C O V E R   S H E E T
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	4	6	7	5					

COMPANY NAME

CEBU AIR, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Basement 2 - R 01 - 02, Robinsons Galleria Cebu, General Maxilom corner S. Osmeña Boulevard, Barangay Tejero, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	**SEC**	**N/A**

C O M P A N Y   I N F O R M A T I O N

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**(632) 8802-7000**	**N/A**

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
103	**5/11**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mark Julius V. Cezar	**MarkJulius.Cezar@cebupacificair.com**	**(632) 8802-7000**	**N/A**

CONTACT PERSON's ADDRESS

Cebu Pacific Building, Domestic Road, Barangay 191, Zone 20, Pasay City 1301, Philippines

NOTE 1 : In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2 : All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **December 31, 2023**

2. SEC Identification No. **154675**

3. BIR Tax Identification No. **000-948-229-00000**

   Cebu Air, Inc.
4. Exact name of issuer as specified in its charter

   Cebu City, Philippines
5. Province, country or other jurisdiction of incorporation or organization

6. Industry Classification Code: [ ] (SEC Use Only)

   Basement 2 – R 01 – 02, Robinsons Galleria Cebu, General Maxilom corner S. Osmena Boulevard, Barangay Tejero, Cebu City **6000**
7. Address of issuer's principal office Postal Code

   (632) 8802-7000
8. Issuer's telephone number, including area code

   Not applicable
9. Former name, former address and former fiscal year, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA as of December 31, 2023

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1.00 Par Value	621,991,867 shares
Convertible Preferred Stock, ₱1.00 Par Value	309,693,201 shares

11. Are any or all of these securities listed on a Stock Exchange?

    Yes [✓] No [ ]

    If yes, state the name of such stock exchange and the classes of securities listed herein:

    Philippine Stock Exchange
    Common stock and Preferred stock

12. Check whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17.1 thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports)

    Yes [✓] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.

    Yes [✓] No [ ]

13. **The aggregate market value of stocks held by non-affiliates is ₱6,651,974,916 (based on closing price of Cebu Air, Inc.'s common shares as of March 25, 2024 and outstanding shares owned by the public as of December 31, 2023).**

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Cebu Air, Inc. (the Parent Company) is an airline that operates under the trade names "Cebu Pacific" and "Cebu Pacific Air" and is the leading low-cost carrier in the Philippines. It pioneered the "low fare, great value" strategy in the local aviation industry by providing scheduled air travel services targeted to passengers who are willing to forego extras for fares that are typically lower than those offered by traditional full-service airlines while offering reliable services and providing passengers with a fun travel experience.

The Parent Company was incorporated on August 26, 1988 and was granted a 40-year legislative franchise to operate international and domestic air transport services in 1991. It commenced its scheduled passenger operations in 1996 with its first domestic flight from Manila to Cebu. In 1997, it was granted the status as an official Philippine carrier to operate international services by the Office of the President of the Philippines pursuant to Executive Order (E.O.) No. 219. International operations began in 2001 with flights from Manila to Hong Kong.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on October 26, 2010, the Parent Company's initial public offering (IPO).

The Parent Company has fourteen (14) special purpose entities (SPEs), namely:

1. Summit C Aircraft Leasing Limited (SCALL)
2. Tikgi One Aviation Designated Activity Company (TOADAC)
3. CAI Limited (CL)
4. Sampaguita Leasing Co. Ltd (SLCL)
5. Dia Boracay Ltd. (DBL)
6. Mactan Leasing Co., Ltd (MLCL)
7. Cebuano Leasing Co., Ltd. (CLCL)
8. Dia El Nido Ltd. (DENL)
9. Tarsier Leasing Co., Ltd. (TLCL)
10. RAMEN Aircraft Leasing Limited (RALL)
11. Nalu Leasing Co., Ltd. (NLCL)
12. Linden Leasing Co., Ltd. (LLCL)
13. Guimaras Leasing Co., Ltd. (GLCL)
14. Bohol Leasing Co., Ltd. (BLCL).

The Parent Company does not have any equity interest in these entities but have entered into finance lease arrangements for the funding of various aircraft deliveries.

The Parent Company, its fourteen (14) SPEs, CEBGO, Inc. (the "Airline Group") and A-Plus (collectively known as "the Group") are consolidated for financial reporting purposes.

As of December 31, 2023, the Airline Group operates a route network serving 68 domestic routes and 36 international routes with a total of 2,934 scheduled weekly flights. It operates from three hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; and Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga.

As of December 31, 2023, the Airline Group has fleet of 85 aircraft. The fleet excludes three (3) ATR 72-500 aircraft classified as other assets as these are currently not operating and are held for sale. The average aircraft age of the Airline Group's fleet is approximately 5.6 years as of December 31, 2023.

Aside from passenger service, the Airline Group also provides airport-to-airport cargo services on its domestic and international routes. In addition, it offers ancillary services such as cancellation and rebooking options, in-flight merchandising such as sale of duty-free products on international flights, baggage and travel-related products and services.

