



# PAL Holdings, Inc.

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August 27, 2009

**DISCLOSURE DEPARTMENT**  
**THE PHILIPPINE STOCK EXCHANGE, INC.**  
4/F PSE Centre, Exchange Road  
Ortigas Center, Pasig City

**Attention : MS. JANET A. ENCARNACION**  
**Head, Disclosure Department**

Gentlemen:

Please find herewith the Official Media Release of Philippine Airlines, Inc. to be released today, August 27, 2009.

We trust that you will find everything in order.

Very truly yours,  
**PAL HOLDINGS, INC.**  
By:

  
**ATTY. MA. CECILIA L. PESAYCO**  
Corporate Secretary



# MEDIA RELEASE



**Philippine Airlines**

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## **PAL cuts costs to survive global recession**

Following a US\$301.4 million loss for its fiscal year ended March 31, 2009, Philippine Airlines (PAL) today (August 27, 2009) said it will take decisive steps like rationalizing its workforce, realigning operations to match demand and other cost-cutting measures to survive the crisis currently plaguing airlines worldwide.

During today's annual stockholders' meeting, PAL president and chief operating officer Jaime J. Bautista said the airline management will offer early retirement packages for its employees as a way of enhancing productivity and reducing costs.

"Extraordinary times call for extraordinary measures," Bautista said, noting that PAL – as a global business – shares the same predicament as the giant airlines severely hit by the slowdown in passenger traffic.

"We are currently reviewing our entire organizational set-up. We want to make PAL lean and mean so it will be agile and flexible enough to adapt to the new economic climate. Clearly, the crisis has changed the face of the airline industry which is among the sectors hardest hit by the recession," Bautista stressed.

As a purely private enterprise, he said PAL relies on the strength and backing of its principal shareholders, unlike state-owned airlines which enjoy support from their respective governments in times of crisis. "PAL must not always rely on its stockholders; it must do its part and look internally to overcome this new challenge," he added.

As this developed, PAL shareholders approved a quasi-reorganization plan, reducing the par value of PAL shares to P0.20 from P0.80 per share. It will also increase its authorized capital stock from P16 billion to P20 billion divided into 100 billion shares at P0.20 per share.

PAL's annual report showed that an increase in revenues to US\$1.634 billion, from US\$1.504 billion the previous year, after carrying 17% more passengers due to acquisition of additional aircraft and growth in the domestic market.

However, the cost of operating more flights, which involved higher maintenance expense and compounded by record-high fuel prices, raised expenses to US\$1.9 billion, from US\$1.539 billion the previous year. Fuel comprised 44% of PAL's operating expenses.



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When the global crisis led to a travel slump in the latter part of the year, PAL's passenger load factor fell to an average of 76.2%, three points lower than the previous year.

PAL also reported paying US\$165.4 million in principal and interest to its creditors, bringing to US\$2.4 billion the total paid from March 1999 to March 2009. Total assets decreased by US\$60.6 million to US\$1.971 billion, while total liabilities rose by US\$239.5 million over the previous year.

Bautista said PAL will continue to realign capacity to match demand especially in the domestic front due to increasing traffic. However, this is tempered by the weakness in PAL's long-haul sector particularly the US market where the subprime crisis began.

"We must stress, however, that our cost-cutting measures will in no way infringe on our safety compliance and standards. We are eyeing new destinations either through charters or regular scheduled operations. We also expect to take delivery of our brand new and fuel-efficient Boeing 777-300ERs and we are in the final stages of refurbishing our current fleet of wide-bodied aircraft to feature a bi-class configuration, new seats and state-of-the-art entertainment systems. All these being done to better serve our customers," he added.

With the protracted recession, the International Air Transport Association (IATA) said its member-airlines are bracing for US\$9 billion in total combined losses by the end of the current fiscal year.

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