defined Benefit Obligation	Retained Earnings (Deficit)	Total
BALANCES AT DECEMBER 31, 2024	₱71,818	₱1,121,737	(₱111,685)	(₱183,838)	₱898,032
Net income for the period	–	–	–	254,018	254,018
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the period	–	–	–	254,018	254,018
BALANCES AT MARCH 31, 2025	₱71,818	₱1,121,737	(₱111,685)	₱70,180	₱1,152,050
BALANCES AT DECEMBER 31, 2025	**₱71,818**	**₱1,121,737**	**₱304,972**	**₱535,758**	**₱2,034,285**
Net loss for the period	–	–	–	(42,799)	(42,799)
Other comprehensive income	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	(42,799)	(42,799)
BALANCES AT MARCH 31, 2026	**₱71,818**	**₱1,121,737**	**₱304,972**	**₱492,959**	**₱1,991,486**

See accompanying Notes to Interim Condensed Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

INTERIM CONDENSED STATEMENTS OF CASH FLOWS
FOR THE THREE-MONTH PERIODS ENDED MARCH 31
(Amounts in Thousands)

	2026 (Unaudited)	2025 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱40,815**	₱309,707
Adjustments for:		
Depreciation and amortization (Note 7)	**593,250**	408,720
Loss on disposal of property and equipment	**34,677**	–
Equity in net income of a subsidiary	–	(874)
Financing charges	**150,126**	142,749
Interest income	**(481)**	(5,638)
Unrealized foreign exchange loss (gain)-net	**294,541**	(86,736)
Movement in accrued employee benefits payable	**48,360**	76,211
Operating income before changes in working capital	**1,161,288**	844,139
Increase in:		
Receivables	**(345,318)**	(632,649)
Expendable parts, fuel, materials and supplies	**(233,215)**	(72,852)
Other assets	**(45,524)**	(31,968)
Increase in accounts payable and accrued expenses	**274,328**	668,249
Net cash generated from operations	**811,559**	774,919
Interest income received	**443**	4,484
Income taxes paid, including creditable withholding and final taxes	**(58,971)**	(49,646)
Net cash flows from operating activities	**753,031**	729,757
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to:		
Property and equipment	**(92,493)**	(108,766)
Short-term investments	**(53,552)**	–
Net cash flows used in investing activities	**(146,045)**	(108,766)
CASH FLOWS FROM A FINANCING ACTIVITY		
Payment of long-term obligations (Note 14)	**(695,229)**	(594,909)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(10,459)**	(2,183)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(98,702)**	23,899
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**561,230**	822,596
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**₱462,528**	₱846,495

See accompanying Notes to Interim Condensed Financial Statements.

1. Corporate Information

Air Philippines Corporation (APC or the Company) was incorporated in the Philippines. The Company's Articles of Incorporation was presented for filing with the Philippine Securities and Exchange Commission (SEC) on February 8, 1995 and approved by the SEC on February 13, 1995. It is primarily engaged in the business of air transportation for the carriage of passengers and cargo within and outside the Philippines. APC is doing business under the name and style of AirPhil Express, PAL Express, and Philippine Airlines.

The Company is 99.97%-owned by Zuma Holdings and Management Corporation (Zuma) as at March 31, 2026 and December 31, 2025. The Company's ultimate parent company is Buona Sorte Holdings, Inc. (BSHI). Zuma and BSHI are both incorporated and domiciled in the Philippines. PAL Holdings, Inc. (PHI) is the parent company of Zuma, which is incorporated in the Philippines and listed in the Philippine Stock Exchange.

Effective March 2014, the Company entered into a Code Share Agreement with Philippine Airlines, Inc. (PAL), an entity under common control, to optimize their combined route network and enhance the operational efficiency and maximizing revenue opportunities by having a unified marketing and booking front under the Philippine Airlines brand. Under the Code Share Agreement, PAL markets and sells the passenger tickets, while the Company provides transportation service to PAL by operating the flights based on agreed rates.

The registered office address of the Company is R-1 Hangar, APC Gate 1, Andrews Avenue, Nichols, Pasay City.

2. Basis of Preparation and Changes in Accounting Policies

Basis of Preparation

The interim condensed financial statements as at and for the three months ended March 31, 2026 have been prepared in accordance with PAS 34, *Interim Financial Reporting*. The Company has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgment that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, not less than 12 months from the end of the reporting period.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as of December 31, 2025.

The interim condensed financial statements have been prepared for inclusion in the Offering Memorandum/Circular in connection with the planned capital raising activity.

The Company elected not to prepare consolidated financial statements under the exception provided by PFRS 10, *Consolidated Financial Statements*. PHI prepares consolidated financial statements, which are in compliance with PFRS Accounting Standards. These are filed with and may be obtained from the Philippine SEC or PHI's office address at Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Avenue, Barangay 184, Pasay City.

Changes in Accounting Policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2025. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Four amendments apply for the first time in 2026 but do not have significant impact on the interim condensed financial statements of the Company.

- Amendment to Illustrative Example on PFRS 7, *Financial Instruments: Disclosure,* PFRS 18, *Presentation and Disclosure in Financial Statements,* PAS 1, *Presentation of Financial Statements,* PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* PAS 36, *Impairment of Assets,* and PAS 37, *Provisions, Contingent Liabilities and Contingent Assets, Disclosures about Uncertainties in the Financial Statements*

  The amendments add illustrative examples to several PFRS Accounting Standards intended to improve the reporting of climate-related and other uncertainties in the financial statements, particularly to address stakeholders' concerns about consistency of information within the general-purpose financial reports and sufficient information on climate-related risks and other uncertainties in the financial statements.

  The example address topics such as materiality judgments, significant judgments and estimates, and aggregation and disaggregation.

  The amendments have no significant impact to the Company's interim condensed financial statement.

- Philippine Interpretation Committee (PIC) Q&A No. 2025-03 Accounting for cash received/paid via electronic transfer as settlement for a financial asset/liability, Amendments to PFRS 9, *Financial Instruments,* and PFRS 7, *Classification and Measurement of Financial Instruments*

  The amendments clarify that financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The Company adopted the interpretation and amendments using a modified retrospective approach. However, there is no impact on the beginning retained earnings as of January 1, 2026 as the adoption of the standards does not have an impact on profit or loss in prior years. There is also no significant impact on the Company's financial position, performance and cash flows for 2026.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

- Annual Improvements to PFRS Accounting Standards-Volume 11

  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved.

  - Amendments to PFRS 1, *First-Time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*

- Amendments to PFRS 9, *Lease Liabilities and Transaction Price*
- Amendments to PFRS 10, *Consolidated Financial Statements, Determination of a 'De Facto Agent'*
- Amendments to PAS 7, *Cost Method*

Effective January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include: (1) required totals, subtotals and new categories in the statement of profit or loss; (2) disclosure of management-defined performance measures; and (3) guidance on aggregation and disaggregation. The Company is currently assessing the impact of these amendments.

3. Cash and Cash Equivalents

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Cash on hand and in banks	**₱438,940**	₱537,714
Cash equivalents	**23,588**	23,516
	₱462,528	₱561,230

4. Receivables

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Receivable from related parties:		
Trade	**₱1,331,548**	₱844,101
Non-trade	**86,552**	196,275
Others*	**24,695**	9,190
	1,442,795	1,049,566
Less allowance for ECL	**74,567**	74,567
	₱1,368,228	₱974,999

**Other receivables include receivables from employees.*

5. Expendable Parts, Fuel, Materials and Supplies

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
At cost:		
Expendable parts	**₱1,323,428**	₱1,094,333
Materials and supplies	**35,982**	32,041
	1,359,410	1,126,374
At net realizable value - expendable parts	**280,266**	280,266
	₱1,639,676	₱1,406,640

6. Other Current Assets

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Prepayments	**₱383,429**	₱304,559
Aircraft security deposits	**67,126**	64,963
Creditable withholding taxes	**241,273**	241,273
Advance payments to suppliers	**143,132**	167,813
	₱834,960	₱778,608

Prepayments include prepaid insurance, subscriptions, rentals, taxes and other expenses.

7. Property and Equipment

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Cost:		
Flight equipment	**₱1,296,519**	₱1,287,323
Ground property and equipment	**1,057,439**	1,054,576
Leasehold improvement	**109,900**	109,900
Right-of-use assets:		
Passenger aircraft, engines and leasehold improvements (Note 14)	**11,631,241**	10,708,016
	14,095,099	13,159,815
Accumulated Depreciation:		
Flight equipment	**(674,572)**	(646,024)
Ground property and equipment	**(418,270)**	(387,948)
Leasehold improvement	**(89,693)**	(88,735)
Right-of-use assets:		
Passenger aircraft, engines and leasehold improvements	**(4,963,473)**	(5,319,401)
	(6,146,008)	(6,442,108)
Net book value	**₱7,949,091**	₱6,717,707

Depreciation and amortization expense is recorded in the following accounts:

	March 31, 2026 (Unaudited)	March 31, 2025 (Unaudited)
Flying operations (Note 13)	**₱562,029**	₱394,673
Maintenance	**12,406**	5,338
Aircraft and traffic servicing	**17,464**	7,994
Passenger services	**286**	211
General and administrative (Note 13)	**1,065**	504
	₱593,250	₱408,720

8. Investment in Subsidiary

The Company has a 55% ownership interest over GuidetothePhilippines, Inc., which was incorporated on December 19, 2018, intended to develop and operate an inbound business-to-consumer (B2C) online travel marketplace such as an online platform with directories and database and hotels. Details of the investment in a subsidiary are presented below:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Acquisition cost at beginning and end of year	**₱55,000**	₱55,000
Accumulated equity in net losses:		
Balance at beginning	**(55,000)**	(54,844)
Equity in net losses for the year	**–**	(156)
	(55,000)	(55,000)
Balance at end of year	**₱–**	₱–

The unrecognized share in the net losses of Guide amounted to ₱3.19 million and ₱2.85 million as of March 31, 2026 and December 31, 2025, respectively.

On February 3, 2026, Guide's BOD and stockholders approved the closure of Guide and termination of its corporate existence through shortening of its corporate term until March 31, 2026.

9. Other Noncurrent Assets

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Long-term security deposits	**₱164,951**	₱151,963
Noncurrent portion of CWT	**906,651**	929,928
	₱1,071,602	₱1,081,891

Deposits include rental and miscellaneous deposit to foreign airports.

10. Accounts Payable and Accrued Expenses

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Trade:		
Third parties	**₱654,664**	₱598,981
Related parties	**4,569**	4,569
Accrued expenses:		
Third parties:		
Landing and take-off fees and ground handling charges	**568,494**	402,281
Accrued salaries and wages	**335,974**	222,050

(Forward)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Maintenance	**₱318,784**	₱257,278
Passenger food and supplies	**7,877**	11,769
Others	**58,185**	78,250
Related parties	**53,668**	53,668
	₱2,002,215	₱1,628,846

Accrued expenses from related parties include ground handling charges, maintenance, insurance, and passenger food and supplies.

11. Long-term Obligations

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Lease liabilities (Note 14)	**₱8,015,653**	₱6,531,227
Less current portion	**2,050,461**	1,888,802
	₱5,965,192	₱4,642,425

12. Equity

Capital Stock

The Company's capital stock as at March 31, 2026 and December 31, 2025, with ₱1.00 par value per share consists of the following:

Number of shares:	
Authorized	80,000
Issued and outstanding	71,818
Amounts of issued and outstanding:	
Capital stock	₱71,818
Additional paid-in capital	1,121,737

13. General Expenses

The significant components of expenses by nature are as follows for the three months ended March 31:

Flying operations

	2026 (Unaudited)	2025 (Unaudited)
Depreciation and amortization	**₱562,029**	₱394,673
Personnel costs	**473,285**	399,264
Lease charges	**190,655**	172,343
Others	**18,381**	63,839
	₱1,244,350	₱1,030,119

Aircraft and traffic servicing

	2026 (Unaudited)	2025 (Unaudited)
Landing and take-off fees	**₱339,366**	₱163,030
Ground handling charges	**30,077**	26,847
Personnel costs	**61,480**	51,860
Others	**57,005**	61,588
	₱487,928	₱303,325

General and administrative

	2026 (Unaudited)	2025 (Unaudited)
Personnel costs	**₱46,143**	₱44,641
Lease charges	**73,677**	73,049
External services and taxes	**63,161**	66,036
Depreciation	**1,065**	504
Others	**3,633**	7,086
	₱187,679	₱191,316

Other income (charges) - net

	2026 (Unaudited)	2025 (Unaudited)
Foreign exchange gain (losses) - net	**(₱296,152)**	₱39,684
Others	**(5,139)**	(302)
	(₱301,291)	₱39,382

14. **Leases**

Aircraft leases

A320-200

In 2026, the Company leased one additional aircraft from PAL.

The following table shows the comparative fleet of the Company, all of which are leased from PAL, as at March 31, 2026 and December 31, 2025:

	2026	2025
Airbus A320-200	**18**	17
Airbus A321-231	**4**	4
Bombardier DHC 8-400 Next Generation (NG)	**11**	11
	33	32

**Excluding four Bombardier DHC 8-400 aircraft and four Bombardier DHC 8-300 aircraft which are non-operating.*

Aircraft lease with minimum lease commitments

The Company has minimum lease commitments covering 11 Bombardier DHC 8-400NG, four Airbus A321-231, and nine Airbus A320-200 aircraft as of March 31, 2026. Below is the future minimum lease payments related to these aircraft:

	March 31, 2026 (Unaudited)	December 31, 2025 (Unaudited)
Due within one year	**₱2,586,341**	₱2,362,126
Due after one year but within five years	**6,363,612**	5,059,549
More than five years	**521,469**	359,710
Minimum lease payments	**9,471,422**	7,781,385
Interest and others	**(1,455,769)**	(1,250,158)
	8,015,653	6,531,227
Current portion	**(2,050,461)**	(1,888,802)
Noncurrent portion	**₱5,965,192**	₱4,642,425

Aircraft lease covered by the power-by-the-hour (PBH) agreement

The Company entered into service agreements for nine Airbus A320-200 aircraft, under which charges are computed based on a power-by-the-hour (PBH) rate or a fixed monthly amount, whichever is lower. Amounts incurred under these agreements are recognized as variable lease charges.

Ground Property Leases

The Company has lease agreements with third parties for the lease of terminal space, check-in counter, hangar, and office space.

In 2022, the Company entered into an operating lease agreement with the Manila International Airport (MIAA) for leased premises situated at the North General Aviation Area (NGAA) and Domestic Passenger Terminal (DPT) for a lease term of three years. In 2024, the ground property lease agreements expired. The Company continues to occupy the NGAA and pays monthly lease payments of ₱710 per sqm., which is recorded as rental expense under "general and administrative expenses".

Lease Liabilities

Set out below, is the roll forward analysis of lease liabilities.

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Beginning balances	**₱6,531,227**	₱6,326,959
Additions	**849,812**	1,680,339
Adjustments related to effect of lease reassessment	**921,146**	254,555
Interest expense	**150,126**	535,222
Payments	**(695,229)**	(2,377,254)
Foreign currency adjustment	**258,571**	111,406
Ending balances	**₱8,015,653**	₱6,531,227

Set out below are the amounts recognized in the statements of comprehensive income in relation to the Company's lease arrangements for the three months ended March 31:

	2026 (Unaudited)	2025 (Unaudited)
Depreciation expense of right-of-use assets arising from aircraft under (Note 7):		
Back-to-back lease with PAL*	**₱336,603**	₱215,114
Operating lease with PAL	**162,972**	166,823
	499,575	381,937
Interest expense on lease liabilities	**150,126**	142,749
Lease charges - short-term leases	**75,611**	64,079
Lease charges - variable lease payments	**190,655**	172,343
Total amounts recognized in profit or loss	**₱915,967**	₱761,108

**Sublease arrangement with the same lease term based on the lease agreement with the head lessor of PAL which is composed of six DHC 8-400 Next Generation (NG) and nine Airbus A320-200 as of March 31, 2026 and six DHC 8-400 Next Generation (NG) and eight Airbus A320-200 as of March 31, 2025.*

15. Financial Risk Management Objectives and Policies

Financial Risk Management

The Company's principal financial instruments consist of cash and cash equivalents, short-term investments, receivables, account payables and accrued expenses and other current liabilities. The main purpose of these financial instruments is to have an efficient working capital management for the Company's operations. The main risks arising from the use of financial instruments are liquidity risk, credit risk and foreign exchange risk.

Foreign exchange risk

The Company is exposed to foreign exchange rate fluctuations arising from its revenue, expenses and borrowings in currencies other than its functional currency. The Company's foreign currency risks arises mainly from US Dollar-denominated aircraft-related expenses. The Company manages this exposure by matching its billings and payments for each individual currency.

The Company's significant foreign currency-denominated monetary assets and liabilities (in Philippine Peso equivalent) are as follows:

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Financial Assets and Financial Liabilities		
Financial assets:		
Cash	**₱270,256**	₱337,835
Short-term investments	**123,015**	64,669
Receivables	**9,733**	–
Others*	**184,280**	181,485
	587,284	583,989

(Forward)

	March 31, 2026 (Unaudited)	December 31, 2025 (Audited)
Financial liabilities:		
Accounts payable and accrued expenses	**(₱590,170)**	(₱844,963)
Lease liabilities	**(8,015,653)**	(6,531,227)
	(8,605,823)	(7,376,190)
Net Foreign Currency-denominated Monetary Assets (Liabilities)	**(₱8,018,539)**	(₱6,792,201)

** Includes miscellaneous deposits and security deposits.*

The Company recognized net foreign exchange gain (loss) amounting to (₱296.15 million) for the period ended March 31, 2026 and ₱39.68 million for the period ended March 31, 2025, included under "Other income (charges) - net" in the statements of comprehensive income arising from the translation and settlement of these foreign currency-denominated financial and nonfinancial instruments. The Company's foreign currency-denominated exposures comprise primarily of United States dollar (USD).

Liquidity risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objectives to manage its liquidity profile are: (a) to ensure that it is able to effectively manage its accounts receivables to provide adequate funding at all times; (b) to meet commitments as they arise without incurring unnecessary costs; and (c) to be able to access funding when needed at the least possible cost.