A-plus, on the other hand, is engaged in the business of line maintenance (including certification and providing mechanic assistance), to provide technical ramp, equipment handling, and light maintenance aircraft checks (up to and including "A" checks).

The percentage contributions to the Group's revenues of its principal business activities are as follows:

	For the Years Ended December 31		
	2023	2022	2021
Passenger Services	**68.9%**	62.0%	40.0%
Cargo Services	**4.5%**	12.5%	41.1%
Ancillary Services*	**26.6%**	25.5%	18.9%
	100.0%	100.0%	100.0%

**includes A-Plus' revenue from rendering line and light maintenance services to third party customers*

There are no material reclassifications, merger, consolidation, or purchase or sale of a significant amount of assets not in the ordinary course of business that was made in the past three years aside from those discussed above. The Group has not been subjected to any bankruptcy, receivership or similar proceeding in the said period.

2023 Performance: Resilience and recovery amidst unprecedented challenges

The Group emerged stronger and more resilient in 2023, holding strong its commitment to providing affordable, safe, and reliable flights. The Group's key financial and operational performance indicators for 2023 approached 2019 levels.

The Group's revenue reached ₱90.6 billion in 2023, marking a 60% increase year-on-year. The Group's solid financial performance for the year was attributed to the strong revenue of P62.5 billion generated from its passenger business and ₱24.1 billion from its ancillary business, recording increases of 78% and 66%, respectively, year-on-year. Revenue from the cargo business was ₱4.1 billion. The Group returned to profitability in 2023 with an operating income of ₱8.6 billion and positive net income of ₱7.9 billion, recovering from three years of losses brought about by the adverse impacts of the pandemic.

With a larger fleet to serve resurging domestic travel demand and the reopening of most international markets, the airline flew 20.9 million passengers on 140,730 domestic and international flights in 2023, up 41% and 30%, respectively, year-on-year. It also transported 127,544 tonnes of cargo.

The Airline Group remains the leading carrier in the Philippines. It maintained in 2023 its position of having the largest network in the Philippines flying to 60 destinations through 104 routes and operating over 2,900 weekly flights. Average On-Time-Performance (OTP) was at 71.4%, slightly higher than 2019 and 2022 levels. In mid-December alone, we made a strong return, operating on average 435 flights daily and serving 69,000 passengers each day. Our peak performance was recorded on December 20 and 28, when we reached our highest number of flights at 446 per day, serving 73,000 passengers.

The Airline Group captured a 53% share of the domestic market for 2023. The Airline Group's sustained leadership was enhanced by the increase in flight frequencies to popular local destinations and from other non-Manila hubs, the resumption of the Manila-Laoag, Iloilo-Puerto Princesa, and Iloilo-Cagayan routes, and the restart of flights from the Clark Airport. For its international footprint, the airline resumed flights to Melbourne, Macau, and Shenzhen from Manila, and launched the Manila-Danang flights.

The Group's remarkable 2023 performance was achieved notwithstanding the unprecedented challenges in the global aviation industry related to supply chain disruptions, delays in new aircraft deliveries, and engine specific reliability issues creating multiple aircraft on ground (AOG). On the domestic front, the Airline Group faced operational hurdles brought about by severe weather conditions and baggage delivery system irregularities.

To address the capacity constraints and operational difficulties that persisted throughout the year, the Group invested in additional aircraft and engines for ramping up its spare capacity ratio, including securing damp leases or ACMI (Aircraft, Crew, Maintenance, and Insurance). The airline also aligned network plans to account for long-term AOGs.

On the customer front, the Group strengthened its communication channels. Support teams on the ground and online were reinforced through the activation of a disruption management team and increased number of 24/7 live agents. Recovery options and policies were also improved, and non-expiring travel funds were implemented.

2024 Outlook: Greater heights and creating long-term value

The prospects for the airline industry in the Philippines remain promising. Demand for air travel is projected to increase in the coming years, underpinned by infrastructure developments toward easing airport congestion and improving connectivity. This will be further supported by the optimistic economic growth outlook for the Philippines and the broader Southeast Asia region.

A return of the global aviation industry to normal growth patterns is expected in 2024. International recovery will still be a major focus for most Asia-Pacific airlines, with mainland China's demand and traffic rebound considered as crucial factors toward the region's return to pre-pandemic levels.

To capitalize this momentum, the Group will be taking initiatives in 2024 to secure its expansion plans and growth for the years ahead. The Group is committed to enhancing its route network, introducing innovative services, and investing in technology to elevate the customer experience and drive sustainable growth. In the second quarter, the Group is expected to announce the single biggest aircraft order in the history of Philippine aviation. This long-term commitment aligns Group's vision with the collective goal of the Philippine government and other stakeholders to provide world-class air transport service in the country.

Distribution Methods of Products or Services

The Airline Group has three (3) principal distribution channels: the internet; direct sales through booking sales offices, government/corporate client accounts; and third-party sales outlets.