The tables below summarize the maturity analysis of the Company's financial liabilities based on contractual undiscounted payments (principal and interest):

	March 31, 2026						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Accounts payable and accrued expenses*	**₱1,601,269**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱1,601,269**
Lease Liabilities**	**2,586,341**	**2,283,213**	**1,655,379**	**1,358,942**	**1,066,078**	**521,469**	**9,471,422**
	₱4,187,610	**₱2,283,213**	**₱1,655,379**	**₱1,358,942**	**₱1,066,078**	**₱521,469**	**₱11,072,691**

**Excludes nonfinancial liabilities amounting to ₱400.95 million*
***Includes interest amounting to ₱1,455.77 million*

	December 31, 2025						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Accounts payable and accrued expenses*	₱1,312,300	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	₱1,312,300
Lease liabilities**	2,362,126	1,623,739	1,437,326	1,118,298	880,186	359,710	7,781,385
	₱3,674,426	₱1,623,739	₱1,437,326	₱1,118,298	₱880,186	₱359,710	₱9,093,685

**Excludes nonfinancial liabilities amounting to ₱316.55 million.*
***Includes interest amounting to ₱1,250.16 million.*

The Company's total financial liabilities to be settled within one year currently amounting to ₱4,187.61 million and ₱3,674.42 million as of March 31, 2026 and December 31, 2025, include current liabilities aggregating to ₱1,601.27 million and ₱1,312.30 million, respectively, that management considers as working capital. For the other liabilities totaling to ₱2,586.34 million and ₱2,362.13 million as of March 31, 2026 and December 31, 2025, respectively, management expects to settle these from the Company's cash to be generated from operations.

The following are the Company's financial assets as of March 31, 2026 and December 31, 2025 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	March 31, 2026						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Cash on hand	**₱11,981**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱11,981**
Debt instruments at cost:							
Cash in bank and cash equivalents	**450,547**	**–**	**–**	**–**	**–**	**–**	**450,547**
Short-term investments	**123,015**	**–**	**–**	**–**	**–**	**–**	**123,015**
Receivables - net	**1,358,095**	**5,792**	**538**	**768**	**213**	**2,822**	**1,368,228**
Aircraft security deposits	**67,126**	**–**	**–**	**–**	**–**	**–**	**67,126**
Other deposits	**–**	**–**	**–**	**–**	**–**	**157,340**	**157,340**
	₱2,010,764	**₱5,792**	**₱538**	**₱768**	**₱213**	**₱160,162**	**₱2,178,237**

	December 31, 2025						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Cash on hand	₱7,663	₱–	₱–	₱–	₱–	₱–	₱7,663
Debt instruments:							
Cash in bank and cash equivalents	553,567	–	–	–	–	–	553,567
Short-term investments	64,669	–	–	–	–	–	64,669
Receivables - net	900,643	1,875	760	2,785	1,561	67,375	974,999
Aircraft security deposits	64,963	–	–	–	–	–	64,963
Other deposits	49,311	–	–	15,682	–	86,970	151,963
	₱1,640,816	₱1,875	₱760	₱18,467	₱1,561	₱154,345	₱1,817,824

Credit risk

The potential concentration of credit risk consists principally of the Company's transactions with a related party. The Company's revenue from the related party comprises about 100% of the total revenue.

16. Fair Value Measurement

Fair Values

The carrying amounts of cash and cash equivalents, short-term investments, receivables, deposits, accounts payables and accrued expenses approximate their fair values due to the short-term nature of the related transactions.

The table below presents the Company's financial instruments measured at fair value and financial instruments for which fair values are disclosed:

	March 31, 2026		December 31, 2025	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Deposits on aircraft leases	**₱67,126**	**₱67,126**	₱64,963	₱64,963
Other deposits	**157,340**	**113,733**	151,963	125,959
Financial Liabilities				
Lease liabilities	**8,015,653**	**5,792,627**	6,531,227	5,401,051

Deposits on aircraft leases and other deposits
The fair value of deposits on aircraft leases and other deposits is estimated by discounting future cash flows using the market rates for similar type of transactions. Discount rates used were 6.71% and 4.99% to 5.79% as at March 31, 2026 and December 31, 2025, respectively.

The deposits on aircraft leases and other deposits have no quoted prices in an active market (Level 1) and the fair value is based on significant observable inputs (Level 2).

Lease liabilities
The fair value of lease liabilities are based on the discounted net present value of cash flows using the discount rate 5.46% and 4.50% as at March 31, 2026 and December 31, 2025, respectively (Level 2).

17. **Other Matters**

Repurchases, and Repayments of Debt and Equity Securities
There are no repurchases and repayments of debt and equity securities during the current period.

Material changes in estimates
There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years.

Changes in Contingent Liabilities or Contingent Assets Since the Last Annual Reporting Date
There are no material changes in the contingent liabilities or contingent assets since the last annual reporting date.

Seasonality of Interim Operations
The Company's financial performance is characterized by significant seasonal variations, driven by local holidays, academic calendars, and climatic patterns in the Philippines. The following seasonal trends are identified:

- Peak Periods: Revenues are traditionally highest in January (post-Christmas return travel), the second quarter (April-June summer season), and December (year-end holidays).
- Lean Periods: The third quarter (July-September) is the most lean period due to the onset of the rainy and typhoon season and the resumption of the academic calendar.

While the Company manages these fluctuations through pricing, capacity adjustments, and marketing promotions, the seasonal nature of the business means that interim results for any specific quarter are not necessarily indicative of the results that may be expected for the full financial year.

Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period.

Except for the impact of Middle East conflict as described below, there were no contingencies and any other events or transactions that are material to an understanding of the current interim period.

The conflict involving the United States, Israel, and Iran resulted in widespread airspace closures across multiple Middle Eastern countries, including Iran, Israel, Iraq, Jordan, Qatar, Bahrain, Kuwait, and the United Arab Emirates (UAE). These closures caused significant disruptions to global aviation beginning February 28, 2026, as major regional air corridors were shut down, requiring substantial rerouting by airlines worldwide.

While the Company's core operations are mainly domestic under its Code Share Agreement with PAL, prolonged industry-wide challenges from the Middle East situation–such as supply chain disruptions, fuel shortages or price volatility, and weaker travel demand–could lead to flight cancellations or schedule changes. These disruptions may affect the Company's transport revenues from PAL.

As of June 24, 2026, the potential future financial impact on the Company's operations cannot yet be reliably estimated.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Air Philippines Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Air Philippines Corporation (the Company), a subsidiary of Zuma Holdings and Management Corporation, which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2025 and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Air Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon
Partner
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Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 121479-SEC (Group A)
Valid to cover audit of 2019 to 2023 financial statements,
with extension up to audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-135-2026, January 27, 2026, valid until January 26, 2029
PTR No. 10765020, January 2, 2026, Makati City

March 30, 2026

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AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 16)	**₱561,230**	₱822,596
Short-term investments (Note 5 and 16)	**64,669**	23,138
Receivables (Notes 6 and 16)	**974,999**	871,014
Expendable parts, materials and supplies (Note 7)	**1,406,640**	1,143,996
Other current assets (Notes 8 and 16)	**778,608**	773,054
Total Current Assets	**3,786,146**	3,633,798
Noncurrent Assets		
Property and equipment (Notes 10 and 20)	**6,717,707**	5,638,874
Investment in a subsidiary (Note 9)	**–**	156
Other noncurrent assets (Note 12)	**1,081,891**	1,134,367
Total Noncurrent Assets	**7,799,598**	6,773,397
TOTAL ASSETS	**₱11,585,744**	₱10,407,195
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 13 and 16)	**₱1,628,846**	₱1,537,654
Current portion of lease liabilities (Notes 17 and 20)	**1,888,802**	1,657,458
Total Current Liabilities	**3,517,648**	3,195,112
Noncurrent Liabilities		
Accrued employee benefits (Note 18)	**1,391,386**	1,631,393
Asset restoration obligation (Note 20)	**–**	13,157
Lease liabilities - net of current portion (Notes 16 and 20)	**4,642,425**	4,669,501
Total Noncurrent Liabilities	**6,033,811**	6,314,051
Total Liabilities	**9,551,459**	9,509,163
Equity		
Capital stock (Note 14)	**71,818**	71,818
Additional paid in capital (Note 14)	**1,121,737**	1,121,737
Accumulated remeasurements on defined benefit obligation (Note 18)	**304,972**	(111,685)
Retained earnings (deficit)	**535,758**	(183,838)
Total Equity	**2,034,285**	898,032
TOTAL LIABILITIES AND EQUITY	**₱11,585,744**	₱10,407,195

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
REVENUE			
Transportation revenue (Notes 15 and 16)	**₱11,738,792**	₱9,817,365	₱7,960,178
Others (Note 15)	**13,187**	9,666	5,456
	11,751,979	9,827,031	7,965,634
EXPENSES			
Flying operations (Notes 16, 17 and 20)	**4,338,747**	4,459,430	3,788,752
Maintenance (Note 16)	**2,342,920**	1,677,448	1,098,504
Aircraft and traffic servicing (Note 17)	**1,699,270**	1,642,570	1,049,736
Passenger service	**794,138**	808,596	584,242
General and administrative (Note 17)	**964,125**	634,118	455,690
	10,139,200	9,222,162	6,976,924
OTHER INCOME (CHARGES) - net			
Financing income (Notes 5, 8, 11 and 16)	**19,843**	24,504	13,653
Financing charges (Notes 16 and 20)	**(535,222)**	(658,757)	(608,775)
Equity in net losses of a subsidiary (Note 9)	**(156)**	(3,512)	(10,338)
Other charges - net (Notes 10, 16, 17 and 22)	**(133,406)**	(100,619)	(241,326)
	(648,941)	(738,384)	(846,786)
INCOME (LOSS) BEFORE INCOME TAX	**963,838**	(133,515)	141,924
PROVISION FOR INCOME TAX (Note 19)	**(244,242)**	(170,687)	(178,627)
NET INCOME (LOSS)	**719,596**	(304,202)	(36,703)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods			
Remeasurement gain (loss) on defined benefit obligation (Note 18)	**416,657**	(31,552)	(175,188)
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱1,136,253**	(₱335,754)	(₱211,891)

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024and 2023
(Amounts in Thousands)

	Capital Stock (Note 14)	Additional Paid-in Capital (Note 14)	Accumulated Remeasurements on Defined Benefit Obligation (Note 18)	Retained Earnings (Note 14)	Total
BALANCES AT DECEMBER 31, 2022	**₱71,818**	**₱1,121,737**	**₱95,055**	**₱157,067**	**₱1,445,677**
Net loss	–	–	–	(36,703)	(36,703)
Other comprehensive loss	–	–	(175,188)	–	(175,188)
Total comprehensive loss	–	–	(175,188)	(36,703)	(211,891)
BALANCES AT DECEMBER 31, 2023	**71,818**	**1,121,737**	**(80,133)**	**120,364**	**1,233,786**
Net loss	–	–	–	(304,202)	(304,202)
Other comprehensive loss	–	–	(31,552)	–	(31,552)
Total comprehensive loss	–	–	(31,552)	(304,202)	(335,754)
BALANCES AT DECEMBER 31, 2024	**71,818**	**1,121,737**	**(111,685)**	**(183,838)**	**898,032**
Net income	–	–	–	719,596	719,596
Other comprehensive income	–	–	416,657	–	416,657
Total comprehensive income	–	–	416,657	719,596	1,136,253
BALANCES AT DECEMBER 31, 2025	**₱71,818**	**₱1,121,737**	**₱304,972**	**₱535,758**	**₱2,034,285**

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱963,838**	(₱133,515)	₱141,924
Adjustments for:			
Depreciation and amortization (Notes 10 and 17)	**1,760,443**	1,725,889	1,807,225
Loss on disposal of property and equipment (Notes 10 and 17)	**56,400**	2,617	32,478
Equity in net losses of a subsidiary (Note 9)	**156**	3,512	10,338
Financing income (Notes 5, 8, 11 and 16)	**(19,843)**	(24,504)	(13,653)
Financing charges (Notes 16 and 20)	**535,222**	658,757	608,775
Unrealized foreign exchange gain (loss) (Note 19)	**(43,902)**	38,810	505,144
Movement in accrued employee benefits (Note 18)	**176,650**	958,114	153,310
Operating income before working capital changes	**3,428,964**	3,229,680	3,245,541
Decrease (increase) in:			
Receivables	**(126,023)**	323,838	73,204
Expendable parts, materials and supplies	**(270,745)**	(358,268)	(165,281)
Other current assets	**(26,872)**	(254,623)	(123,111)
Other noncurrent assets	**56,467**	(34,454)	68,449
Increase (decrease) in:			
Accounts payable and accrued expenses	**303,792**	124,182	(169,490)
Net cash generated from operations	**3,365,583**	3,030,355	2,929,312
Interest received	**20,157**	23,315	11,872
Income taxes paid, including creditable withholding taxes	**(221,878)**	(198,286)	(205,375)
Net cash flows from operating activities	**3,163,862**	2,855,384	2,735,809
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Notes 10 and 24)	**(1,011,220)**	(317,244)	(119,477)
Additions to short-term investments	**(167,239)**	–	–
Proceeds from short-term investments	**125,708**	–	–
Refund of aircraft security deposits (Notes 11 and 20)	**–**	–	107,780
Net cash flows used in investing activities	**(1,052,751)**	(317,244)	(11,697)
CASH FLOW FROM A FINANCING ACTIVITY			
Payment of lease liabilities (Notes 20 and 24)	**(2,377,254)**	(2,430,985)	(2,247,246)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**4,777**	10,998	(15,924)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(261,366)**	118,153	460,942
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**822,596**	704,443	243,501
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱561,230**	₱822,596	₱704,443

See accompanying Notes to Financial Statements.

1. Corporate Information and Authorization for Issuance of Financial Statements

Corporate Information

Air Philippines Corporation (APC or the Company) was incorporated in the Philippines. The Company's Articles of Incorporation was presented for filing with the Philippine Securities and Exchange Commission (SEC) on February 8, 1995 and approved by the SEC on February 13, 1995. It is primarily engaged in the business of air transportation for the carriage of passengers and cargo within and outside the Philippines. APC is doing business under the name and style of AirPhil Express, PAL Express, and Philippine Airlines.

The Company is 99.97%-owned by Zuma Holdings and Management Corporation (Zuma) as at December 31, 2025 and 2024. The Company's ultimate parent company is Buona Sorte Holdings, Inc. (BSHI). Zuma and BSHI are both incorporated and domiciled in the Philippines. PAL Holdings, Inc. (PHI) is the parent company of Zuma, which is incorporated in the Philippines and listed in the Philippine Stock Exchange.

Effective March 2014, the Company entered into a Code Share Agreement with Philippine Airlines, Inc. (PAL), an entity under common control. Under the Code Share Agreement, PAL markets and sells the passenger tickets, while the Company provides transportation service to PAL by operating the flights based on agreed rates (see Note 16).

The registered office address of the Company is R-1 Hangar, APC Gate 1, Andrews Avenue, Nichols, Pasay City.

Franchise

APC operates under a franchise for a term of 25 years from August 8, 1997, the date of effectivity of Republic Act (RA) No. 8339, with some provisions amended under RA No. 9215 effective May 5, 2003. The Company's franchise was renewed for a term of 25 years under RA No. 11682 when it lapsed into law on April 11, 2022. Under the franchise, APC is subject to, among others:

a. corporate income tax based on net taxable income; or
b. franchise tax of 5% of the gross revenue derived from non-transport, domestic transport and outgoing international transport operations,

whichever is lower, in lieu of all other taxes, duties, royalties, registration license, and other fees and charges, of any kind, nature, or description, imposed by any municipal, city, provincial or national authority or government agency, except real property tax.

Under RA No. 9337 or the E-VAT Act of 2005 which took effect on November 1, 2005, the franchise tax was abolished and APC became subject to the corporate income tax. APC remains exempt from any taxes, duties, royalties, registration license, and other fees and charges, as may be provided under APC's franchise.

As further provided for under its franchise, APC can carry forward as a deduction from taxable income, net loss incurred in any year up to five years following the year of such loss (see Note 19). In addition, the payment of the principal, interest, fees, and other charges on foreign loans obtained by APC, and all rentals, interest, fees and other charges paid by APC to lessors for the lease of aircraft, engines, spares, other flight or ground equipment, and other personal property are exempt from all taxes, including withholding tax, provided that the liability for the payment of said taxes is assumed by APC.

Authorization for Issuance of Financial Statements
These accompanying financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, were authorized for issuance by the Company's BOD on March 30, 2026.

2. Status of Operations

The level of operations of the Company is heavily dependent on the operations of Philippine Airlines, Inc. (PAL), a significant related party customer and a source of funding of the Company.

The Company reported total comprehensive income amounting to ₱1,136.25 million in 2025, which resulted to retained earnings amounting to ₱535.76 million as of December 31, 2025. Despite the losses incurred in 2024 amounting to ₱335.75 million and ₱211.89 million in 2023, the Company reported positive net cash flows from operating activities amounting to ₱3,163.86 million in 2025, ₱2,855.38 million in 2024 and ₱2,735.81 million in 2023.

Management plans to continuously implement key activities to further improve the operations in 2026 focusing on the following areas: improving aircraft maintenance planning and reliability, enhancing operational efficiencies, ensuring service consistency, maximizing synergies with PAL, optimizing cost containment and liquidity management.

3. Basis of Preparation, Statement of Compliance and Material Accounting Policy Information

Basis of Preparation
The financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest thousands, except when otherwise indicated.

The Company has voluntarily presented an additional comparative period for the statement of comprehensive income, statement of changes in equity and statement of cash flows. This additional comparative information has been prepared in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards, and the related comparative information has been provided in the accompanying notes.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

The Company elected not to prepare consolidated financial statements under the exception provided by PFRS 10, *Consolidated Financial Statements*. PHI prepares consolidated financial statements, which are in compliance with PFRS Accounting Standards. These are filed with and may be obtained from the Philippine SEC or PHI's office address at Lucio K. Tan, Jr. Center, PAL Gate 5, Andrews Avenue, Barangay 184, Pasay City.

Changes in Accounting Policies
The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the Amendments to Philippine Accounting Standard (PAS) 21, *The Effects of Changes in Foreign Exchange Rates, Lack of Exchangeability* starting January 1, 2025. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. This accounting pronouncement do not have a significant impact to the Company's financial statements.