Internet

The Airline Group has its internet booking system platform through www.cebupacificair.com where passengers can book flights and purchase ancillary products and services online. The system also provides passengers with real-time access to the Airline Group's flight schedules and fare options.

The Airline Group also has its official mobile application which allows guests to book flights on-the-go through their mobile devices.

Booking and Regional Branch Offices

As of December 31, 2023, the Airline Group operates two (2) booking offices located in the Philippines. These offices handle ticketing transactions and customer service issues, such as customer requests for change of itinerary. The Airline Group also has four (4) regional branch offices in Hong Kong, Seoul, Tokyo and Shanghai.

Government/Corporate Client Accounts

As of December 31, 2023, the Airline Group has government and corporate accounts for passenger sales. It provides these accounts with direct access to its reservation system and seat inventory as well as credit lines and certain incentives.

Third Party Sales Outlets

As of December 31, 2023, the Airline Group has a network of distributors in the Philippines selling its air services within an agreed territory or geographical coverage. Each distributor maintains and grows its own client base and can impose on its clients a service or transaction fee. Typically, a distributor's client base would include agents, travel agents or end customers. The Airline Group also has a network of foreign general sales agents, wholesalers, and preferred sales agents who market, sell and distribute the Airline Group's air services in other countries.

Publicly Announced New Product or Service

In March 2023, it resumed its Melbourne-Manila route with flights three (3) times a week and utilizing its high capacity A330 aircraft, which is capable of carrying up to 436 passengers or 459 passengers per flight

In April 2023, the Airline Group also resumed its Clark hub operations by relaunching flights and increasing frequencies of its domestic and international destinations from Clark International Airport. With this, the Airline Group flew its inaugural flights from Clark to Bacolod, Boracay, Davao, and Bangkok.

In May 2023, The Airline Group also relaunched its Laoag-Manila route. It is scheduled to fly daily between Laoag and Manila, making it the 35th destination in its domestic network.

In December 2023, Airline Group launched its maiden Manila-Da Nang flight. Da Nang is a popular tourist destination known for its luxurious resorts, architectural designs, and delectable cuisines. It is also the gateway to three UNESCO World Heritage Sites: The Hue Imperial Citadel, My Son Sanctuary, and Hoi An ancient town. The flight was launched with the Airline Group's with its signature Piso Sale, shoring shows the Airline Group's undeniable commitment to help boost tourism by offering faster and more affordable travel.

Throughout the year, the Airline Group likewise increased its flight frequencies to various existing routes and destinations those to Boracay, Davao, Cebu and Hong Kong,

Known for its affordable promos, the Airline Group also offered seat sales in various dates in 2023 which allowed passengers to book ahead for their domestic or international destinations, and score value-for-money fares, making the low fares even more affordable.

Last but not the least, the Airline Group embarked on several initiatives throughout 2023 to continuously improve its passengers' travel experience:

- Starting August 1, 2023, the Airline noted that its travel fund will be non-expiring
- Extended the validity of travel vouchers
- First local carrier to incorporate use of self-bag drop counters in its domestic operations in Clark International Airport
- Elevated passenger experience at NAIA Terminal 3 by allowing passengers who accomplished online check-in to enter through a dedicated gate, among other features that will ease travel experience
- Continuous improvement in Charlie the Chatbot

Competition

The Philippine aviation authorities deregulated the airline industry in 1995 which resulted in fewer regulatory barriers to entry into the Philippine domestic aviation market. For the international market the Philippines currently operates under a bilateral framework whereby foreign carriers are granted landing rights in the Philippines on the basis of reciprocity as set forth in the relevant bilateral agreements between the Philippine government and foreign nations.

The Airline Group maintains a strong market position despite competition on both its domestic and international routes. The level and intensity of competition varies from route to route. Principally, it competes with other airlines that service the routes it flies. However, on certain domestic routes, the Airline Group also considers alternative modes of transportation, particularly sea and land transport, to be competitors for its services. Substitutes to its services also include video conferencing and other modes of communication.

In the domestic market, the Airline Group is the leading domestic airline in the Philippines by passengers carried, with a market share of 53%. Its major competitors in the Philippines are Philippine Airlines ("PAL"), PAL Express; and Philippines Air Asia (PAA).

Internationally, the Airline Group competes with the following LCC's and full-service airlines in its international operations: AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines, Scoot, Jeju Air and Thai Airways, among others.

A-Plus' major competitor is Lufthansa Technik Philippines ("LTP"); however, the latter focuses mostly on rendering base maintenance services or heavy checks.

Raw Materials

Fuel is a major cost component for airlines. The Airline Group's fuel requirements are classified by location and sourced from various suppliers.

The Airline Group's fuel suppliers at its international stations include Shell-Dubai, Shell-Hongkong, Shell-Singapore, World Fuel-Japan, World Fuel-Canton, PTT-Bangkok, PTT-Incheon and Ampol-Sydney among others. It also purchases fuel from local suppliers like Petron and PTT Philippines. The Airline Group purchases fuel stocks on a per parcel basis, in such quantities as are sufficient to meet its monthly operational requirements. Most of the Airline Group's contracts with fuel suppliers are on a yearly basis and may be renewed for subsequent one-year periods.

Dependence on One or a Few Major Customers and Identify any such Major Customers

The Airline Group's business is not dependent upon a single customer or a few customers that a loss of anyone of which would have a material adverse effect on the Airline Group.

A-Plus' major customer is Cebu Air, Inc., its Parent Company.

Transactions with and/or Dependence on Related Parties

The Group's significant transactions with related parties are described in detail in Note 29 of the notes to consolidated financial statements.

Patents, Trademarks, Licenses, Franchises, Concessions and Royalty Agreements

Trademarks

Trademark registrations with the Intellectual Property Office of the Philippines (IPOPhil) prior to the effective date of Republic Act (R.A) No. 8293, or the current Intellectual Property Code of the Philippines, are valid for twenty (20) years from the date of issue of the certificate of registration.

Trademark registrations covered by R.A. No. 8293 are valid for ten (10) years from the date of the certificate of registration. Regardless of whether the trademark registration is for twenty (20) years or ten (10) years, the same may be renewed for subsequent ten (10)-year terms.

The Airline Group holds the following valid and subsisting trademark registrations:

JURISDICTION	MARK	DESCRIPTION
Philippines	CEBU PACIFIC	Word mark
Philippines	CEBU PACIFIC AIR	Word mark
Philippines	Cebu Pacific Eagle Head Logo	
Philippines	Cebu Pacific (with Eagle Head)	
Philippines	Cebu Pacific Air.Com	

JURISDICTION	MARK	DESCRIPTION
Philippines	Cebu Pacific Mascot	
Philippines	WHY EVERYONE FLIES.	Word mark
Philippines	WHY EVERYJUAN FLIES.	Word mark
Philippines	CEBU PACIFIC AIR.COM WHY EVERYONE FLIES.	Word mark
Philippines	CEBU PACIFIC AIR.COM WHY EVERYJUAN FLIES.	Word mark
Philippines	CEBGO	
Philippines	Cebu Pacific Logo (Eagle Head)	
Philippines	Cebu Pacific	
Philippines	CEBGO	
Philippines	1AVIATION	Word mark
Philippines	1AV	Word mark
Philippines	1 Aviation Logo	
Philippines	Super Seat Fest	
Philippines	Travel Sure	
Philippines	CEBU PACIFIC TRAVEL SURE YEAR-ROUND PROTECT	
Philippines	CEBU PACIFIC TRAVEL SURE FLY ME NEXT	
Philippines	CEB TravelSure	
Philippines	CEBU PAC	
Philippines	CEB	
Philippines	CEB PAC	

JURISDICTION	MARK	DESCRIPTION
Philippines	Cebu Pacific	CEB PACIFIC
Philippines	CEB Getaways	ceb getaways
Philippines	CEB Meals	ceb meals
Philippines	CEB Moments	ceb moments
Philippines	CEB Prepaid Baggage	cebprepaid baggage
Philippines	CEB Seat Selector	cebseat selector
Philippines	CEB Sports Equipment	cebsports equipment
Philippines	CEB Surfboard	ceb surfboard
Philippines	CEB Transfers	ceb transfers
Philippines	CEB Wi-Fi Kit	cebwi-fi kit
Philippines	Eco Plane	
Philippines	Every Juan	EVERY JUAN
Philippines	EveryJuan	EVERYJUAN
Philippines	Fly Easy	FLY Easy
Philippines	Go Ahead	GO AHEAD
Philippines	Go Basic	GO Basic
Philippines	Go Easy	GO Easy
Philippines	Go Flexi	GO Flexi

JURISDICTION	MARK	DESCRIPTION
Philippines	Juan for Fun	
Philippines	Juan for Fun Cebu Pacific	
Philippines	P1so Club	
Philippines	The Juan Effect	
Philippines	It’s Time Every Juan Flies	Word mark
Philippines	It’s Time Everyone Flies	Word mark
Philippines	Cebu Pacific and Device	
Philippines	Cebupacificair.com & logo	
Philippines	AVIATION PARTNERSHIP PHILIPPINES & DESIGN	
Philippines	Let's Fly every Juan	
China	CEBU PACIFIC AIR	Word mark
China	CEBU PACIFIC	Word mark
China	IT'S TIME EVERYONE FLIES	Word mark
China	Cebu Pacific (Eagle Head Logo)	
China	Cebu Pacific Mascot	
China	Cebu Pacific (With Eagle Head)	
China	Cebu Pacific Air.Com (With Eagle Head)	
Japan	Ceppie	
Singapore	Cebu Pacific Mascot	

JURISDICTION	MARK	DESCRIPTION
Singapore	Cebu Pacific Eagle Head Logo	
Singapore	Cebu Pacific with Eagle Head Logo	CEBU PACIFIC
WIPO Cambodia	Cebu Pacific Air	Word mark
WIPO	Cebu Pacific	Word mark
WIPO	Cebu Pacific	cebu pacific
WIPO US	Cebu Pacific (Eagle Head Logo)	

Franchise

In 1991, pursuant to R.A. No. 7151, the Parent Company was granted a franchise to operate air transportation services, both domestic and international. In August 1997, the Office of the President of the Philippines gave the Parent Company the status of official Philippine carrier to operate international services. On June 30, 2001, the Philippine Civil Aeronautics Board (CAB) issued the permit to operate scheduled international services and a certificate of authority to operate international charters.