New Accounting Standards and Amendments to Existing
Standards Effective Subsequent to December 31, 2025

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

- Amendments to PFRS 9, *Financial Instruments* and PFRS 7*, Classification and Measurement of Financial Instruments*
  The amendments clarify that a financial liability is derecognized on the 'settlement date', i.e., when the related obligation is discharged, cancelled, expires or the liability otherwise qualifies for derecognition. They also introduce an accounting policy option to derecognize financial liabilities that are settled through an electronic payment system before settlement date if certain conditions are met.

  The Company is currently assessing the impact of these amendments.

- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*

- Annual Improvements to PFRS Accounting Standards - Volume 11
  The amendments are limited to changes that either clarify the wording in an Accounting Standard or correct relatively minor unintended consequences, oversight or conflicts between the requirements in the Accounting Standards. The following is the summary of the Standards involved.

  - Amendments to PFRS 1, *First-Time Adoption of International Financial Reporting Standards, Hedge Accounting by a First-time Adopter*
  - Amendments to PFRS 7, *Gain or Loss on Derecognition*
  - Amendments to PFRS 9, *Lease Liabilities* and *Transaction Price*
  - Amendments to PFRS 10, *Consolidated Financial Statements, Determination of a 'De Facto Agent'*
  - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include: (1) required totals, subtotals and new categories in the statement of profit or loss; (2) disclosure of management-defined performance measures; and (3) guidance on aggregation and disaggregation. The group is currently assessing the impact of these amendments.

- PFRS 19, *Subsidiaries without Public Accountability*
  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity

Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial Instruments

Initial Recognition of Financial Instruments

Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability).

Financial assets measured at amortized cost

The Company's cash in banks and cash equivalents, short-term investments, receivables and deposits on aircraft leases are classified under this category because the following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Financial liabilities

The Company's accounts payable, accrued expenses, other current liabilities and lease liabilities classified under this category.

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any direct attributable transaction cost.

Derecognition of Financial Assets and Financial Liabilities

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is generally derecognized when the rights to receive cash flows from the asset have expired.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Impairment of Financial Assets

The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Expendable Parts, Materials and Supplies
Expendable parts, materials and supplies are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method.

Investment in a Subsidiary
The Company accounted its investment in a subsidiary in the financial statements using the equity method.

The carrying value of the investment in a subsidiary is reviewed at each reporting period for any indicators of impairment.

The Company's investment in a subsidiary represents the 55% ownership interest in GuidetothePhilippines Inc. (Guide) as discussed in Note 9.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Flight equipment (including rotable and reparable parts)	3 to 18
Ground property and equipment	3 to 9

Leasehold improvements are depreciated over the estimated useful lives of the assets based on the contractor's technical evaluation considering the type of the structure or the term of the lease, whichever is shorter.

Leases
Right-of-use assets
The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are classified in the statements of financial position as part of property and equipment. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Number of Years
Passenger aircraft	3 to 10
Ground property	3

If the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated based on the estimated useful life of the underlying assets.

Lease liabilities
At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term which are classified as long-term obligations in the statements of financial position. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease modifications and termination
After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Company remeasures the lease liability to reflect changes to the lease payments. The Company determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

In the case of lease termination, the Company decreases the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.



Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are described below:

Transportation revenue are recognized as revenue when the related services are rendered.

Other revenue are recognized when the related services have been rendered or when the goods are sold.

Retirement Benefits Costs
Accrued employee benefits is the present value of the defined benefit obligation at the end of the reporting period.

The cost of providing benefits is determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefits costs are recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise and are not reclassified to profit or loss in subsequent periods.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences. Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the foreign exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing foreign exchange rate at the end of the reporting period. Exchange differences are recognized in profit or loss.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in accordance with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the end of the reporting period.

Judgments
In the process of applying the Company's accounting policies, management has made judgments discussed in the next page, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's functional currency.
Management considers the Peso as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures and reports its financial performance.

Determination of lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Accounting Estimates and Assumptions
The key estimates and assumptions concerning the future and other key sources of estimation at the reporting date that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follows:

Provision for ECL of trade receivables
The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the airline sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

As at December 31, 2025 and 2024, the carrying value of receivables amounted to ₱975.00 million and ₱871.01 million, respectively. The allowance for ECL amounted to ₱74.57 million and ₱248.64 million as at December 31, 2025 and 2024, respectively (see Note 6).

Estimation of retirement benefits cost
The Company's retirement and other long-term benefits costs relating to its defined benefit plans are actuarially computed which entail using certain assumptions like discount rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about pension obligations are given in Note 18.

Accrued employee benefits as at December 31, 2025 and 2024 amounted to ₱1,391.39 million and ₱1,631.39 million, respectively (see Note 18).

Recognition of deferred income tax assets
The Company assesses at each reporting period and recognizes deferred income tax assets to the extent of probable taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized. Management uses judgment and estimates in assessing the probability of future taxable profits, including the timing of reversal of deferred income tax liability. Details of recognized and unrecognized deferred income tax assets are disclosed in Note 19.

5. Cash and Cash Equivalents and Short-term investments

Cash and Cash Equivalents

	2025	2024	2023
Cash on hand	**₱7,663**	₱6,743	₱4,548
Cash in banks (Note 16)	**530,051**	370,178	260,717
Cash equivalents	**23,516**	445,675	439,178
	₱561,230	₱822,596	₱704,443

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one to three months depending on the immediate cash requirements of the Company. Cash equivalents earned annual interest ranging from 0.21% to 5.80% in 2025, 0.38% to 6.00% in 2024 and 0.03% to 5.00% in 2023.

Interest income, included as part of "Financing income" in the statements of comprehensive income, earned on cash and cash equivalents amounted to ₱17.17 million in 2025, ₱23.24 million in 2024 and ₱12.31 million in 2023 (see Note 16).

Short-term investments
Short-term investments amounting to ₱64.67 million and ₱23.14 million as of December 31, 2025 and 2024, respectively, are made for varying period of more than three months but less than one year and earn interest at the prevailing short-term investment rates ranging from 0.21% to 5.25% in 2025 and 2024. Interest income, included as part of "Financing income" in the statements of comprehensive income, earned on short-term investments amounted to ₱2.67 million in 2025, ₱0.03 million in 2024 and ₱0.05 million in 2023 (see Note 16).

6. Receivables

	2025	2024
Trade:		
Related parties (Note 16)	**₱844,101**	₱747,920
Third parties	**–**	235,650
Receivable from related parties (Note 16)	**196,275**	90,771
Others	**9,190**	45,308
	1,049,566	1,119,649
Less allowance for ECL:		
Related parties (Note 16)	**73,551**	2,893
Third parties	**–**	234,685
Others	**1,016**	11,057
	74,567	248,635
	₱974,999	₱871,014

The movements of allowance for ECL as of December 31, 2025 and 2024 are as follows:

	2025		
	Trade	**Non-trade**	**Total**
Beginning of year	**₱237,578**	**₱11,057**	**₱248,635**
Provision (Note 17)	**–**	**63,510**	**63,510**
Write-off	**(₱237,578)**	**–**	**(237,578)**
End of year	**–**	**₱74,567**	**₱74,567**

	2024		
	Trade	Non-trade	Total
Beginning of year	₱243,619	₱–	₱243,619
Provision (Reversal) (Note 17)	(6,041)	11,057	5,016
End of year	₱237,578	₱11,057	₱248,635

Effective July 2015, all agents were no longer engaged in selling and distribution of flight tickets with the implementation of Code Share Agreement. Hence, the outstanding balances and receivables from agents as at December 31, 2025 and 2024, net of cash bonds or performance guarantees, were specifically provided with full allowance for impairment. In 2025, the Company wrote off the balance of these trade receivables.

Provision for ECL and reversal of provision were recognized under "General and Administrative Expense" (see Note 17).

7. Expendable Parts, Materials and Supplies

	2025	2024
At cost:		
Expendable parts	**₱1,094,333**	₱799,549
Materials and supplies	**32,041**	28,226
	1,126,374	827,775
At net realizable value - expendable parts	**280,266**	316,221
	₱1,406,640	₱1,143,996

The cost of expendable parts carried at net realizable value amounted to ₱563.52 million and ₱617.69 million as of December 31, 2025 and 2024, respectively. The movements in the allowance for inventory obsolescence on expendable parts, materials and supplies are as follows:

	2025	2024	2023
Beginning balance	**₱301,472**	₱306,379	₱357,049
Reversal (Note 17)	**(4,217)**	(4,486)	(50,670)
Write-off	**(14,000)**	(421)	–
End of year	**₱283,255**	₱301,472	₱306,379

Expendable parts recognized as maintenance expense amounted to ₱903.58 million in 2025, ₱643.37 million in 2024 and ₱515.13 million in 2023. Materials and supplies recognized as expenses amounted to ₱241.11 million in 2025, ₱207.11 million in 2024, and ₱190.41 million in 2023 (see Note 17).

8. Other Current Assets

	2025	2024
Creditable withholding taxes	**₱241,273**	₱170,687
Aircraft security deposits (Notes 11 and 16)	**64,963**	63,919
Advance payments to suppliers	**167,813**	203,871
Prepayments	**304,559**	334,577
	₱778,608	₱773,054

Prepayments include prepaid insurance, subscriptions, rentals, taxes and other expenses.

9. Investment in a Subsidiary

The Company has a 55% ownership interest over Guide, incorporated on December 19, 2018, intended to develop and operate an inbound business-to-consumer (B2C) online travel marketplace such as an online platform with directories and database and hotels.

Details of the investment in a subsidiary as of and for the years ended December 31 are presented below:

	2025	2024
Acquisition cost at beginning and end of year	**₱55,000**	₱55,000
Accumulated equity in net losses:		
Balance at beginning	**(54,844)**	(51,332)
Equity in net losses for the year	**(156)**	(3,512)
	(55,000)	(54,844)
Balance at end of year	**₱–**	₱156

The following are the summarized financial information of Guide as of and for the years ended December 31:

	2025	2024
Current assets	**₱13,370**	₱23,983
Noncurrent assets	**1,597**	4,342
Current liabilities	**20,759**	28,347
Equity (Capital deficiency)	**(5,792)**	(22)
Revenue	**65,071**	67,398
Net losses	**(5,770)**	(6,319)

The unrecognized share in the net losses of Guide amounted to ₱3.19 million in 2025.

On February 3, 2026, Guide's BOD and stockholders approved the closure of Guide and termination of its corporate existence through shortening of its corporate term until March 31, 2026.

10. **Property and Equipment**

As of December 31, 2025

	Flight equipment	**Ground property and equipment**	**Leasehold improvement**	**Right-of-use assets Passenger aircraft** (Note 20)	**Total**
Cost					
Balance at beginning of year	**₱1,589,724**	**₱310,648**	**₱97,196**	**₱15,881,690**	**₱17,879,258**
Additions	**432,586**	**561,579**	**14,378**	**1,680,339**	**2,688,882**
Disposals	**(475,427)**	**(4,433)**	**(527)**	**–**	**(480,387)**
Reclassifications and other adjustments	**(259,560)**	**186,782**	**(1,147)**	**(6,854,013)**	**(6,927,938)**
Balance at end of year	**1,287,323**	**1,054,576**	**109,900**	**10,708,016**	**13,159,815**
Accumulated Depreciation					
Balance at beginning of year	**1,140,357**	**179,336**	**83,988**	**10,836,703**	**12,240,384**
Depreciation	**94,050**	**64,443**	**4,937**	**1,597,013**	**1,760,443**
Disposals	**(419,451)**	**(4,425)**	**(111)**	**–**	**(423,987)**
Reclassifications and other adjustments	**(168,932)**	**148,594**	**(79)**	**(7,114,315)**	**(7,134,732)**
Balance at end of year	**646,024**	**387,948**	**88,735**	**5,319,401**	**6,442,108**
Net Book Value	**₱641,299**	**₱666,628**	**₱21,165**	**₱5,388,615**	**₱6,717,707**

As of December 31, 2024

	Flight equipment	Ground property and equipment	Leasehold improvement	Right-of-use assets: Passenger aircraft (Note 20)	Right-of-use assets: Ground property (Note 20)	Total
Cost						
Balance at beginning of year	₱1,526,503	₱286,716	₱94,438	₱14,335,905	₱193,112	₱16,436,674
Additions	211,498	101,459	10,166	–	–	323,123
Disposals	(2,937)	(43,918)	(36)	–	(191,712)	(238,603)
Reclassifications and other adjustments	(145,340)	(33,609)	(7,372)	1,545,785	(1,400)	1,358,064
Balance at end of year	1,589,724	310,648	97,196	15,881,690	–	17,879,258
Accumulated Depreciation						
Balance at beginning of year	1,209,979	231,828	86,518	9,256,677	148,282	10,933,284
Depreciation	71,619	22,575	2,160	1,586,308	43,226	1,725,888
Disposals	(320)	(43,918)	(36)	–	(191,712)	(235,986)
Reclassifications and other adjustments	(140,921)	(31,149)	(4,654)	(6,282)	204	(182,802)
Balance at end of year	1,140,357	179,336	83,988	10,836,703	–	12,240,384
Net Book Value	₱449,367	₱131,312	₱13,208	₱5,044,987	₱–	₱5,638,874

Depreciation and amortization expense is recorded in the following accounts:

	2025	2024	2023
Flying operations (Note 17)	**₱1,692,759**	₱1,633,432	₱1,730,576
Passenger services	**51,422**	39,003	32,148
General and administrative (Note 17)	**16,262**	53,453	44,501
	₱1,760,443	₱1,725,888	₱1,807,225

Flight equipment includes cost of engine and rotables and reparables.

Total cost of fully depreciated property and equipment still used in operations amounted to ₱237.52 million and ₱230.35 million as at December 31, 2025 and 2024, respectively.

11. **Deposits on Aircraft Leases**

The Company's aircraft security deposits are carried initially at present value and thereafter accreted using the effective interest method (see Note 8). Accretion income amounted to nil in 2025 and ₱1.23 million

in 2024 and ₱1.29 million in 2023 included as part of "Financing income" in the statements of comprehensive income (see Note 16). The Company received a refund of security deposits amounting to ₱107.78 million in 2023.

12. Other Noncurrent Assets

	2025	2024
Deposits	**₱151,963**	₱111,490
Noncurrent portion of CWT	**929,928**	1,022,877
	₱1,081,891	₱1,134,367

Deposits include rental and miscellaneous deposit to foreign airports.

13. Accounts Payable and Accrued Expenses

	2025	2024
Trade:		
Third parties	**₱598,981**	₱448,361
Related parties (Note 16)	**4,569**	18,474
Accrued expenses:		
Third parties:		
Landing and take-off fees and ground handling charges	**402,281**	382,414
Accrued salaries and wages	**222,050**	81,307
Maintenance	**257,278**	202,517
Rent and lease charges (Note 20)	**3,265**	12,098
Insurance	**–**	257,898
Outside services and utility charges	**39,920**	44,653
Freight charges	**17,936**	27,211
Passenger food and supplies	**11,769**	33,913
Others	**17,129**	28,477
Related parties (Note 16)	**53,668**	331
	₱1,628,846	₱1,537,654

Accrued expenses from related parties include ground handling charges, maintenance, insurance, and passenger food and supplies.

14. Capital Stock

The Company's capital stock as at December 31, 2025 and 2024, with ₱1.00 par value per share, consists of the following:

Number of shares:	
Authorized	80,000
Issued and outstanding	71,818
Amounts of issued and outstanding:	
Capital stock	₱71,818
Additional paid-in capital	1,121,737

15. Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers follows:

	2025	2024	2023
Transportation revenue	**₱11,738,792**	₱9,817,365	₱7,960,178
Others	**13,187**	9,666	5,456
	₱11,751,979	₱9,827,031	₱7,965,634

Transportation revenue pertains to service rendered under a Code Share Agreement with PAL (see Note 16).

The Company has no contract assets and liabilities as of December 31, 2025 and 2024.

16. Related Party Transactions

The tables below present the amounts and outstanding balances of the Company's transactions with its related parties, which are usually settled in cash unless otherwise stated:

	2025		
	Volume	**Outstanding Receivable/Asset (Payable)**	**Terms and Conditions**
Parent company			
Receivable (Note 6)	**₱–**	**₱62,972**	Non-interest bearing, unsecured, due and demandable, with impairment (see note 6)
Subsidiary			
Receivable (Notes 6 and 9)	**1,458**	**1,199**	Non-interest bearing, unsecured, due and demandable
Entities under common control:			
Cash and cash equivalents, including interest income (Note 5)	**17,174**	**456,968**	Interest-bearing, collectible on demand, usually settled in cash
Short-term investments (Note 5)	**2,669**	**64,669**	Interest-bearing, collectible on demand
Transportation revenue (Note 6 and 16)	**12,673,998**	**1,809,771**	Non-interest-bearing, unsecured, due within one month, not impaired, usually settled on a net basis
Right-of-use assets (Note 10)	**–**	**5,388,616**	Aircraft is used based on agreed rates
Lease liabilities (Note 20) [(a)]	**3,067,263**	**(6,531,227)**	Payable monthly based on agreed rates
Aircraft lease-related costs:			
Depreciation on right-of-use assets (Notes 18 and 21)	**1,597,013**	–	
Accretion of interest on lease liabilities (Note 21)	**535,222**	–	Payable monthly based on agreed rates, usually settled on a net basis
Accrued expenses (Notes 13 and 17)	**816,712**	**(47,033)**	Non-interest-bearing, unsecured, due and demandable, includes amounts settled on a net basis (b)
Aircraft security deposit (Notes 8 and 11)	**–**	**64,963**	Non-interest-bearing, due and refundable at the end of the lease term
Sales and other income (Note 6)	**14,436**	**120,597**	Non-interest-bearing, unsecured, due and demandable, with impairment (see note 6)
Accounts payable (Note 13)	–	**(4,569)**	Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Entities under common shareholder group			
Sales and other income (Notes 6)	–	**11,369**	Non-interest-bearing, unsecured, due and demandable, with impairment (see note 6)
Aircraft maintenance (Note 13)	–	**(6,635)**	Noninterest-bearing, unsecured, due and demandable

[a] *Amount in volume pertains to actual billings for the year. Transactions recognized in profit or loss pertain to depreciation of right-of-use assets and accretion of interest of lease liabilities in accordance with PFRS 16..*

	2024		
	Volume	Outstanding Receivable/ Asset (Payable)	Terms and Conditions
Parent company			
Receivable (Note 6)	₱–	₱62,972	Non-interest bearing, unsecured, due and demandable
Subsidiary			
Receivable (Notes 6 and 9)	912	33	Non-interest bearing, unsecured, due and demandable
Entities under common control			
Cash and cash equivalents, including interest income (Note 5)	23,240	815,410	Interest-bearing, collectible on demand
Short-term investments (Note 5)	30	23,138	Interest-bearing, collectible on demand
Transportation revenue (Note 6 and 16)	10,990,856	1,974,497	Non-interest-bearing, unsecured, due within one month, not impaired, usually settled on a net basis
Right-of-use assets (Note 10)	–	5,044,987	Aircraft is used based on agreed rates
Lease liabilities (Note 20) [(a)]	3,043,945	(6,326,959)	Payable monthly based on agreed rates
Aircraft lease related costs:			
Depreciation on right-of-use assets (Notes 18 and 20)	1,586,308	–	
Accretion of interest on lease liabilities (Note 20)	656,021	–	Payable monthly based on agreed rates, usually settled on a net basis
Accrued expenses (Notes 13 and 17)	127,511	(331)	Non-interest-bearing, unsecured, due and demandable, includes amounts settled on a net basis (b)
Aircraft security deposit (Notes 8 and 11)	–	63,919	Non-interest-bearing, due and refundable at the end of the lease term
Sales and other income (Note 6)	11,923	16,204	Non-interest-bearing, unsecured, due and demandable
Accounts payable (Note 13)	–	(18,474)	Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Entities under common shareholder group			
Sales and other income (Notes 6)	(13,933)	11,312	Non-interest-bearing, unsecured, due and demandable

[a] Amount in volume pertains to actual billings for the year. Transactions recognized in profit or loss pertain to depreciation of right-of-use assets and accretion of interest of lease liabilities in accordance with PFRS 16.