In December 2008, pursuant to R.A. No. 9517, CEBGO, Inc, the Parent Company's wholly owned subsidiary, was granted a franchise to establish, operate and maintain domestic and international air transport services with Clark Field, Pampanga as its base. This franchise shall be for a term of twenty-five (25) years.

Kindly refer to Note 1 of the notes to consolidated financial statements.

Government Approval of Principal Products or Services

The Group complies with and adheres to existing government regulations of the following regulatory bodies:

- Civil Aeronautics Board (CAB)
- Civil Aviation Authority of the Philippines (CAAP)

The Airline Group's business depends upon the permits and licenses issued by the government authorities or agencies for its operations which include the following:

- Legislative Franchise to Operate Transport Services by Air
- Certificate of Public Convenience and Necessity (CPCN)
- Foreign Air Operator Permit
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness
- Aviation Insurance Coverage

The Airline Group also has to seek approval from the relevant airport authorities to secure airport slots for its operations.

Effects of Existing or Probable Government Regulations on the Business

The Airline Group recognizes the effect of the nature and extent of regulations on the results of its operations. Consequently, in conducting its businesses, the Airline Group has secured or seeks to secure all relevant and applicable government approvals at both the national and local levels.

Aviation Safety Ranking and Regulations - The Airline Group has fully complied with the IATA Operational Safety Audit (IOSA) and recently passed in its 2023 IOSA Audit. IOSA is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline.

In pursuit of maintaining and improving its safety procedures, the Airline Group has invested in technology that would improve its capability to manage safety risks such as on-board Runway Overrun Prevention System (ROPS) cockpit technology for its Airbus fleet for purposes of calculating whether the aircraft can safely stop in the runway length remaining ahead of the aircraft, Area Navigation (RNAV) data for more accurate navigation and approaches to various airports and a Fatigue Risk Management System to ensure that pilots are at adequate levels of alertness.

The Airline Group is part of the International Air Transportation Association (IATA), the trade association for the global airline industry, where it gained access to expertise and learnings on best practices and innovations among global airlines, as well as help formulate policies on critical aviation issues.

ASEAN Open Skies Agreement – The ASEAN Open Skies agreement allows designated carriers of ASEAN countries to operate unlimited flights between capitals, leading to better connectivity and more competitive fares and services. Subject to regulatory approvals, this liberalized and equitable air services agreement further allows carriers to upgrade its ASEAN flights to wide-bodied aircraft and increase capacity without the need for air talks thus allowing airlines to focus on expanding its operations, stimulating passenger traffic, and improving customer experience rather than spending valuable resources on negotiating for additional air rights.

Air Passenger Bill of Rights – The Air Passenger Bill of Rights, which was formed under a joint administrative order of the Department of Transportation and Communications, CAB and the Department of Trade and Industry, sets the guidelines on several airline practices such as overbooking, rebooking, ticket refunds, cancellations, delayed flights, lost luggage and misleading advertisement on fares.

R.A. No. 11659 – Public Service Act, as Amended - This amends Commonwealth Act No. 146, otherwise known as the Public Service Act passed in 1936. Among others, this distinguishes a public utility from a public service. The scope of a public utility is limited to persons who operate, manage and control for public use any of the following: (i) electricity distribution; (ii) electricity transmission; (iii) petroleum and petroleum products pipelines transmissions systems; (iv) water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; (v) seaports; and (vi) public utility vehicles. It further provides that nationality requirements shall not be imposed by the relevant Administrative Agencies, as defined in the said act, on any public service not classified as a public utility. The Parent Company is considered as a public service and not a public utility.

Research and Development

The Group incurred minimal amounts for research and development activities, which do not amount to a significant percentage of revenues.

Cost and Effects of Compliance with Environmental Laws

The operations of the Group are subject to various laws enacted for the protection of the environment. The Group has complied with the following applicable environmental laws and regulations:

- Presidential Decree No. 1586 (Establishing an Environmental Impact Assessment System) which directs every person, partnership or corporation to obtain an Environmental Compliance Certificate (ECC) before undertaking or operating a project declared as environmentally critical by the President of the Philippines. Petro-chemical industries, including refineries and fuel depots, are considered environmentally critical projects for which an ECC is required. The Group has obtained ECCs for the fuel depots it operates and maintains for the storage and distribution of aviation fuel for its aircraft.

- R.A. No. 8749 (The Implementing Rules and Regulations of the Philippine Clean Air Act of 1999) requires operators of aviation fuel storage tanks, which are considered as a possible source of air pollution, to obtain a Permit to Operate from the applicable regional office of the Environment Management Bureau (EMB). The Group's aviation fuel storage tanks are subject to and are compliant with this requirement.

- R.A. No. 9275 (Implementing Rules and Regulations of the Philippine Clean Water Act of 2004) requires owners or operators of facilities that discharge regulated effluents to secure from the Laguna Lake Development Authority (LLDA) (Luzon area) and/or the applicable regional office of the EMB (Visayas and Mindanao areas) a Discharge Permit, which is the legal authorization granted by the Department of Energy and Natural Resources for the discharge of waste water. The Group's operations generate waste water and effluents for the disposal of which a Discharge Permit was obtained from the LLDA and the EMB of Region 7 which enables it to discharge and dispose of liquid waste or water effluent generated in the course of its operations at specifically designated areas. The Group also contracted the services of government-licensed and accredited third parties to transport, handle and dispose its waste materials.

- Republic Act No. 11697 (Electric Vehicle Industry Development Act, otherwise known as "EVIDA Law") outlines the regulatory framework, creates a comprehensive roadmap for development, commercialization, and utilization of electric vehicles (EV) in the Philippines, and at the same time, enumerates the fiscal and non-fiscal incentives for compliant electric vehicle users. The Group took deliveries of electric passenger shuttles, employee shuttles, and baggage tractors, as part of Airline Group's sustainable initiatives to reduce its carbon footprints.

- Extended Producer Responsibility Law ("EPR Law") of 2022 is the law that amends Republic Act No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000, to institutionalize the extended producer responsibility on plastic packaging waste. It requires obliged enterprises (OEs), by themselves or collectively, with or without a Producer Responsibility Organization (PRO) to prepare and register with the National Solid Waste Management Commission their EPR Programs to reduce and/or recover for reuse, recycling, treatment, or proper ecological disposal the plastic packaging waste that they release or released to the domestic market.

Compliance with the foregoing laws does not have a material effect to the Group's capital expenditures, earnings and competitive position. The Group spent over ₱14.042 million in connection with its compliance with applicable environmental laws for the above.

Employees

As of December 31, 2023, the Group has 5,471 permanent full time employees, categorized as follows:

Division:	**Employees**
Operations[1]	4,601
Commercial[2]	301
Support Departments[3]	569
	5,471

Notes:
[1] Flight Operations, Customer Service Operations, Ground Operations, Engineering & Fleet Management, Network Control and Crew Scheduling
[2] Marketing, Commercial, Passenger Sales and Distribution
[3] Controllership, Corporate Finance, Corporate Strategy, Human Resources, Information Technology, Security, Treasury, Quality and Assurance, Safety, Fuel, Legal, Corporate Affairs, Internal Audit, Admin Services and Facilities

The Group anticipates having approximately 5,771 employees by the end of 2024.

Cabin crew members belong to a union and account for 32% of the Group's total employees. The Group has not experienced any labor strikes or work stoppages in the past three years.

Risk.

As one of the leading airlines in the Philippines, the Airline Group adopted the LCC business model, the core element of which is to offer affordable air services to passengers which is achieved by having high-load, high-frequency flights, high aircraft utilization, a young and simple fleet composition, low distribution costs and being operationally efficient.

While there are several inherent risks present in the LCC market, the Airline Group continually ensures it has a lean and dynamic network plan, highly flexible operations, efficient processes and a digital first mind set. Doing so allows the Airline Group to remain agile and adaptable to ever evolving demands of passengers and the LCC environment as a whole.

The major business risks facing the Group are as follows:

1) Cost and Availability of Fuel

   Fuel is a significant component of the Group's total expenses, as such, significant increases in fuel cost or any lack of supply of fuel will have an adverse effect on the business.

   Increase in fuel cost may be partially offset by increase in passenger fares, and by adding Passenger Fuel Surcharge. CAB resolution No. 46 provides regulation with respect to changes in Passenger Fuel Surcharges depending on and relative to changes in jet fuel prices. However, the level of competition and overall demand elasticity may limit the Group's ability to increase its fares or fuel surcharges.

The Airline Group has also implemented fuel management strategies including, but not limited to, hedging. The Group's fuel hedging policy allows it to hedge up to 80% of its forecasted fuel requirements within three months, narrowing to up to 30% of its fuel requirements 1-2 calendar years forward. However, depending on the level of volatility of fuel prices, hedging activities may be subject to investment risk of its related financial assets or liabilities at fair value.

2) Competition

See discussion in Competition (page 5). To mitigate this risk from the existing and future competition, the Airline Group focuses on areas of costs, on-time performance, service delivery, and efficient scheduling to remain competitive.

3) Availability of Debt Financing and Lease Financing

The Group has historically used debt and lease financing to fund the acquisition of additional aircraft, other capital expenditures, working capital and other expansion requirements.

The Group plans to continue tapping both debt and lease markets for the financing of its future capital commitments for aircraft and spare engine deliveries.