Significant terms and conditions related to the related party balances and transactions are as follows:

Entities Under Common Control

a. The Company has interest-bearing cash deposits, short-term placements and short-term investments with a related party as at December 31, 2025 and 2024 (see Note 5).

b. The transactions with PAL, an entity under common control, include joint services and code share agreements, and maintenance services.

   As discussed in Note 1, effective March 2014, the Company entered into a Code Share Agreement with PAL. This arrangement superseded the existing Reciprocal Free Flow Code Share Agreement. Under the Code Share Agreement, PAL markets and sells the passenger tickets while the Company operates the flights based on agreed rates.

   Total transportation revenue earned by the Company as a result of the Code Share Agreement with PAL amounted to ₱11,738.79 million in 2025, ₱9,817.36 million in 2024 and ₱7,960.18 million in 2023 (see Note 16).

   The Company and PAL do not have master netting agreements in respect of their intercompany transactions but settle their accounts on a net basis.

As of December 31, 2025 and 2024, the Company presented in its statements of financial position a net receivable from PAL (shown as part of "Receivable") of ₱958.10 million and ₱746.19 million, respectively, with gross amounts as presented below (in millions):

	Trade Receivables	Other receivables	Trade payables	Accrued lease charges	Other payables	Net receivable
December 31, 2025	₱1,809.77	₱114.00	(₱690.45)	(₱273.87)	(₱1.35)	₱958.10
December 31, 2024	1,974.49	6.84	(990.12)	(237.77)	(7.25)	746.19

c. As of December 31, 2025 and 2024, the Company has several lease agreements with PAL for Airbus A321-231, Airbus A320-200 and Bombardier aircraft units (see Note 20).

d. In 2025 and 2024, the Company engaged a related party for the provision of regulatory affairs, related tasks management, and document management services. Appropriate personnel from the related party will be utilized over the term of the agreement. Management fees amounted to ₱19.21 million in 2025 and ₱33.10 million in 2024.

Key Management Personnel
Key management personnel are provided by PAL in 2025 and 2024 by virtue of the management agreement entered by the Company and PAL wherein the Company pays the corresponding management fees for the services provided.

17. Expenses and Other Income – net

Flying operations

	2025	2024	2023
Depreciation and amortization (Note 10)	**₱1,692,759**	₱1,633,432	₱1,730,576
Personnel costs (Note 18)	**1,535,290**	1,816,619	1,207,940
Lease charges	**682,854**	653,278	593,179
Reversal of inventory obsolescence-net (Note 7)	**(4,217)**	(4,486)	(50,670)
Others	**432,061**	360,587	307,727
	₱4,338,747	₱4,459,430	₱3,788,752

Others include flight crew, insurance, training and seminar, travel, lodging, and meals related expenses.

Aircraft and traffic servicing

	2025	2024	2023
Personnel costs (Note 18)	**₱262,998**	₱276,544	₱157,166
Landing and take-off fees	**1,113,831**	1,115,148	681,231
Ground handling charges	**98,610**	59,202	50,424
Others	**223,831**	191,676	160,915
	₱1,699,270	₱1,642,570	₱1,049,736

Others include pax transport services, freight, materials, supplies and taxes related expenses.

General and administrative

	2025	2024	2023
External services and taxes	**₱352,316**	₱273,277	₱243,861
Rental (Note 20)	**292,724**	–	–
Personnel costs (Note 18)	**213,397**	274,174	142,874
Provision for ECL	**58,551**	5,016	–
Depreciation	**16,262**	53,453	44,501
Others	**30,875**	28,198	24,454
	₱964,125	₱634,118	₱455,690

Personnel costs is recorded in the following accounts:

	2025	2024	2023
Flying operations	**₱1,535,290**	₱1,816,619	₱1,207,940
Maintenance	**373,321**	396,242	237,973
Aircraft and traffic servicing	**262,998**	276,544	157,166
Passenger service	**354,718**	395,064	219,686
General and administrative	**213,397**	274,174	142,874
	₱2,739,724	₱3,158,643	₱1,965,639

Other Income (Charges) - net

	2025	2024	2023
Foreign exchange losses - net	**(₱127,450)**	(₱81,138)	(₱282,890)
Loss on property disposal/retirement (Note 10)	**(56,400)**	(2,617)	(32,478)
Others (Note 6)	**50,444**	(16,864)	74,042
	(₱133,406)	(₱100,619)	(₱241,326)

Others include provision and reversal of ECL in 2025 and items that are individually immaterial.

18. Accrued Employee Benefits

The Company's retirement plan is a noncontributory defined benefit plan covering all regular employees. Benefits are based on the employees' years of service and final salary.

The retirement plan meets the minimum retirement benefit specified under Republic Act 7641, *The Retirement Pay Law*.

The Company's accrued employee benefits as of December 31 consisted of the following:

	2025	2024
Regular retirement benefits	**₱689,116**	₱968,660
Other long-term benefit:		
Sick leave and vacation leave	**228,745**	326,044
Pilot retirement package	**473,525**	336,689
	₱1,391,386	₱1,631,393

Pilot retirement package pertains to pilot loyalty program which is based on Pilot's flown hours.

Retirement benefit costs are as follows:

	2025	2024	2023
Current service cost	**₱99,405**	₱63,960	₱19,696
Interest cost	**57,242**	40,037	13,638
Past service cost	**–**	442,462	–
	₱156,647	₱546,459	₱33,334

The past service cost pertains to the effect of the change in retirement plan of the Company for its employees effective June 1, 2024. In addition, the Company recognized current service cost in relation to the accrual of sick leave and vacation leaves due to change in employee benefits scheme.

Changes in the present value of defined benefits obligation are as follows:

	2025	2024
Beginning of year	**₱968,660**	₱394,077
Current service cost	**99,405**	63,960
Interest cost	**57,242**	40,037
Past service cost	**–**	442,462
Benefits paid	**(4,534)**	(3,428)
Actual contributions	**(15,000)**	–
Effects of changes in:		
Financial assumptions	**(433,251)**	7,029
Experience adjustments	**16,594**	24,523
End of year	**₱689,116**	₱968,660

The principal assumptions used in determining the accrued employee benefits of the Company as at January 1 are as follows:

	2025	2024
Discount rate	**6.09%**	6.16%
Salary increase rate	**10.00%**	10.00%

As at December 31, 2025, the discount rate and salary increase rate are 6.39% and 5.50%, respectively.

The discount rate and salary increase rate were identified as significant actuarial assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as at December 31, assuming all other assumptions were held constant:

	Increase	Increase (Decrease) on Defined Benefits Obligation	
	(Decrease)	**2025**	2024
Discount rate	(1.00%)	**₱65,386**	₱115,458
	1.00%	**(56,499)**	(107,283)
Salary increase rate	(1.00%)	**(60,161)**	(108,333)
	1.00%	**68,543**	114,090

The weighted average duration of the defined benefits obligation as at December 31, 2025 and 2024 is 12.25 years and 15.98 years, respectively.

Shown on the next page is the maturity analysis of the undiscounted expected benefit payments.

	2025	2024
Within one year	**₱80,871**	₱52,084
More than one year to 5 years	**252,775**	238,542
More than 5 years to 10 years	**436,697**	548,030
More than 10 years to 15 years	**603,662**	876,927
More than 15 to 20 years	**713,877**	1,406,980
More than 20 years	**1,341,073**	3,813,724

19. Income Taxes

a. The Company's income tax expense in 2025, 2024 and 2023 pertains to regular corporate income tax (RCIT).

b. The Company recognized deferred income tax assets to the extent of deferred income tax liabilities which arise from the following:

	2025	2024
Deferred income tax assets on:		
Allowances for ECL	**₱18,642**	₱62,159
Lease liabilities	**980,666**	787,951
Accrued employee benefits	**347,846**	407,848
Asset restoration obligation	**–**	3,289
	1,347,154	1,261,247
Deferred income tax liability on right-of-use assets	**(1,347,154)**	(1,261,247)
	₱–	₱–

As at December 31, 2025 and 2024, deferred income tax assets have not been recognized on the following deductible temporary differences as management believes that future taxable profits against which these items can be utilized may not be sufficient.

	2025	2024
Lease liabilities	**₱2,608,563**	₱3,175,155
Unrealized foreign exchange loss	**43,902**	38,810
Allowance for inventory obsolescence	**283,254**	301,472

c. A reconciliation of the provision for income tax computed at the statutory rate to the income tax expense as shown in the statements of comprehensive income follows:

	2025	2024	2023
Provision for (benefit from) regular corporate income tax	**₱240,959**	(₱33,379)	₱35,481
Additions to (reductions in) income tax resulting from the tax effects of:			
Movement in deductible temporary differences for which no deferred income tax assets were recognized	**4,747**	208,496	133,360
Interest income subjected to final tax	**(1,991)**	(5,817)	(3,089)
Equity share in net losses of a subsidiary	**39**	878	2,584
Nondeductible expenses and others	**488**	509	10,291
	₱244,242	₱170,687	₱178,627

20. **Leases**

Aircraft leases

A320-200

In 2025, the Company leased two additional aircraft from PAL

DHC 8-400 NG

In 2023, the Company leased one additional aircraft from PAL.

DHC 8-400

In 2023, the Company retired one aircraft owned by the Company.

The following table shows the comparative fleet of the Company as at December 31:

	2025	2024
Airbus A320-200	**17**	15
Airbus A321-231	**4**	4
Bombardier DHC 8-400 Next Generation (NG)	**11**	11
	32	30

**Excluding four Bombardier DHC 8-400 aircraft and four Bombardier DHC 8-300 aircraft which are non-operating*

Aircraft lease with minimum lease commitments

The Company has minimum lease commitments covering 11 Bombardier DHC 8-400NG, four Airbus A321-231, and eight Airbus A320-200 aircraft. The future minimum lease payments related to these aircraft lease agreements together with the present values of the minimum lease payments as of December 31 are as follows:

	2025		2024	
	Minimum lease commitments	**Present value of lease commitments**	Minimum lease commitments	Present value of lease commitments
Due within one year	**₱2,362,126**	**₱1,888,802**	₱2,257,595	₱1,657,458
Due after one year but within five years	**5,059,549**	**4,293,058**	4,995,685	4,138,531
Due in more than five years	**359,710**	**349,367**	560,748	530,970
Minimum lease payments	**7,781,385**	**6,531,227**	7,814,028	6,326,959
Interest and others	**(1,250,158)**	**–**	(1,487,069)	–
	6,531,227	**6,531,227**	6,326,959	6,326,959
Current portion `	**(1,888,802)**	**(1,888,802)**	(1,657,458)	(1,657,458)
Noncurrent portion	**₱4,642,425**	**₱4,642,425**	₱4,669,501	₱4,669,501

Aircraft lease covered by the power-by-the-hour (PBH) agreement

The Company entered into service agreements for nine Airbus A320-200 aircraft, under which charges are computed based on a power-by-the-hour (PBH) rate or a fixed monthly amount, whichever is lower. Amounts incurred under these agreements are recognized as variable lease charges.

Asset restoration obligation on aircraft leases
The Company estimates the costs of heavy maintenance on the leased aircraft required on the redelivery to the lessor. The amount of obligation recognized is carried at amortized cost using the effective interest method. Asset restoration obligation amounted to ₱13.16 million as at December 31, 2024. In 2025, the Company derecognized the asset restoration obligation because the costs of heavy maintenance on the leased aircraft and engines will be assumed by PAL.

Ground property leases
The Company has lease agreements with third parties for the lease of terminal space, check-in counter, hangar and office space.

In 2022, the Company entered into an operating lease agreement with the Manila International Airport Authority (MIAA) for leased premises situated at the North General Aviation Area (NGAA) and Domestic Passenger Terminal (DPT) for a lease term of three years. In 2024, the ground property lease agreements expired. The Company continues to occupy the NGAA and pays monthly lease payments of ₱710 per sqm., which is recorded as rental expense under "General and administrative expenses".

Lease Liabilities
Set out below, is the roll forward analysis of lease liabilities.

	2025	2024
Beginning balances	**₱6,326,959**	₱6,234,049
Additions	**1,680,339**	–
Adjustments related to effect of lease reassessment (Notes 10 and 12)	**254,555**	1,545,785
Interest expense	**535,222**	658,757
Payments	**(2,377,254)**	(2,430,985)
Foreign currency adjustment	**111,406**	319,353
Ending balances	**₱6,531,227**	₱6,326,959

Set out below are the amounts recognized in the statements of comprehensive income in relation to the Company's lease arrangements:

	2025	2024	2023
Depreciation expense of right-of-use assets arising from aircraft under (Note 10):			
Back-to-back lease with PAL*	**₱920,452**	₱907,894	₱941,948
Operating lease with PAL	**676,561**	678,414	676,560
Ground property and equipment	**–**	43,226	44,026
	1,597,013	1,629,534	1,662,534
Interest expense on lease liabilities	**535,222**	658,757	608,775
Lease charges - short-term leases	**295,988**	25,859	8,531
Lease charges - variable lease payments	**682,854**	653,278	593,179
Total amounts recognized in profit or loss	**₱3,111,077**	₱2,967,428	₱2,873,019

**Sublease arrangement with the same lease term based on the lease agreement with the head lessor of PAL which composed of six DHC 8-400 Next Generation (NG) and eight Airbus A320-200.*

21. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and sufficient capital in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may obtain additional capital from its stockholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2025 and 2024.

The table below summarizes the total capital considered by the Company:

	2025	2024
Capital stock	**₱71,818**	₱71,818
Additional paid-in capital	**1,121,737**	1,121,737
Retained earnings (deficit)	**535,758**	(183,838)
	₱1,729,313	₱1,009,717

22. Financial Instruments and Financial Risk Management Objectives and Policies

Financial Instruments

Fair Value

The carrying amounts of cash and cash equivalents, short-term investments, receivables, deposits, account payables, accrued expenses and other current liabilities approximate their fair values due to the short-term nature of the related transactions.

The table below presents the Company's financial asset as at December 31, 2025 and 2024 for which the fair value disclosed are different from its carrying value:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset				
Deposits on aircraft leases	**₱64,963**	**₱64,963**	₱63,919	₱59,172
Other deposits	**151,963**	**125,959**	110,602	80,008
Financial Liability				
Lease liabilities	**6,531,227**	**5,401,051**	6,326,959	5,108,415

Deposits on aircraft leases and other deposits

The fair value of deposits on aircraft leases and other deposits is estimated by discounting future cash flows using the market rates for similar type of transactions. Discount rates used were 4.99% to 5.79% and 6.05% to 6.10% as at December 31, 2025 and 2024, respectively.

The deposits on aircraft leases and other deposits have no quoted prices in an active market (Level 1) and the fair value is based on significant observable inputs (Level 2).

Lease liabilities

The fair values of lease liabilities are based on the discounted net present value of cash flows using the discount rate 4.50% and 5.12% as at December 31, 2025 and 2024, respectively.



Financial Risk Management Objectives and Policies

The Company's principal financial instruments consist of cash and cash equivalents, short-term investments, receivables, account payables and accrued expenses and other current liabilities. The main purpose of these financial instruments is to raise financing for the Company's operations.

The main risks arising from the use of financial instruments are liquidity risk, credit risk and foreign exchange risk.

Liquidity risk

Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The tables below summarize the maturity analysis of the Company's financial liabilities as of December 31 based on contractual undiscounted payments (principal and interest):

	2025						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Accounts payable	**₱274,134**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱274,134**
Accrued expenses**	**1,038,166**	**–**	**–**	**–**	**–**	**–**	**1,038,166**
Lease liabilities***	**2,362,126**	**1,623,739**	**1,437,326**	**1,118,298**	**880,186**	**359,710**	**7,781,385**
	₱3,674,426	**₱1,623,739**	**₱1,437,326**	**₱1,118,298**	**₱880,186**	**₱359,710**	**₱9,093,685**

***Excludes statutory liabilities amounting to ₱316.55 million*
****Includes interest amounting to ₱1,250.16 million*

	2024						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Accounts payable*	₱55,512	₱–	₱–	₱–	₱–	₱–	₱55,512
Accrued expenses**	1,095,252	–	–	–	–	–	1,095,252
Lease liabilities***	2,257,595	2,319,257	1,242,367	791,761	642,300	560,748	7,814,028
	₱3,408,359	₱2,319,257	₱1,242,367	₱791,761	₱ 642,300	₱560,748	₱8,964,792

**Excludes advances from charterers amounting to ₱4.02 million*
***Excludes statutory liabilities amounting to ₱382.87 million.*
****Includes interest amounting to ₱1,487.07 million.*

The Company's total financial liabilities to be settled currently amounting to ₱3,674.42 million and ₱3,408.40 million as of December 31, 2025 and 2024 include liabilities aggregating to ₱1,312.30 million and ₱1,150.76 million, respectively, that management considers as working capital. For the other liabilities amounting to ₱2,362.13 million and ₱2,257.59 million as of December 31, 2025 and 2024, respectively, management expects to settle these from the Company's cash to be generated from operations.