The Group's ability to pay the fixed and other costs associated with its contractual obligations will depend on its operating performance, cash flow the overall success of its business strategy.

Under its financing and lease arrangements, the Airline Group's lenders have security interests in such aircraft. If the Airline Group were to default under any of the finance leases or the related financing documents, its lenders have the right to take possession of such aircraft

To mitigate this risk, the Group practices prudent financial management to minimize any adverse effects.

4) Foreign Exchange and Interest Rate Fluctuations

The Group has outstanding U.S. Dollar-denominated long-term debt and lease liabilities. In addition, majority of its operating costs are based on U.S. Dollar purchase prices. Any significant devaluation of the Philippine peso and any significant increases in interest rates will thus result to increased obligations that could adversely impact the Group's result of operations.

To mitigate this risk, the Group may execute derivative contracts to hedge foreign exchange and interest rate exposure. However, depending on the volatility of currency exchange and interest rates, hedging activities may be subject to investment risk of its related financial assets or liabilities at fair value.

The Group also proactively manages its interest cost using a mix of fixed and floating rate debt.

5) Airport and Air Traffic Control Infrastructure Constraints

The Airline Group relies on operational efficiency to reduce unit costs and provide reliable service. High daily aircraft utilization allows the Airline Group to generate more revenue from its aircraft, and this is achieved in part by reducing turnaround times at airports. Any delay due to limited capacity at airports could affect its operational efficiency ability to maximize aircraft utilization.

The Airline Group also relies upon the availability of the airports to which it flies in order to conduct its operations. This includes the availability and cost of terminal space, slots and aircraft parking. However, the Airline Group is unable to guarantee that such airports will not be closed or their services suspended for reasons beyond its control. The Airline Group's inability to lease, acquire or access airport facilities on reasonable terms or at preferred times to support its growth or to maintain its current operations would have a material adverse effect on its business, prospects, financial condition and results of operations.

6) Reliance on Third Party Facilities and Service Providers

The Airline Group has entered into agreements with third-party providers for certain facilities and services required for its operations such as ground-handling, maintenance, refueling and airport facilities such as aerobridges. Similarly, the Airline Group has entered into agreements with third party sales agents as a distribution channel alternative. The inability to renew these agreements at comparable rates could have a material adverse effect on the Airline Group's business.

To mitigate this risk, the Airline Group makes best effort to maintain favorable relationships with its third party providers and search for other alternative suppliers.

7) Maintenance Cost and Performance of Maintenance Repair Organizations

The Airline Group's maintenance and overhaul expenses will increase on an absolute basis and on a unit cost basis. Any significant increase in maintenance and overhaul expenses despite its efforts to mitigate such expenses by entering into long term contracts, could have a material adverse effect on its business, prospects, financial condition and results of operations.

8) Risks Associated to Information and Technology Systems (IT), Cyber Threats or Other Adverse Breaches of a Network

The Group's business processes are widely supported by Information Technology (IT). More importantly, the Group depends on automated systems to operate its business, including, among others, its website, its reservation and its departure control systems. Any disruption to its website or online reservation and telecommunication services could result in losses, increased expenses and could harm its reputation. The use of IT involves risks for the stability of business processes and for the availability, confidentiality and integrity of data and information. Such risks may be in the form of cyberattacks, disruptions to the availability of applications, security breaches and other similar incidents.

To mitigate these risks, the Group implements information security measures and regularly reviews its data protection systems.

9) Human Resources Risks

The Group's business model requires it to have highly skilled and dedicated employees, including but not limited to, pilots, engineers. Any shortage of skilled personnel may result in increased wages and benefits to attract and retain personnel. The inability of the Group to hire, train and retain qualified employees at a reasonable cost could result material adverse effect on its business.

The Group's success also depends to a significant extent upon the continued services of its executive officers and other key management personnel. The unavailability of any of its executive officers and other key management or failure to recruit suitable or comparable replacements could have a material adverse effect on its business, prospects, financial condition and results of operations.

To mitigate the risk, the Group adopts policies to ensure a healthy working environment for its employees along with market competitive compensation.

If the Airline Group is unable to reach agreement on the terms of any renewal of a collective bargaining agreement, or if the Airline Group was to experience widespread employee dissatisfaction due to various factors like retrenchment or the change in pay structure from fixed to variable, it could be subject to work slowdowns or stoppages.

To mitigate this risk, the Group ensures constant and open communication between management and employees to enable the organization to address issues in a timely manner.

10) Regulatory Risk

The operations of the Group are subject to aviation laws and regulations. Compliance with such laws and regulations may adversely impact its business operations and competitive position. Although the Group does not currently operate flights to the European Union and has no current intention of doing so, this classification could negatively impact its ability to successfully expand its business to other international destinations including to the European Union should it subsequently wishes to do so. In particular, there can be no assurance that other countries to which the Group currently operates flights or to which it may operate flights in the future will not take similar action. The Group's inability to expand its air services in these international destinations could impact its overall expansion plans, which could have a material adverse effect on its business, prospects, financial condition and results of operations.