The following are the Company's financial assets as of December 31 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	2025						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Cash on hand	**₱7,663**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,663**
Debt instruments at amortized cost:							
Cash in banks and cash equivalents	**553,567**	**–**	**–**	**–**	**–**	**–**	**553,567**
Short-term investments	**64,669**	**–**	**–**	**–**	**–**	**–**	**64,669**
Receivables	**900,643**	**1,875**	**760**	**2,785**	**1,561**	**67,375**	**974,999**
Aircraft security deposits	**64,963**		**–**	**–**	**–**	**–**	**64,963**
Other deposits	**49,311**	**–**	**–**	**15,682**	**–**	**86,970**	**151,963**
	₱1,640,816	**₱1,875**	**₱760**	**₱18,467**	**₱1,561**	**₱154,345**	**₱1,817,824**

	2024						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Cash on hand	₱6,743	₱–	₱–	₱–	₱–	₱–	₱6,743
Debt instruments at amortized cost:							
Cash in banks and cash equivalents	815,853	–	–	–	–	–	815,853
Short-term investments	23,138	–	–	–	–	–	23,138
Receivables	871,014	–	–	–	–	–	871,014
Aircraft security deposits	63,919	–	–	–	–	–	63,919
Other deposits	5,336	–	11,762	–	–	93,505	110,603
	₱1,786,003	₱–	₱11,762	₱–	₱–	₱93,505	₱1,891,270

Credit risk

The potential concentration of credit risk consists principally of the Company's transactions with a related party. The Company's revenue from the related party comprises about 100% of the total revenue in 2025, 2024 and 2023.

The maximum counterparty exposure of the Company as at December 31, 2025 and 2024 is equal to the carrying values of its financial assets.

The tables below show the aging of financial assets.

December 31, 2025:

		Days Past Due			**Expected**	**Carrying**
	Current	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Credit Loss**	**Amount**
Cash on hand	**₱7,663**	**₱–**	**₱–**	**₱–**	**₱–**	**₱7,663**
Debt instruments at amortized cost:						
Cash in banks and cash equivalents	**553,567**	**–**	**–**	**–**	**–**	**553,567**
Short-term investments	**64,669**	**–**	**–**	**–**	**–**	**64,669**
Receivables:						**–**
Trade	**844,101**	**–**	**–**	**–**	**–**	**844,101**
Receivable from related parties	**104,801**	**2,276**	**1,317**	**87,881**	**(73,551)**	**122,724**
Others	**1,538**	**–**	**165**	**7,487**	**(1,016)**	**8,174**
Deposits on aircraft leases	**64,963**	**–**	**–**	**–**	**–**	**64,963**
Other deposits	**151,963**	**–**	**–**	**–**	**–**	**151,963**
Total	**₱1,793,265**	**₱2,276**	**₱1,482**	**₱95,368**	**(₱74,567)**	**₱1,817,824**

December 31, 2024:

		Days Past Due			Expected	Carrying
	Current	31 to 60 days	61 to 90 days	Over 90 days	Credit Loss	Amount
Cash on hand	₱6,743	₱–	₱–	₱–	₱–	₱6,743
Debt instruments at amortized cost:						
Cash in banks and cash equivalents	815,853	–	–	–	–	815,853
Short-term investments	23,138	–	–	–	–	23,138
Receivables:						
Trade	760,075	–	–	223,494	(245,742)	737,827
Receivable from related parties	87,878	–	–	2,893	(2,893)	87,878
Others	28,806	265	40	16,198	–	45,309
Deposits on aircraft leases	63,919	–	–	–	–	63,919
Other deposits	110,602	–	–	–	–	110,602
Total	₱1,897,014	₱265	₱40	₱242,585	(₱248,635)	₱1,891,269

Foreign currency risk

The Company is exposed to foreign exchange rate fluctuations arising from its revenues, expenses and borrowings in currencies other than its functional currency. The Company's foreign currency risk arises mainly from US Dollar-denominated aircraft-related expenses. The Company manages this exposure by matching its billings and payments for each individual currency.

The Company's foreign currency-denominated monetary assets and monetary liabilities (in Peso equivalent) as at December 31 are presented below.

	2025	2024
Financial assets:		
Cash and cash equivalents	**₱337,835**	₱228,396
Short-term investments	**64,669**	23,138
Receivables	**–**	92,003
Deposits on aircraft leases	**64,963**	63,919
Other deposits	**116,522**	74,840
	583,989	482,296
Financial liabilities:		
Accounts payable and accrued expenses	**(844,963)**	(739,128)
Lease liabilities	**(6,531,227)**	(6,326,959)
	(7,376,190)	(7,066,087)
Net foreign currency-denominated financial assets (liabilities)	**(₱6,792,201)**	(₱6,583,791)

The Company recognized net foreign exchange loss amounting to ₱ 127.45 million in 2025, ₱81.14 million in 2024 and ₱282.89 million in 2023 arising from these foreign currency-denominated transactions.

The Company's foreign currency-denominated exposures comprise primarily of United States dollar (USD) and Chinese Yuan (CNY).

Sensitivity analysis
The Company's significant foreign currency-denominated financial assets and financial liabilities are in USD.

The table below shows the impact of reasonably possible changes in the exchange rates of the US dollar against the Peso on the Company's income before income tax (all others remain constant) as of December 31.

		Net Gain (Loss) Effect on Income before Income Tax	
Year	**Increase (Decrease) in Foreign Exchange Rates**	**Increase in Foreign Exchange Rates**	**Decrease in Foreign Exchange Rates**
2025	**5.52%**	**(₱378,853)**	**₱378,853**
2024	6.36%	(423,887)	423,887

There is no impact on the Company's equity other than those already affecting profit or loss.

23. Commitments and Contingencies

In the ordinary course of its business, the Company is a party to litigations related mainly to labor disputes and probable claims. The timing of the cash outflow from these ongoing litigations and claims is uncertain as it depends upon the outcome of the Company's negotiations and/or legal proceedings with the parties involved. Disclosure on additional details beyond the present disclosures may seriously prejudice the Company's position and strategy. Thus, as allowed by PAS 37, only general descriptions were provided.

Management and the Company's legal counsel believe that the resolution of these contingencies will not have a material effect on the results of operations or the financial position of the Company. If it becomes probable that an outflow of future economic benefits will be required for these contingent liabilities, a provision shall be recognized in the financial statements of the period in which the change in probability occurs.

24. Notes to Statements of Cash Flows

Noncash Investing Activities

a. Additions to property and equipment include unpaid acquisitions amounting to ₱12.09 million and ₱14.76 million as at December 31, 2025 and 2024, respectively (see Note 10).

b. The Company retired certain property and equipment resulting to a loss on retirement amounting to ₱56.40 million in 2025, ₱2.62 million in 2024 and ₱31.20 million in 2023.

Financing Activities

The roll forward of liabilities under financing activities below:

2025

	December 31, 2024	**Payments**	**New leases**	**Other noncash changes**	**December 31, 2025**
Current portion of lease liabilities	**₱1,657,458**	**(₱2,377,254)**	**₱263,209**	**₱2,345,389**	**₱1,888,802**
Noncurrent portion of lease liabilities	**4,669,501**	–	**1,417,130**	**(1,444,206)**	**4,642,425**
Total liabilities from financing activities	**₱6,326,959**	**(₱2,377,254)**	**₱1,680,339**	**₱901,183**	**₱6,531,227**

2024

	December 31, 2023	Payments	New Leases	Other noncash changes	December 31, 2024
Current portion of lease liabilities	₱1,708,137	(₱2,430,985)	₱–	₱2,380,306	₱1,657,458
Noncurrent portion of lease liabilities	4,525,912	–	–	143,589	4,669,501
Total liabilities from financing activities	₱6,234,049	(₱2,430,985)	₱–	₱2,523,895	₱6,326,959

"Other noncash changes" pertain to lease reassessment and termination adjustments, accretion expense on lease liabilities, foreign exchange gain or loss and reclassifications from current to noncurrent.

25. Event after the Reporting Period

Impact of Middle East Conflict

Subsequent to the reporting date, the conflict involving the United States, Israel, and Iran resulted in widespread airspace closures across multiple Middle Eastern countries, including Iran, Israel, Iraq, Jordan, Qatar, Bahrain, Kuwait, and the United Arab Emirates (UAE). These closures caused significant disruptions to global aviation beginning February 28, 2026, as major regional air corridors were shut down, requiring substantial rerouting by airlines worldwide.

While the Company's core operations are mainly domestic under its Code Share Agreement with PAL, prolonged industry-wide challenges from the Middle East situation–such as supply chain disruptions, fuel shortages or price volatility, and weaker travel demand–could lead to flight cancellations or schedule changes. These disruptions may affect the Company's transport revenues from PAL.

Management has assessed the situation and determined that the conflict constitutes a non-adjusting event under PAS 10, *Events after the Reporting Period*, as it does not provide evidence of conditions existing at the reporting date. As of March 30, 2026, the potential future financial impact on Company's operations cannot yet be reliably estimated.

26. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Company reported or paid the following taxes and license fees in 2025 (all amounts are reported to the nearest peso):

Value-added Tax (VAT)
The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's billings on transport and other revenue are subject to output VAT, while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate used is 12%.

a. The Company's VATable operating revenues and other income generated from various services rendered amounted to ₱10,542,622,096. The related output VAT declared in the VAT returns in 2025 amounted to ₱1,265,114,652.

   The Company's sales of services are based on actual collections received prior to the implementation of EOPT Act, hence, may not be the same as amounts accrued in the statement of comprehensive income.

b. The Company's zero-rated and exempt sales in 2025 amounted to ₱83,342,422 and ₱52,961,338, respectively.

   The table below shows the movements of input VAT in 2025.

Beginning balance	₱–
Current year's purchases of goods and services	351,917,485
Amortization of deferred input VAT from purchases of capital goods	
Claims for tax credit/refund and other adjustments	(351,917,485)
Ending balance	₱–

Information on the Company's Importations
The Company's total landed costs of importations are as follows:

Landed costs of importations	₱805,250,755
Customs duties and others	9,091,087
	₱814,341,842

Withholding Taxes
Details of withholding taxes declared are as follows:

Expanded withholding taxes	₱208,898,115
Withholding taxes on compensation and benefits	446,231,578
	₱655,129,693

Other Taxes and Licenses
These include local and national business taxes, licenses and permit fees consisting of the following:

Licenses and business permits	₱774,993
Others	840,022
	₱1,615,015

Taxes and licenses are recorded in the operating expense as follows:

Aircraft and traffic servicing	₱523,869
Maintenance	175,043
General and administrative	916,103
	₱1,615,015

Tax Assessment and Cases
The Company received Final Assessment Notice or Formal Letter of Demand from the BIR in relation to taxable year 2022 and 2021, which has been settled by the Company in May and April 2025, amounting to ₱25,000,389 and ₱24,488,153, respectively.

The Company has no tax deficiency assessment or litigation and/or prosecution in courts or bodies outside the BIR as of December 31, 2025.

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Air Philippines Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Air Philippines Corporation (the Company), a subsidiary of Zuma Holdings and Management Corporation, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 26 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of Air Philippines Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Albert R. Bon

Albert R. Bon
Partner
CPA Certificate No. 0121479
Tax Identification No. 255-491-830
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
BIR Accreditation No. 08-001998-135-2023, January 25, 2023, valid until January 24, 2026
PTR No. 10465275, January 2, 2025, Makati City

March 26, 2025

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF FINANCIAL POSITION

	December 31	
	2024	2023
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 5 and 17)	**₱822,595,839**	₱704,442,236
Receivables (Notes 6 and 17)	**871,014,050**	1,259,245,631
Expendable parts, materials and supplies (Note 7)	**1,143,996,053**	787,064,584
Other current assets (Notes 8 and 17)	**796,191,070**	510,386,625
Total Current Assets	**3,633,797,012**	3,261,139,076
Noncurrent Assets		
Property and equipment (Notes 10 and 21)	**5,638,874,382**	5,503,389,515
Investment in a subsidiary (Note 9)	**156,246**	3,668,215
Other noncurrent assets (Note 12)	**1,134,366,967**	1,098,136,263
Total Noncurrent Assets	**6,773,397,595**	6,605,193,993
TOTAL ASSETS	**₱10,407,194,607**	₱9,866,333,069
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable (Notes 13 and 17)	**₱59,529,319**	₱94,890,366
Accrued expenses and other current liabilities (Notes 14 and 17)	**1,478,124,650**	1,699,768,785
Current portion of lease liabilities (Notes 17 and 21)	**1,657,458,122**	1,708,137,305
Total Current Liabilities	**3,195,112,091**	3,502,796,456
Noncurrent Liabilities		
Accrued employee benefits (Note 19)	**1,631,392,859**	590,681,744
Asset restoration obligation (Note 21)	**13,157,419**	13,157,419
Lease liabilities - net of current portion (Notes 17 and 21)	**4,669,500,863**	4,525,911,787
Total Noncurrent Liabilities	**6,314,051,141**	5,129,750,950
Total Liabilities	**9,509,163,232**	8,632,547,406
Equity		
Capital stock (Note 15)	**71,818,010**	71,818,010
Additional paid in capital (Note 15)	**1,121,736,785**	1,121,736,785
Accumulated remeasurements on defined benefit obligation (Note 19)	**(111,685,417)**	(80,133,123)
Retained earnings (deficit)	**(183,838,003)**	120,363,991
Total Equity	**898,031,375**	1,233,785,663
TOTAL LIABILITIES AND EQUITY	**₱10,407,194,607**	₱9,866,333,069

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2024	2023
REVENUE		
Transportation revenue (Notes 16 and 17)	**₱9,817,364,956**	₱7,960,178,238
Others (Note 16)	**9,665,760**	5,455,953
	9,827,030,716	7,965,634,191
EXPENSES		
Flying operations (Notes 17, 18 and 21)	**4,459,430,099**	3,788,752,269
Maintenance (Notes 17 and 18)	**1,677,447,518**	1,098,503,540
Aircraft and traffic servicing (Note 18)	**1,642,569,852**	1,049,736,158
Passenger service	**808,596,073**	584,241,551
General and administrative (Note 18)	**634,118,930**	455,691,082
	9,222,162,472	6,976,924,600
OTHER INCOME (CHARGES) - net		
Financing income (Notes 5, 8, 11 and 17)	**24,504,406**	13,652,694
Financing charges (Notes 17 and 21)	**(658,756,824)**	(608,774,682)
Equity in net losses of a subsidiary (Note 9)	**(3,511,969)**	(10,337,836)
Other charges - net (Notes 10, 17, 18 and 23)	**(100,619,202)**	(241,325,594)
	(738,383,589)	(846,785,418)
INCOME (LOSS) BEFORE INCOME TAX	**(133,515,345)**	141,924,173
PROVISION FOR INCOME TAX (Note 20)	**(170,686,649)**	(178,627,457)
NET LOSS	**(304,201,994)**	(36,703,284)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Remeasurement loss on defined benefit obligation (Note 19)	**(31,552,294)**	(175,187,877)
TOTAL COMPREHENSIVE LOSS	**(₱335,754,288)**	(₱211,891,161)

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND DECEMBER 31, 2023

	Capital Stock (Notes 1 and 15)	Additional Paid-in Capital (Notes 1 and 15)	Accumulated Remeasurements on Defined Benefit Obligation (Note 19)	Retained Earnings (Deficit) (Notes 1 and 15)	Total
BALANCES AT DECEMBER 31, 2022	**₱71,818,010**	**₱1,121,736,785**	**₱95,054,754**	**₱157,067,275**	**₱1,445,676,824**
Net loss	–	–	–	(36,703,284)	(36,703,284)
Other comprehensive loss	–	–	(175,187,877)	–	(175,187,877)
Total comprehensive loss	**–**	**–**	**(175,187,877)**	**(36,703,284)**	**(211,891,161)**
BALANCES AT DECEMBER 31, 2023	**71,818,010**	**1,121,736,785**	**(80,133,123)**	**120,363,991**	**1,233,785,663**
Net income	–	–	–	(304,201,994)	(304,201,994)
Other comprehensive loss	–	–	(31,552,294)	–	(31,552,294)
Total comprehensive loss	–	–	(31,552,294)	(304,201,994)	(335,754,288)
BALANCES AT DECEMBER 31, 2024	**₱71,818,010**	**₱1,121,736,785**	**(₱111,685,417)**	**(₱183,838,003)**	**₱898,031,375**

See accompanying Notes to Financial Statements.

AIR PHILIPPINES CORPORATION
(A Subsidiary of Zuma Holdings and Management Corporation)

STATEMENTS OF CASH FLOWS

	Years Ended December 31	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	**(₱133,515,345)**	₱141,924,173
Adjustments for:		
Depreciation and amortization (Notes 10 and 18)	**1,725,888,659**	1,807,225,439
Loss on disposal of property and equipment (Notes 10 and 18)	**2,616,650**	32,478,073
Equity in net losses of a subsidiary (Note 9)	**3,511,969**	10,337,836
Financing income (Notes 5, 8, 11 and 17)	**(24,504,406)**	(13,652,694)
Financing charges (Notes 17 and 21)	**658,756,824**	608,774,682
Unrealized foreign exchange losses (Note 20)	**38,809,748**	505,144,270
Movement in accrued employee benefits (Note 19)	**958,114,463**	153,310,428
Operating income before working capital changes	**3,229,678,562**	3,245,542,207
Decrease (increase) in:		
Receivables	**323,838,256**	73,203,769
Expendable parts, materials and supplies	**(358,268,140)**	(165,280,715)
Other current assets	**(254,623,270)**	(123,110,734)
Other noncurrent assets	**(34,453,790)**	68,448,910
Increase (decrease) in:		
Accounts payable	**132,988,490**	13,403,503
Accrued expenses and other current liabilities	**(8,805,941)**	(182,894,346)
Net cash generated from operations	**3,030,354,167**	2,929,312,594
Interest received	**23,315,218**	11,871,514
Income taxes paid, including creditable withholding taxes	**(198,285,698)**	(205,374,919)
Net cash flows from operating activities	**2,855,383,687**	2,735,809,189
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of property and equipment (Notes 10 and 25)	**(317,244,045)**	(119,476,746)
Refund of aircraft security deposits (Notes 11 and 21)	**–**	107,779,500
Net cash flows from investing activities	**(317,244,045)**	(11,697,246)
CASH FLOW FROM A FINANCING ACTIVITY		
Payment of lease liabilities (Notes 21 and 25)	**(2,430,984,666)**	(2,247,246,164)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**10,998,627**	(15,924,044)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**118,153,603**	460,941,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**704,442,236**	243,500,501
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 5)	**₱822,595,839**	₱704,442,236

See accompanying Notes to Financial Statements.

1. Corporate Information and Authorization for Issuance of Financial Statements

Corporate Information

Air Philippines Corporation (APC or the Company) was incorporated in the Philippines. The Company's Articles of Incorporation was presented for filing with the Philippine Securities and Exchange Commission (SEC) on February 8, 1995 and approved by the SEC on February 13, 1995. It is primarily engaged in the business of air transportation for the carriage of passengers and cargo within and outside the Philippines.

The Company is 99.97%-owned by Zuma Holdings and Management Corporation (Zuma) as at December 31, 2024 and 2023. The Company's ultimate parent company is Buona Sorte Holdings, Inc. (BSHI). Zuma and BSHI are both incorporated and domiciled in the Philippines.

The registered office address of the Company is R-1 Hangar, APC Gate 1, Andrews Avenue, Nichols, Pasay City.

Franchise

APC operates under a franchise for a term of 25 years from August 8, 1997, the date of effectivity of Republic Act (RA) No. 8339, with some provisions amended under RA No. 9215 effective May 5, 2003. The Company's franchise was renewed for a term of 25 years under RA No. 11682 when it lapsed into law on April 11, 2022. Under the franchise, APC is subject to, among others:

a. corporate income tax based on net taxable income; or
b. franchise tax of 5% of the gross revenue derived from non-transport, domestic transport and outgoing international transport operations,

whichever is lower, in lieu of all other taxes, duties, royalties, registration license, and other fees and charges, of any kind, nature, or description, imposed by any municipal, city, provincial or national authority or government agency, except real property tax.

Under RA No. 9337 or the E-VAT Act of 2005 which took effect on November 1, 2005, the franchise tax was abolished and APC became subject to the corporate income tax. APC remains exempt from any taxes, duties, royalties, registration license, and other fees and charges, as may be provided under APC's franchise.

As further provided for under its franchise, APC can carry forward as a deduction from taxable income, net loss incurred in any year up to five years following the year of such loss (see Note 20). In addition, the payment of the principal, interest, fees, and other charges on foreign loans obtained by APC, and all rentals, interest, fees and other charges paid by APC to lessors for the lease of aircraft, engines, spares, other flight or ground equipment, and other personal property are exempt from all taxes, including withholding tax, provided that the liability for the payment of said taxes is assumed by APC.

Authorization for Issuance of Financial Statements

The financial statements as at December 31, 2024 and 2023 and for the years then ended were approved and authorized for issuance by the Company's BOD on March 26, 2025.

2. Status of Operations

The level of operations of the Company is heavily dependent on the operations of Philippine Airlines, Inc. (PAL), a significant related party customer and a source of funding of the Company.

The Company reported total comprehensive loss amounting to ₱335.75 million in 2024 and ₱211.89 million in 2023, which resulted to a deficit amounting to ₱183.84 million as of December 31, 2024, from an equity of ₱120.36 million as of December 31, 2023. Despite the losses incurred in 2024 and 2023, the Company reported positive operating cash flows amounting to ₱2,855.38 million in 2024 and ₱2,735.81 million in 2023. Management plans to continuously implement key activities to further improve the operations in 2025 focusing on the following areas: improving aircraft maintenance planning and reliability, enhancing operational efficiencies, ensuring customer service consistency, optimizing cost containment and liquidity management.

3. Basis of Preparation, Statement of Compliance and Material Accounting Policy Information

Basis of Preparation

The financial statements have been prepared using the historical cost basis. The financial statements are presented in Philippine peso (Peso), which is the Company's functional and presentation currency, and rounded to the nearest Peso, except when otherwise indicated.

Statement of Compliance

The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

The Company elected not to prepare consolidated financial statements under the exception provided by PFRS 10, *Consolidated Financial Statements*. PHI prepares consolidated financial statements, which are in compliance with PFRS Accounting Standards. These are filed with and may be obtained from the Philippine SEC or PHI's office address at 8F, PNB Financial Center, Pres. Diosdado Macapagal Ave., CCP Complex, Pasay City.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except that the Company has adopted the following new accounting pronouncements starting January 1, 2024. The new accounting pronouncements do not have a significant impact to the Company's financial statements, unless otherwise indicated:

- Amendments to PAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-current*
- Amendments to PFRS 16, *Leases, Lease Liability in a Sale and Leaseback*
- Amendments to PAS 7*, Statement of Cash Flows* and PFRS 7*, Financial Instruments Disclosures: Supplier Finance Arrangements*

New Accounting Standards and Amendments to Existing Standards Effective Subsequent to December 31, 2024

Pronouncements issued but not yet effective are listed on the next page. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements will have a significant impact on its financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *The Effects of Changes in Foreign Exchange Rates*, *Lack of exchangeability*

Effective beginning on or after January 1, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards - Volume 11

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*
  The standard replaces PAS 1 and responds to investors' demand for better information about companies' financial performance. The new requirements include:
  - Required totals, subtotals and new categories in the statement of profit or loss
  - Disclosure of management-defined performance measures
  - Guidance on aggregation and disaggregation

- PFRS 19, *Subsidiaries without Public Accountability*
  The standard allows eligible entities to elect to apply PFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other PFRS accounting standards. The application of the standard is optional for eligible entities.

Deferred effectivity
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Investment in Associates and Joint Ventures*, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Fair Value Measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

Financial Instruments
Initial Recognition of Financial Instruments
Financial instruments are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability).

Financial assets measured at amortized cost
The Company's cash in banks and cash equivalents, short-term investments, receivables and deposits on aircraft leases are classified under this category because the following conditions were met:

- The financial asset is held to collect the contractual cash flows; and
- Contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, these financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment.

Financial liabilities
The Company's accounts payable, accrued expenses, other current liabilities and lease liabilities classified under this category.

After initial recognition, these financial liabilities are carried at amortized cost, taking into account the impact of applying the effective interest method of amortization (or accretion) for any related premium, discount and any direct attributable transaction cost.

Derecognition of Financial Assets and Financial Liabilities
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is generally derecognized when the rights to receive cash flows from the asset have expired.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

Impairment of Financial Assets
The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Offsetting of Financial Instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to set off the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Expendable Parts, Materials and Supplies
Expendable parts, materials and supplies are stated at the lower of cost and net realizable value. Cost is determined using the moving weighted average method. Net realizable value represents the replacement cost of these expendable parts, materials and supplies, considering factors such as age and physical condition of these assets.

Investment in a Subsidiary
The Company accounted its investment in a subsidiary in the financial statements using the equity method.

The carrying value of the investment in a subsidiary is reviewed at each reporting period for any indicators of impairment.

The Company's investment in a subsidiary represents the 55% ownership interest in Guide to the Philippines Inc. (Guide) as discussed in Note 9.

Property and Equipment
Property and equipment are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

	Number of Years
Flight equipment (including rotable and reparable parts)	3 to 18
Ground property and equipment	3 to 9

Leasehold improvements are depreciated over the estimated useful lives of the assets based on the contractor's technical evaluation considering the type of the structure or the term of the lease, whichever is shorter.

Leases

Right-of-use assets

The Company recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are classified in the statements of financial position as part of property and equipment. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Number of Years
Passenger aircraft	3 to 10
Ground property	3

If the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the right-of-use assets are depreciated based on the estimated useful life of the underlying assets.

Lease liabilities

At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term which are classified as long-term obligations in the statements of financial position. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Lease modifications and termination
After the commencement date, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset. The Company remeasures the lease liability to reflect changes to the lease payments. The Company determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. The Company recognizes the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. However, if the carrying amount of the right-of-use asset is reduced to zero and there is a further reduction in the measurement of the lease liability, the Company recognizes any remaining amount of the remeasurement in profit or loss.

In the case of lease termination, the Company decreases the carrying amount of the right-of-use assets to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease. The Company recognizes in profit or loss any gain or loss relating to the partial or full termination of the lease.

Short-term leases and leases of low-value assets
The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Asset Restoration Obligation (ARO)
The Company is required under various aircraft lease agreements to restore the leased aircraft to their original condition and to bear the cost of dismantling and restoration at the end of the lease term. For certain lease agreements, the Company provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF), based on aircraft hours flown and engine cycles until the next scheduled checks. If the estimated cost of dismantling and restoration is expected to exceed the cumulative MRF or where the lease agreement does not require contribution of MRF, an additional obligation is recognized over the remaining term of the leases. The amount of obligation is carried at amortized cost using the effective interest method.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when controls of goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for the goods and services. The specific recognition criteria for each type of revenue are as follows:

Transportation revenue are recognized as revenue when the related services are rendered.

Other revenue are recognized when the related services have been rendered or when the goods are sold.

Retirement Benefits Costs
Accrued employee benefits is the present value of the defined benefit obligation at the end of the reporting period.
The cost of providing benefits is determined using the projected unit credit method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries.

Retirement benefits costs are recognized as expense in profit or loss.

Remeasurements comprising actuarial gains and losses are recognized immediately in other comprehensive income in the period in which they arise and are not reclassified to profit or loss in subsequent periods.

Deferred Income Tax
Deferred income tax is provided, using the balance sheet liability method, on all temporary differences. Deferred income tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred income tax assets are recognized for all deductible temporary differences, to the extent that it is probable that sufficient future taxable profits will be available against which the deductible temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred income tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred income tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Foreign Currency-denominated Transactions and Translations
Transactions in foreign currencies are recorded using the foreign exchange rate at the date of the transaction. Outstanding monetary assets and monetary liabilities denominated in foreign currencies are translated using the closing foreign exchange rate at the end of the reporting period. Exchange differences are recognized in profit or loss.

4. Summary of Significant Accounting Judgments, Estimates and Assumptions

The preparation of these financial statements in accordance with PFRS Accounting Standards requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements. These judgments, estimates and assumptions are based on management's evaluation of relevant facts and circumstances as of the end of the reporting period.

Judgments
In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements.

Determination of the Company's functional currency.
Management considers the Peso as the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions. The Peso is the currency of the primary economic environment in which the Company operates. It is the currency in which the Company measures and reports its financial performance.

Determination of lease term of contracts with renewal options
The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy).

Accounting Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation at the reporting date that have significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed as follows:

Provision for ECL of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (e.g., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the airline sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

As at December 31, 2024 and 2023, the carrying value of receivables amounted to ₱871.01 million and ₱1,259.25 million, respectively. The allowance for ECL amounted to ₱248.63 million and ₱243.62 million as at December 31, 2024 and 2023, respectively (see Note 6).

Estimation of retirement benefits cost

The Company's retirement and other long-term benefits costs relating to its defined benefit plans are actuarially computed which entail using certain assumptions like discount rates and future salary increases. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. Further details about pension obligations are given in Note 19.

Accrued employee benefits as at December 31, 2024 and 2023 amounted to ₱1,631.39 million and ₱590.68 million, respectively (see Note 19).

Recognition of deferred income tax assets

The Company assesses at each reporting period and recognizes deferred income tax assets to the extent of probable taxable profits and reversing taxable temporary differences that will allow the deferred income tax assets to be utilized. Management uses judgment and estimates in assessing the probability of future taxable profits, including the timing of reversal of deferred income tax liability. Details of recognized and unrecognized deferred income tax assets are disclosed in Note 20.

5. Cash and Cash Equivalents

	2024	2023
Cash on hand	**₱6,743,084**	₱4,548,017
Cash in banks (Note 17)	**370,178,038**	260,716,790
Cash equivalents	**445,674,717**	439,177,429
	₱822,595,839	₱704,442,236

Cash in banks earn interest at the respective bank deposit rates. Cash equivalents are made for varying periods of one to three months depending on the immediate cash requirements of the Company.

The Cash equivalents earned, on an average, annual interest ranging from 0.38% to 6.00% in 2024 and 0.03% to 5.00% in 2023.

Interest income, included as part of "Financing income" in the statements of comprehensive income, earned on cash and cash equivalents amounted to ₱23.24 million in 2024 and ₱12.31 million in 2023 (see Note 17).

6. Receivables

	2024	2023
Trade:		
Third parties	**₱235,649,540**	₱235,272,312
Related parties (Note 17)	**747,919,853**	1,038,582,844
Receivable from related parties (Note 17)	**90,771,125**	173,539,110
Others	**45,308,276**	55,470,325
	1,119,648,794	1,502,864,591
Less allowance for ECL:		
Third parties	**234,684,546**	235,272,312
Related parties	**2,893,388**	8,346,648
Others	**11,056,810**	–
	248,634,744	243,618,960
	₱871,014,050	₱1,259,245,631

The movements of allowance for ECL as of December 31, 2024 and 2023 are as follows:

	2024			2023	
	Trade	Others	Total	Trade	Total
Beginning of year	**₱243,618,960**	**₱–**	**₱243,618,960**	₱246,809,753	₱246,809,753
Provision (Reversal) (Note 18)	**(6,041,026)**	**11,056,810**	**5,015,784**	(3,190,793)	(3,190,793)
End of year	**₱237,577,934**	**₱11,056,810**	**₱248,634,744**	₱243,618,960	₱243,618,960

Effective July 2015, all agents were no longer engaged in selling and distribution of flight tickets with the implementation of Code Share Agreement. Hence, the outstanding balances and receivables from agents as at December 31, 2024 and 2023, net of cash bonds or performance guarantees, were specifically provided with full allowance for impairment.

Provision for ECL and reversal of provision were recognized under "General and Administrative Expense" (see Note 18).

7. Expendable Parts, Materials and Supplies

	2024	2023
At cost:		
Expendable parts	**₱799,548,763**	₱491,972,209
Materials and supplies	**28,226,052**	8,900,392
	827,774,815	500,872,601
At net realizable value - expendable parts	**316,221,238**	286,191,983
	₱1,143,996,053	₱787,064,584

The cost of expendable parts carried at net realizable value amounted to ₱617.69 million and ₱592.57 million as of December 31, 2024 and 2023, respectively. The allowance for inventory obsolescence amounted

to ₱301.47 million and ₱306.38 million as at December 31, 2024 and 2023, respectively. Reversal of inventory obsolescence recognized amounted to ₱4.49 million in 2024 and ₱50.67 million in 2023 (see Note 18). Expendable parts recognized as maintenance expense amounted to ₱643.47 million and ₱515.13 million in 2024 and 2023, respectively (see Note 18).

8. Other Current Assets

	2024	2023
Creditable withholding taxes	**₱170,686,649**	₱178,627,457
Current portion of aircraft security deposits (Note 17)	**63,918,725**	59,986,066
Advance payments to suppliers	**203,871,477**	81,454,631
Prepayments	**334,576,219**	167,112,430
Short-term investments (Note 17)	**23,138,000**	23,206,041
	₱796,191,070	₱510,386,625

Short-term investments are made for varying period of more than three months but less than one year and earn interest at the prevailing short-term investment rates ranging from 0.21% to 0.38% in 2024 and 2023. Interest income, included as part of "Financing income" in the statements of comprehensive income, earned on Short-term investments amounted to ₱0.03 million in 2024 and ₱0.05 million in 2023 (see Note 17).

Prepayments include prepaid insurance, subscriptions, rentals, taxes and other expenses.

9. Investment in a Subsidiary

The Company has a 55% ownership interest over Guide, incorporated on December 19, 2018, intended to develop and operate an inbound business-to-consumer (B2C) online travel marketplace such as an online platform with directories and database and hotels.

Details of the investment in a subsidiary as of and for the years ended December 31 are presented below:

	2024	2023
Acquisition cost at beginning and end of year	**₱55,000,000**	₱55,000,000
Accumulated equity in net losses:		
Balance at beginning	**(51,331,785)**	(40,993,949)
Equity in net losses for the year	**(3,511,969)**	(10,337,836)
	(54,843,754)	(51,331,785)
Balance at end of year	**₱156,246**	₱3,668,215

The following are the summarized financial information of Guide as of and for the years ended December 31:

	2024	2023
Current assets	**₱24,288,953**	₱23,065,301
Noncurrent assets	**4,342,294**	2,860,280
Current liabilities	**28,347,161**	19,628,179
Equity	**284,086**	6,297,402
Revenue	**67,398,179**	41,519,113
Net losses	**6,013,318**	18,315,812

10. **Property and Equipment**

	2024				
	January 1,2024	**Additions**	**Disposals/ Retirements**	**Reclassifications And Other Adjustments**	**December 31,2024**
Cost:					
Flight equipment	**₱1,526,502,688**	**₱211,497,763**	**(₱2,936,927)**	**(₱145,339,835)**	**₱1,589,723,689**
Ground property and equipment	**286,716,316**	**101,458,565**	**(43,917,638)**	**(33,609,221)**	**310,648,022**
Leasehold improvement	**94,437,799**	**10,166,471**	**(35,726)**	**(7,372,023)**	**97,196,521**
Right-of-use assets (Note 21):					
Passenger aircraft	**14,335,905,219**	**–**	**–**	**1,545,785,332**	**15,881,690,551**
Ground property	**193,111,856**	**–**	**(191,712,498)**	**(1,399,358)**	**–**
	16,436,673,878	**323,122,799**	**(238,602,789)**	**1,358,064,895**	**17,879,258,783**
Accumulated depreciation (Note 18)**:**					
Flight equipment	**1,209,979,231**	**71,619,102**	**(320,277)**	**(140,920,851)**	**1,140,357,205**
Ground property and equipment	**231,827,578**	**22,574,752**	**(43,917,638)**	**(31,148,511)**	**179,336,181**
Leasehold improvement	**86,518,333**	**2,160,335**	**(35,726)**	**(4,655,330)**	**83,987,612**
Right-of-use assets:					
Passenger aircraft	**9,256,677,090**	**1,586,308,395**	**–**	**(6,282,082)**	**10,836,703,403**
Ground property	**148,282,131**	**43,226,075**	**(191,712,498)**	**204,292**	**–**
	10,933,284,363	**1,725,888,659**	**(235,986,139)**	**(182,802,482)**	**12,240,384,401**
Net Book Value	**₱5,503,389,515**	**(₱1,402,765,860)**	**(₱2,616,650)**	**₱1,540,867,377**	**₱5,638,874,382**

	2023				
	January 1, 2023	Additions	Disposals/ Retirements	Reclassifications And Other Adjustments	December 31, 2023
Cost:					
Flight equipment	₱1,516,953,463	₱75,725,947	(₱60,646,773)	(₱5,529,949)	₱1,526,502,688
Ground property and equipment	296,115,638	47,406,025	(56,933,463)	128,116	286,716,316
Leasehold improvement	93,643,377	4,098,468	(3,304,046)	–	94,437,799
Right-of-use assets (Note 21):					
Passenger aircraft	13,332,635,872	245,407,354	–	757,861,993	14,335,905,219
Ground property	191,044,759	–	–	2,067,097	193,111,856
	15,430,393,109	372,637,794	(120,884,282)	754,527,257	16,436,673,878
Accumulated depreciation (Note 18):					
Flight equipment	1,109,867,045	132,021,341	(29,625,161)	(2,283,994)	1,209,979,231
Ground property and equipment	275,053,262	12,094,970	(55,477,002)	156,348	231,827,578
Leasehold improvement	89,247,181	575,198	(3,304,046)	–	86,518,333
Right-of-use assets:					
Passenger aircraft	7,638,168,501	1,618,508,589	–	–	9,256,677,090
Ground property	108,490,936	44,025,341	–	(4,234,146)	148,282,131
	9,220,826,925	1,807,225,439	(88,406,209)	(6,361,792)	10,933,284,363
Net Book Value	₱6,209,566,184	(₱1,434,587,645)	(₱32,478,073)	₱760,889,049	₱5,503,389,515

Flight equipment includes cost of aircraft tools, engine, rotables and reparables.

Total cost of fully depreciated property and equipment still used in operations amounted to ₱230.35 million and ₱269.57 million as at December 31, 2024 and 2023, respectively.

11. **Deposits on Aircraft Leases**

The Company's aircraft security deposits are carried initially at present value and thereafter accreted using the effective interest method. Accretion income amounted to ₱1.23 million in 2024 and ₱1.29 million in 2023 included as part of "Financing income" in the statements of comprehensive income (see Note 17). The Company received refund of security deposits amounting to ₱107.78 million in 2023.

12. **Other Noncurrent Assets**

	2024	2023
Deposits	**₱111,490,399**	₱110,404,059
Noncurrent portion of CWT	**1,022,876,568**	987,336,711
Deferred input VAT	**–**	395,493
	₱1,134,366,967	₱1,098,136,263

Deposits include rental and miscellaneous deposit to foreign airports.

13. **Accounts Payable**

	2024	2023
Trade:		
Third parties	**₱41,054,893**	₱77,065,472
Related parties (Note 17)	**18,474,426**	17,824,894
	₱59,529,319	₱94,890,366

14. **Accrued Expenses and Other Current Liabilities**

	2024	2023
Accrued expenses:		
Taxes	**₱373,994,841**	₱831,446,311
Landing and take-off fees and ground handling charges (Note 17)	**382,413,919**	454,548,718
Accrued salaries and wages	**105,741,639**	150,261,710
Maintenance (Note 17)	**202,517,068**	87,826,280
Rent and lease charges (Notes 17 and 21)	**12,098,363**	13,891,396
Insurance	**257,898,400**	22,147,126
Outside services and utility charges	**36,136,608**	36,633,002
Freight charges	**27,211,144**	27,349,417
Passenger food and supplies	**34,244,165**	28,680,691
Others	**45,868,503**	46,984,134
	₱1,478,124,650	₱1,699,768,785

Other accrued expenses include accruals for customs and immigration fees, communication and other operating expenses.

15. **Capital Stock**

The Company's capital stock as at December 31, 2024 and 2023, with ₱1.00 par value per share, consists of the following:

Number of shares:	
Authorized	80,000,000
Issued and outstanding	71,818,010
Amounts of issued and outstanding:	
Capital stock	₱71,818,010
Additional paid-in capital	1,121,736,785

16. Revenue from Contracts with Customers

Disaggregation of revenue from contracts with customers follows:

	2024	2023
Transportation revenue	**₱9,817,364,956**	₱7,960,178,238
Others	**9,665,760**	5,455,953
	₱9,827,030,716	₱7,965,634,191

Transportation revenue pertains to service rendered under a Code Share Agreement with a related party (see Note 17).

The Company has no contract assets and liabilities as of December 31, 2024 and 2023.

17. Related Party Transactions

The tables below present the amounts and outstanding balances of the Company's transactions with its related parties (in thousands):

	2024		
	Volume	**Outstanding Receivable (Payable)**	**Terms and Conditions**
Parent company			
Receivable (Note 6)	**₱–**	**₱62,972**	Non-interest bearing, unsecured, due and demandable, not impaired, usually settled in cash
Subsidiary			
Receivable (Notes 6 and 9)	**912**	**33**	Non-interest bearing, unsecured, due and demandable, not impaired, usually settled in cash
Entities under common control:			
Cash and cash equivalents, including interest income (Note 5)	**23,240**	**815,410**	Interest-bearing, collectible on demand, not impaired, usually settled in cash
Short-term investments (Note 8)	**30**	**23,138**	Interest-bearing, collectible on demand, not impaired, usually settled in cash
Traffic revenue on codeshare agreement (Note 6 and 16)	**10,990,856**	**1,974,497**	Non-interest-bearing, unsecured, due within one month, not impaired, usually settled on a net basis
Aircraft security deposit (Notes 8 and 11)	–	**63,919**	Non-interest-bearing, due and refundable at the end of the lease term, not impaired, usually settled in cash
Right-of-use assets (Note 10)	–	**5,044,987**	Non-interest bearing, unsecured, unimpaired
Lease liabilities and accrued lease (Note 21)*	**3,043,945**	**(7,562,427)**	Payable monthly based on agreed rates, usually settled on a net basis
Aircraft lease related costs:			
Depreciation on right-of-use assets (Notes 18 and 21)	**1,586,308**	–	Payable monthly based on agreed rates, usually settled on a net basis
Accretion of interest on lease liabilities (Note 21)	**656,021**	–	Payable monthly based on agreed rates, usually settled on a net basis
Other charges (Note 18)	**127,511**		Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Sales and other income (Note 6)	**11,923**	**16,204**	Non-interest-bearing, unsecured, due and demandable, not impaired, usually settled in cash
Accounts payable (Note 13)	–	**(18,474)**	Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Entities under common shareholder group	–	–	
Sales and other income (Notes 6)	**(13,933)**	**11,312**	Non-interest-bearing, unsecured, due and demandable, not impaired, usually settled in cash

**Amount in volume pertains to actual billings for the year. Transactions recognized in profit or loss pertain to depreciation of right-of-use assets and accretion of interest of lease liabilities in accordance with PFRS 16.*

	2023		
	Volume	Outstanding Receivable (Payable)	Terms and Conditions
Parent company			
Receivable (Note 6)	₱–	₱62,972	Non-interest bearing, unsecured, due and demandable, not impaired, usually settled in cash
Subsidiary			
Receivable (Notes 6 and 9)	(376)	166	Non-interest bearing, unsecured, due and demandable, not impaired, usually settled in cash
Accounts payable (Note 13)	26	–	Non-interest bearing, unsecured, due and demandable, usually settled on a net basis
Entities under common control			
Cash and cash equivalents, including interest income (Note 5)	12,310	698,977	Interest-bearing, collectible on demand, not impaired, usually settled in cash
Short-term investments (Note 8)	47	23,206	Interest-bearing, collectible on demand, not impaired, usually settled in cash
Traffic revenue on codeshare agreement (Note 6 and 16)	7,960,178	1,037,641	Non-interest-bearing, unsecured, due within one month, not impaired, usually settled on a net basis
Aircraft security deposit (Notes 8 and 11)	1,294	59,986	Non-interest-bearing, due and refundable at the end of the lease term, not impaired, usually settled in cash
Right-of-use assets (Note 10)	–	5,079,228	Non-interest bearing, unsecured, unimpaired
Lease liabilities and accrued lease (Note 21)*	2,289,533	(6,185,585)	Payable monthly based on agreed rates, usually settled on a net basis
Aircraft lease related costs:			
Depreciation on right-of-use assets (Notes 18 and 21)	1,618,509	–	Payable monthly based on agreed rates, usually settled on a net basis
Accretion of interest on lease liabilities (Note 21)	602,040	–	Payable monthly based on agreed rates, usually settled on a net basis
Aircraft maintenance and other charges (Notes 13, 14 and 18)	352,532	(8,085)	Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Sales and other income (Note 6)	6,361	13,259	Non-interest-bearing, unsecured, due and demandable, not impaired, usually settled in cash
Accounts payable (Note 13)	–	(17,825)	Non-interest-bearing, unsecured, due and demandable, usually settled on a net basis
Entities under common shareholder group			
Sales and other income (Notes 6)	–	93,243	Non-interest-bearing, unsecured, due and demandable, not impaired, usually settled in cash

**Amount in volume pertains to actual billings for the year. Transactions recognized in profit or loss pertain to depreciation of right-of-use assets and accretion of interest of lease liabilities in accordance with PFRS 16.*

Significant terms and conditions related to the related party balances and transactions are as follows:

Entities Under Common Control

a. The Company has interest-bearing cash deposits, short-term placements and short-term investments with a related party as at December 31, 2024 and 2023 (see Notes 5 and 8).

b. The transactions with PAL, an entity under common control, include joint services and code share agreements, and maintenance services.

   Effective March 2014, the Company entered into the Code Share Agreement with PAL. This arrangement superseded the existing Reciprocal Free Flow Code Share Agreement. Under the Code Share Agreement, PAL markets the codeshare flights while the Company operates the flights based on agreed rates.

   Total transportation revenue earned by the Company as a result of the Code Share Agreement with PAL amounted to ₱9,817.36 million and ₱7,960.18 million in 2024 and 2023, respectively (see Note 16).



The Company and PAL do not have master netting agreements in respect of their intercompany transactions but settle their accounts on a net basis.

As of December 31, 2024 and 2023, the Company presented in its statements of financial position a net receivable from PAL (shown as part of "Receivable") of ₱746.19 million and ₱1,038.58 million, respectively, with gross amounts as presented below (in millions):

	Receivable	Payable	Net receivable
December 31, 2024	**₱1,981.33**	**₱1,235.14**	**₱746.19**
December 31, 2023	₱2,742.30	₱1,703.72	₱1,038.58

c. As of December 31, 2024 and 2023, the Company has several lease agreements with PAL for Airbus A321-231, Airbus A320-200 and Bombardier aircraft units (see Note 21).

d. In 2024 and 2023, the Company engaged a related party for the provision of regulatory affairs, related tasks management, and document management services. Appropriate personnel from the related party will be utilized over the term of the agreement. Management fees amounted to ₱33.10 million in 2024 and ₱37.46 million in 2023.

Key Management Personnel
Key management personnel are provided by a related party in 2024 and 2023 by virtue of the management agreement entered by the Company and a related party wherein the Company pays the corresponding management fees for the services provided.

18. Expenses and Other Income - net

Expenses
The significant components of expenses by nature are as follows:

	2024	2023
Personnel costs (Note 19)	**₱3,158,642,836**	₱1,965,638,623
Depreciation and amortization (Note 10)	**1,725,888,659**	1,807,225,439
Maintenance (Notes 7 and 17)	**1,201,094,690**	785,635,637
Landing and take-off fees	**1,115,147,961**	681,230,589
Aircraft lease (Notes 12, 17 and 21)	**653,277,834**	593,178,632
Outside services	**412,897,620**	335,505,413
Travel and transportation	**296,976,208**	241,085,611
Insurance	**244,186,979**	240,648,298
Materials and supplies	**207,114,651**	190,412,069
Trainings and seminars	**109,838,308**	91,132,589
Ground handling charges (Note 17)	**59,201,854**	50,423,538
Taxes and licenses	**4,443,791**	13,842,656
Reversal of inventory obsolescence - net (Note 7)	**(4,486,499)**	(50,670,049)

Other Income (Charges) - net

	2024	2023
Foreign exchange losses - net	**(₱81,138,010)**	(₱282,889,781)
Loss on property disposal/retirement (Note 10)	**(2,616,650)**	(32,478,073)
Others (Note 6)	**(16,864,542)**	74,042,260
	(₱100,619,202)	(₱241,325,594)

Others include provision and reversal of ECL in 2023 and items that are individually immaterial.

19. **Accrued Employee Benefits**

The Company's retirement plan is a noncontributory defined benefit plan covering all regular employees. Benefits are based on the employees' years of service and final salary.

The retirement plan meets the minimum retirement benefit specified under Republic Act 7641, *The Retirement Pay Law*.

The Company's accrued employee benefits as of December 31 consisted of the following:

	2024	2023
Regular retirement benefits	**₱968,661,052**	₱394,077,070
Other long-term benefit:		
Sick leave and vacation leave	**326,043,756**	–
Pilot retirement package	**336,688,051**	196,604,674
	₱1,631,392,859	₱590,681,744

Pilot retirement package pertains to pilot loyalty program which is based on Pilot's flown hours.

Retirement benefit costs are as follows:

	2024	2023
Current service cost	**₱63,960,385**	₱19,695,943
Past service cost	**442,461,975**	–
Interest cost	**40,037,196**	13,638,233
	₱546,459,556	₱33,334,176

The past service cost pertains to the effect of the change in retirement plan of the Company for its employees effective June 1, 2024. In addition, the Company recognized current service cost in relation to the accrual of sick leave and vacation leaves due to change in employee benefits scheme.

Changes in the present value of defined benefits obligation are as follows:

	2024	2023
Beginning of year	**₱394,077,070**	₱188,881,405
Current service cost	**63,960,385**	19,695,943
Interest cost	**40,037,196**	13,638,233
Benefits paid	**(3,427,868)**	(3,326,388)
Effects of changes in:		
Financial assumptions	**7,029,036**	156,522,007
Experience adjustments	**24,523,258**	18,665,870
Past service cost	**442,461,975**	–
End of year	**₱968,661,052**	₱394,077,070

The principal assumptions used in determining the accrued employee benefits of the Company as at January 1 are as follows:

	2024	2023
Discount rate	**6.16%**	7.36%
Salary increase rate	**10.00%**	8.00%

As at December 31, 2024, the discount rate and salary increase rate are 6.09% and 10.00%, respectively.

The discount rate and salary increase rate were identified as significant actuarial assumptions. The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on defined benefit obligation as at December 31, assuming all other assumptions were held constant:

	Increase	Increase (Decrease) on Defined Benefits Obligation	
	(Decrease)	**2024**	2023
Discount rate	(1.00%)	**₱115,457,636**	₱72,960,834
	1.00%	**(107,283,011)**	(59,324,024)
Salary increase rate	(1.00%)	**(108,332,588)**	(59,262,160)
	1.00%	**114,089,922**	71,297,395

The weighted average duration of the defined benefits obligation as at December 31, 2024 and 2023 is 15.98 years and 21.12 years, respectively.

Shown below is the maturity analysis of the undiscounted expected benefit payments:

	2024	2023
Less than one year	**₱52,084,385**	₱4,462,826
One to less than five years	**238,542,290**	11,781,629
Five to less than 10 years	**548,029,749**	123,024,284
10 to less than 15 years	**876,927,057**	201,371,557
15 to less than 20 years	**1,406,980,497**	599,155,698
20 years and above	**3,813,724,276**	3,005,624,072

20. Income Taxes

a. The Company's income tax expense in 2024 and 2023 pertains to regular corporate income tax (RCIT).

b. The Company recognized deferred income tax assets to the extent of deferred income tax liabilities which arise from the following:

	2024	2023
Deferred income tax assets on:		
Allowances for ECL	**₱62,158,686**	₱60,904,740
Lease liabilities	**787,950,531**	1,069,149,933
Asset restoration obligation	**3,289,355**	3,289,355
Accrued employee benefits	**407,848,215**	147,670,436
	1,261,246,787	1,281,014,464
Deferred income tax liability on right-of-use assets	**(1,261,246,787)**	(1,281,014,464)
	₱–	**₱–**

As at December 31, 2024 and 2023, deferred income tax assets have not been recognized on the following deductible temporary differences as management believes that future taxable profits against which these items can be utilized may not be sufficient.

	2024	2023
Lease liabilities	**₱3,175,156,861**	₱1,957,913,258
Unrealized foreign exchange loss	**38,809,748**	505,144,270
Allowance for inventory obsolescence	**301,471,970**	306,379,239

c. A reconciliation of the provision for income tax computed at the statutory rate to the income tax expense as shown in the statements of comprehensive income follows:

	2024	2023
Provision for regular corporate income tax	**₱33,378,836**	₱35,481,043
Additions to (reductions in) income tax resulting from the tax effects of:		
Movement in deductible temporary differences for which no deferred income tax assets were recognized	**141,738,213**	133,360,221
Interest income subjected to final tax	**(5,817,393)**	(3,089,673)
Equity share in net losses of a subsidiary	**877,992**	2,584,459
Nontaxable accretion income on aircraft security deposits	**(308,676)**	(323,453)
Nondeductible expenses	**817,677**	10,614,860
Income tax expense	**₱170,686,649**	₱178,627,457

d. RR No. 10-2002 defines expenses to be classified as entertainment, amusement and recreation (EAR) expenses and sets a limit for the amount that is deductible for tax purposes, i.e., 1% of net revenue for sales of services and 0.50% of net sales for sales of goods. EAR expenses amounted to ₱1.77 million and ₱1.78 million in 2024 and 2023, respectively.

21. **Leases**

Aircraft leases

DHC 8-400 NG

In 2023, the Company leased one additional aircraft from PAL.

DHC 8-400

In 2023, the Company retired one aircraft owned by the Company.

The following table shows the comparative fleet of the Company as at December 31:

	2024	2023
Airbus A320-200	**15**	15
Airbus A321-231	**4**	4
Bombardier DHC 8-400 Next Generation	**11**	11
Bombardier DHC 8-400*	**4**	4
Bombardier DHC 8-300*	**4**	4
	38	38

**Non-operating aircraft*

The future minimum lease payments related to these aircraft lease agreements together with the present values of the minimum lease payments as of December 31 are as follows:

	2024		2023	
	Minimum lease commitments	**Present value of lease commitments**	Minimum lease commitments	Present value of lease commitments
Due within one year	**₱2,257,594,641**	**₱1,657,458,122**	₱2,162,198,675	₱1,659,673,303
Due after one year but within five years	**4,995,685,382**	**4,138,530,943**	4,759,345,998	3,973,185,895
Due in more than five years	**560,747,549**	**530,969,920**	606,994,943	552,725,892
Minimum lease payments	**7,814,027,572**	**6,326,958,985**	7,528,539,616	6,185,585,090
Interest and others	**(1,487,068,587)**	**–**	(1,342,954,526)	–
	6,326,958,985	**6,326,958,985**	6,185,585,090	6,185,585,090
Current portion `	**(1,657,458,122)**	**(1,657,458,122)**	(1,659,673,303)	(1,659,673,303)
Noncurrent portion	**₱4,669,500,863**	**₱4,669,500,863**	₱4,525,911,787	₱4,525,911,787

Asset Retirement Obligation on Aircraft Leases
The Company estimates the costs of heavy maintenance on the leased aircraft required on the redelivery to the lessor. The amount of obligation recognized is carried at amortized cost using the effective interest method. Asset restoration obligation amounted to ₱13.16 million as at December 31, 2024 and 2023. No additional provision for ARO was recognized because management assessed that the cumulative balance of MRF is sufficient to cover the estimated costs of heavy maintenance on the lease aircraft and engines required on the redelivery to the lessor.

Ground property leases
The Company has lease agreements with third parties for the lease of terminal space, check-in counter, hangar and office space.

The future minimum lease payments related to these ground property lease agreements together with the present values of the minimum lease payments as of December 31, 2023 are as follows:

	Minimum lease commitments	Present value of lease commitments
Due within one year	₱51,199,931	₱48,464,002
Due after one year but within five years	–	–
Minimum lease payments	51,199,931	48,464,002
Interest and others	(2,735,929)	–
	48,464,002	48,464,002
Current portion	(48,464,002)	(48,464,002)
Noncurrent portion	₱–	₱–

In 2022, the Company entered into an operating lease agreement with the Manila International Airport Authority (MIAA) for leased premises situated at the North General Aviation Area and Domestic Passenger Terminal for a lease term of three years. In 2024, the ground property lease agreements expired. The Company currently continues to occupy the area and pays monthly lease payments; hence, no contract has been created as of the date.

Lease Liabilities
Set out below, is the roll forward analysis of lease liabilities.

	2024	2023
Beginning balances	**₱6,234,049,092**	₱6,941,506,526
Additions	**–**	245,407,354
Interest expense	**658,756,824**	608,774,682
Payments	**(2,430,984,666)**	(2,247,246,164)
Adjustments related to effect of lease reassessment (Notes 10 and 12)	**1,545,785,332**	759,553,351
Foreign currency adjustment	**319,352,403**	(73,946,657)
Ending balances	**₱6,326,958,985**	₱6,234,049,092

Set out below are the amounts recognized in the statements of comprehensive income in relation to the Company's lease arrangements:

	2024	2023
Depreciation expense of right-of-use assets (Note 10)	**₱1,629,534,470**	₱1,662,533,930
Interest expense on lease liabilities	**658,756,824**	608,774,682
Lease charges - short-term leases	**25,859,492**	8,531,317
Lease charges - variable lease payments	**653,277,834**	593,178,632
Total amounts recognized in profit or loss	**₱2,967,428,620**	₱2,873,018,561

22. Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and sufficient capital in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustment to it in light of changes in economic conditions. To maintain or adjust capital structure, the Company may obtain additional capital from its stockholders. No changes were made in the objectives, policies or processes during the years ended December 31, 2024 and 2023.

The table below summarizes the total capital considered by the Company:

	2024	2023
Capital stock	**₱71,818,010**	₱71,818,010
Additional paid-in capital	**1,121,736,785**	1,121,736,785
Retained earnings (deficit)	**(183,838,003)**	120,363,991
	₱1,009,716,792	₱1,313,918,786

23. Financial Instruments and Financial Risk Management Objectives and Policies

Financial Instruments
Fair Value
The carrying amounts of cash and cash equivalents, short-term investments, receivables, deposits, account payables, accrued expenses and other current liabilities approximate their fair values due to the short-term nature of the related transactions.

The table below presents the Company's financial asset as at December 31, 2024 and 2023 for which the fair value disclosed are different from its carrying value:

	2024		2023	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset				
Deposits on aircraft leases	**₱63,918,725**	**₱59,171,694**	₱59,986,066	₱51,988,089
Other deposits	**110,602,099**	**80,007,518**	109,515,759	84,313,873
Financial Liability				
Lease liabilities	**6,326,958,992**	**5,108,415,494**	6,234,049,092	5,006,189,557

Deposits on aircraft leases and other deposits
The fair value of deposits on aircraft leases and other deposits is estimated by discounting future cash flows using the market rates for similar type of transactions. Discount rates used were 6.05% to 6.10% and 5.87% to 5.94% as at December 31, 2024 and 2023, respectively.

The deposits on aircraft leases and other deposits have no quoted prices in an active market (Level 1) and the fair value is based on significant observable inputs (Level 2).

Lease liabilities
The fair values of lease liabilities are based on the discounted net present value of cash flows using the discount rate 5.12% and 5.83% as at December 31, 2024 and 2023, respectively.

Financial Risk Management Objectives and Policies
The Company's principal financial instruments consist of cash and cash equivalents, short-term investments, receivables, account payables and accrued expenses and other current liabilities. The main purpose of these financial instruments is to raise financing for the Company's operations.

The main risks arising from the use of financial instruments are liquidity risk, credit risk and foreign exchange risk.

Liquidity risk
Liquidity risk arises from the possibility that the Company may encounter difficulties in raising funds to meet commitments from financial instruments.

The Company's objectives to manage its liquidity profile are: (a) to ensure that adequate funding is available at all times; (b) to meet commitments as they arise without incurring unnecessary costs; (c) to be able to access funding when needed at the least possible cost; and (d) to maintain an adequate time spread of refinancing maturities.

The tables below summarize the maturity analysis of the Company's financial liabilities as of December 31 based on contractual undiscounted payments (principal and interest):

	2024						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Accounts payable*	**₱55,512,066**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱55,512,066**
Accrued expenses**	**1,095,252,364**	–	–	–	–	–	**1,095,252,364**
Lease liabilities***	**2,257,594,641**	**1,462,103,581**	**1,242,367,060**	**791,760,723**	**642,299,586**	**560,747,549**	**6,956,873,140**
	₱3,408,359,071	**₱1,462,103,581**	**₱1,242,367,060**	**₱791,760,723**	**₱642,299,586**	**₱560,747,549**	**₱8,107,637,570**

**Excludes advances from charterers amounting to ₱4,017,253*
***Excludes statutory liabilities amounting to ₱382,872,286.*
****Includes interest amounting to ₱1,487,068,587.*

	2023						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Accounts payable*	₱86,963,333	₱–	₱–	₱–	₱–	₱–	₱86,963,333
Accrued expenses**	862,102,505	–	–	–	–	–	862,102,505
Lease liabilities***	2,213,398,606	2,042,700,334	1,443,269,882	693,979,782	579,396,000	606,994,943	7,579,739,547
	₱3,162,464,444	₱2,042,700,334	₱1,443,269,882	₱693,979,782	₱579,396,000	₱606,994,943	₱8,528,805,385

**Excludes advances from charterers amounting to ₱7,927,033*
***Excludes statutory liabilities amounting to ₱837,666,280.*
****Includes interest amounting to ₱1,345,690,455.*

The Company's total financial liabilities to be settled currently amounting to ₱3,408.40 million and ₱3,162.46 million as of December 31, 2024 and 2023 include liabilities aggregating to ₱1,150.76 million and ₱944.22 million, respectively, that management considers as working capital. For the other liabilities amounting to ₱2,257.59 million and ₱2,213.40 million as of December 31, 2024 and 2023, respectively, management expects to settle these from the Company's cash to be generated from operations.

The following are the Company's financial assets as of December 31 used to manage liquidity risk, particularly those financial liabilities that will mature in less than a year:

	2024						
	<1 Year	**>1-<2 Years**	**>2-<3 Years**	**>3-<4 Years**	**>4-<5 Years**	**>5 Years**	**Total**
Cash on hand	**₱6,743,084**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,743,084**
Debt instruments at amortized cost:							
Cash in banks and cash equivalents	**815,852,755**	–	–	–	–	–	**815,852,755**
Short-term investments	**23,138,000**	–	–	–	–	–	**23,138,000**
Receivables	**871,014,050**	–	–	–	–	–	**871,014,050**
Aircraft security deposits	**45,102,725**	–	–	–	–	**18,816,000**	**63,918,725**
Other deposits	**5,335,903**	–	**11,761,696**	–	–	**93,504,500**	**110,602,099**
	₱1,767,186,517	**₱–**	**₱11,761,696**	**₱–**	**₱–**	**₱112,320,500**	**₱1,891,268,713**

	2023						
	<1 Year	>1-<2 Years	>2-<3 Years	>3-<4 Years	>4-<5 Years	>5 Years	Total
Cash on hand	₱4,548,017	₱–	₱–	₱–	₱–	₱–	₱4,548,017
Debt instruments at amortized cost:							
Cash in banks and cash equivalents	699,894,219	–	–	–	–	–	699,894,219
Short-term investments	23,206,041	–	–	–	–	–	23,206,041
Receivables	1,259,245,631	–	–	–	–	–	1,259,245,631
Aircraft security deposits	28,479,066	–	–	–	–	31,507,000	59,986,066
Other deposits	–	15,682,262	–	–	10,000	93,823,497	109,515,759
	₱2,015,372,974	₱15,682,262	₱–	₱–	₱10,000	₱125,330,497	₱2,156,395,733

Credit risk

The potential concentration of credit risk consists principally of the Company's transactions with a related party. The Company's revenue from the related party comprises about 100% of the total revenue in 2024 and 2023.

The maximum counterparty exposure of the Company as at December 31, 2024 and 2023 is equal to the carrying values of its financial assets.
The tables below show the aging of financial assets.

December 31, 2024:

		Days Past Due			**Expected**	**Carrying**
	Current	**31 to 60 days**	**61 to 90 days**	**Over 90 days**	**Credit Loss**	**Amount**
Cash on hand	**₱6,743,084**	**₱–**	**₱–**	**₱–**	**₱–**	**₱6,743,084**
Debt instruments at amortized cost:						
Cash in banks and cash equivalents	**815,852,755**	–	–	–	–	**815,852,755**
Short-term investments	**23,138,000**	–	–	–	–	**23,138,000**

(Forward)
Receivables:

	Current	Days Past Due 31 to 60 days	61 to 90 days	Over 90 days	Expected Credit Loss	Carrying Amount
Trade	**₱760,075,183**	**₱–**	**₱–**	**₱223,494,210**	**(₱245,741,573)**	**₱737,827,820**
Receivable from related parties	**87,877,737**	**–**	**–**	**2,893,388**	**(2,893,171)**	**87,877,954**
Others	**28,805,586**	**264,500**	**40,000**	**16,198,190**	**–**	**45,308,276**
Deposits on aircraft leases	**63,918,725**	**–**	**–**	**–**	**–**	**63,918,725**
Other deposits	**110,602,099**	**–**	**–**	**–**	**–**	**110,602,099**
Total	**₱1,897,013,169**	**₱264,500**	**₱40,000**	**₱242,585,788**	**(₱248,634,744)**	**₱1,891,268,713**

December 31, 2023:

	Current	Days Past Due 31 to 60 days	61 to 90 days	Over 90 days	Expected Credit Loss	Carrying Amount
Cash on hand	₱4,548,017	₱–	₱–	₱–	₱–	₱4,548,017
Debt instruments at amortized cost:						
Cash in banks and cash equivalents	699,894,219	–	–	–	–	699,894,219
Short-term investments	23,206,041	–	–	–	–	23,206,041
Receivables:						
Trade	1,053,898,237	–		224,797,989	(238,039,227)	1,040,656,999
Receivable from related parties	163,118,309			5,579,731	(5,579,733)	163,118,307
Others	28,083,797	–	302,400	27,084,128	–	55,470,325
Deposits on aircraft leases	59,986,066	–	–	–	–	59,986,066
Other deposits	109,515,759	–	–	–	–	109,515,759
Total	₱2,142,250,445	₱–	₱302,400	₱257,461,848	(₱243,618,960)	₱2,156,395,733

Foreign currency risk

The Company is exposed to foreign exchange rate fluctuations arising from its revenues, expenses and borrowings in currencies other than its functional currency. The Company manages this exposure by matching its receipts and payments for each individual currency.

The Company's foreign currency-denominated monetary assets and monetary liabilities (in Peso equivalent) as at December 31 are presented below.

	2024	2023
Financial assets:		
Cash and cash equivalents	**₱228,396,150**	₱226,838,685
Short-term investments	**23,138,000**	22,148,000
Receivables	**92,002,690**	469,197,967
Deposits on aircraft leases	**63,918,725**	59,986,066
Other deposits	**74,839,687**	73,089,957
	482,295,252	851,260,675
Financial liabilities:		
Accounts payable and accrued expenses	**(739,127,763)**	(693,333,201)
Lease liabilities	**(6,326,958,985)**	(6,185,585,090)
	(7,066,086,748)	(6,878,918,291)
Net foreign currency-denominated financial assets (liabilities)	**(₱6,583,791,496)**	(₱6,027,657,616)

The Company recognized net foreign exchange loss amounting to ₱81.14 million in 2024 and ₱282.89 million in 2023 arising from these foreign currency-denominated transactions.

The Company's foreign currency-denominated exposures comprise primarily of United States dollar (USD) and Chinese Yuan (CNY).

Sensitivity analysis

The Company's significant foreign currency-denominated financial assets and financial liabilities are in USD.

The table below shows the impact of reasonably possible changes in the exchange rates of the US dollar against the Peso on the Company's income before income tax (all others remain constant) as of December 31.

		Net Gain (Loss) Effect on Income before Income Tax	
Year	Increase (Decrease) in Foreign Exchange Rates	Increase in Foreign Exchange Rates	Decrease in Foreign Exchange Rates
2024	**6.36%**	**(₱423,886,513)**	**₱423,886,513**
2023	6.35%	(₱347,490,690)	₱347,490,690

There is no impact on the Company's equity other than those already affecting profit or loss.

24. Commitments and Contingencies

In the ordinary course of its business, the Company is a party to litigations related mainly to labor disputes and probable claims. The timing of the cash outflow from these ongoing litigations and claims is uncertain as it depends upon the outcome of the Company's negotiations and/or legal proceedings with the parties involved. Disclosure on additional details beyond the present disclosures may seriously prejudice the Company's position and strategy. Thus, as allowed by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, only general descriptions were provided.

Management and the Company's legal counsel believe that the resolution of these contingencies will not have a material effect on the results of operations or the financial position of the Company. If it becomes probable that an outflow of future economic benefits will be required for these contingent liabilities, a provision shall be recognized in the financial statements of the period in which the change in probability occurs.

25. Notes to Statements of Cash Flows

Noncash Investing Activities

a. Additions to property and equipment include unpaid acquisitions amounting to ₱14.76 million and ₱13.38 million as at December 31, 2024 and 2023, respectively (see Note 10).

b. The Company retired certain property and equipment resulting to a loss on retirement amounting to ₱2.62 million and ₱31.20 million in 2024 and 2023, respectively.

Financing Activities

The roll forward of liabilities under financing activities below (in thousands):

2024

	December 31, 2023	**Payments**	**New leases**	**Other noncash changes**	**December 31, 2024**
Current portion of lease liabilities	**₱1,708,137**	**(₱2,430,985)**	**₱–**	**₱2,380,306**	**₱1,657,458**
Noncurrent portion of lease liabilities	**4,525,912**	**–**	**–**	**143,589**	**4,669,501**
Total liabilities from financing activities	**₱6,234,049**	**(₱2,430,985)**	**₱–**	**₱2,523,895**	**₱6,326,959**

2023

	December 31, 2022	Payments	New Leases	Other noncash changes	December 31, 2023
Current portion of lease liabilities	₱1,998,293	(₱2,247,246)	₱58,055	₱1,899,035	₱1,708,137
Noncurrent portion of lease liabilities	4,943,213	–	187,352	(604,653)	4,525,912
Total liabilities from financing activities	₱6,941,506	(₱2,247,246)	₱245,407	₱1,294,382	₱6,234,049

"Other noncash changes" pertain to lease reassessment and termination adjustments, accretion expense on lease liabilities and foreign exchange gain or loss.

26. Supplementary Information Required Under Revenue Regulations No. 15-2010

The Company reported or paid the following taxes and license fees in 2024:

Value-added Tax (VAT)
The National Internal Revenue Code of 1997 provides for the imposition of VAT on sales of goods and services. Accordingly, the Company's billings on transport and other revenue are subject to output VAT, while its importations and purchases from other VAT-registered individuals or corporations are subject to input VAT. The VAT rate used is 12%.

a. The Company's VATable operating revenues and other income generated from various services rendered amounted to ₱12,499,201,292. The related output VAT declared in the VAT returns in 2024 amounted to ₱1,499,904,155.

   The Company's sales of services are based on actual collections received prior to the implementation of EOPT Act, hence, may not be the same as amounts accrued in the statement of comprehensive income.

b. The Company's zero-rated and exempt sales in 2024 amounted to ₱19,293,628 and ₱18,988,053, respectively.

The table below shows the movements of input VAT in 2024.

Beginning balance	₱–
Current year's purchases of goods and services	310,334,123
Amortization of deferred input VAT from purchases of capital goods	103
Claims for tax credit/refund and other adjustments	(310,334,226)
Ending balance	₱–

Information on the Company's Importations
The Company's total landed costs of importations are as follows:

Landed costs of importations	₱6,019,619,708
Customs duties and others	22,952,490
	₱6,042,572,198

Withholding Taxes
Details of withholding taxes declared are as follows:

Expanded withholding taxes	₱211,243,964
Withholding taxes on compensation and benefits	411,630,842
	₱622,874,806

Other Taxes and Licenses
These include local and national business taxes, licenses and permit fees consisting of the following:

Licenses and business permits	₱1,961,506
Others	2,482,285
	₱4,443,791

Tax Assessment and Cases
The Company has not received any Final Assessment Notice or Formal Letter of Demand from the BIR for its open taxable years as of December 31, 2024.

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