11) Other Events Beyond the Group's Control could have an Adverse Effect on the Group's Business, Financial Condition and Results of Operation

The Group's business consists substantially of carriage of passengers and freight globally. Hence, events such as weather conditions, catastrophes, geopolitical events, political instability, acts of terrorism, territorial disputes and other factors beyond the Group's control can affect the Group's performance. In the event that these uncertain and unfavorable conditions exist, these may adversely affect the Group's business, financial condition and results of operations or prospects.

(Any Real or Perceived Problem with Airbus or ATR Aircraft, including their Unavailability

The Airline Group currently operates a mixed Airbus and ATR fleet and use CFM 56-5B, Pratt & Whitney PW1100G-JM, Rolls Royce Trent 772B and Pratt & Whitney Canada PW127M series engines.

Dependence on these aircraft and engines, makes the Airline Group particularly vulnerable to any problems they might be associated with. These would include design defects or mechanical problems which may, cause the aircraft to be grounded while any such defect or problem is corrected, assuming it could be corrected at all. Moreover, the Airline Group could be materially and adversely affected if the public avoids flying the aircraft as a result of an adverse perception of these aircraft and engines, due to real or perceived safety concerns or other problems.

In the event that these aircraft or engines become unavailable in the market and the Airline Group is constrained to acquire additional aircraft or engines of a different type, it could lose the benefits it derives from its current fleet composition and the engines it utilizes. There is no assurance that any replacement aircraft or engine types would have the same operating advantages, reliability and efficiency. Moreover, the Airline Group may also incur substantial transition costs, including higher costs associated with retraining or hiring pilots, cabin crew and engineers to operate and maintain a different type of aircraft or engine.

Economic Downturn

The growth or decline in economic activity directly affects demand for air travel, and the airline industry tends to experience adverse financial performance during an economic downturn.

It is difficult to predict the duration and effects of an economic downturn, which may be aggravated by volatility in the financial sector and the capital markets, which may likewise adversely affect the Group's financial condition and/or results of operations.

The Group focuses on efficient service delivery, sensible cost reduction, and continuous process improvement in order to remain agile and adaptable in the event of an economic downturn.

Event of an Accident or Incident Involving its Aircraft

The Airline Group is exposed to potentially significant losses in the event that any of its aircraft is lost or subject to an accident, terrorist incident or other disaster. In addition, any such event would give rise to significant costs related to passenger claims, repairs or replacement of a damaged aircraft and its temporary or permanent loss from service. Moreover, aircraft accidents or incidents, even if fully insured, are likely to create a public perception that the airline is less safe than other airlines, which could significantly reduce its passenger volumes and have a material adverse effect on its business, prospects, financial condition and results of operations

To mitigate this risk, the Airline Group is committed to operational safety and security. Its commitment to safety and security is reflected in its rigorous aircraft maintenance program and flight operations manuals, intensive flight crew, cabin crew and employee training programs and its strict compliance with local regulations, international standards and industry best practices regarding aircraft and operational safety and security. The Airline Group believes that its safety and security measures adhere to international standards.

Outbreaks

Any present or future outbreak of contagious diseases could have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

On January 30, 2020, the WHO declared the COVID-19 outbreak a Public Health Emergency of International Concern, and subsequently, a pandemic on March 11, 2020. In, the Philippine government implemented a nationwide alert level classification framework, and placed the country under varying levels of quarantine classifications, which, among others, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of the country. Varying requirements, processes, and limitations on the frequency of flights from local government units (LGUs) was a challenge for the Group's operations from 2020 to 2021.

After the historic disruption in the global economic environment for more than two years due to the COVID-19 pandemic, different sectors across various industries have embraced learned to embrace the new normal and at the same time, be resilient amid the extraordinary circumstances. The Airline Group is confident it is on its way to recovery as long as it remains committed to delivering affordable, safe, and dependable flights.

The State may Take Over the Group's Business in the Event of War, Insurrection, Domestic Trouble, Public Calamity or National Emergency

The Philippine constitution provides that in times of national emergency when national interest requires, the state may temporarily take over or direct the operation of any privately-owned public utility or business affected with the public interest, including airline companies. In addition, the Group's franchise specifically reserves the right of the Government, by order of the President of the Philippines, in case of war, insurrection, domestic trouble, public calamity or national emergency, to take over and operate its aircraft and other equipment, subject to payment to the Group by the Government of compensation for the use of its assets or for damage thereto. Although the Government has not taken over Group's operations during any national emergency in the past, there can be no assurance that its operations may not be disrupted or temporarily taken over in the future or that it would be adequately compensated for the use of its assets in the event of a takeover upon the occurrence of any of the events giving the President of the Philippines the right to exercise such power.

The foregoing risks are not all inclusive. Other risks that may affect the Group's business and operations may not be included in the above disclosure.

Item 2. Properties

As of December 31, 2023, the Group does not own any land. The Parent Company however owns an office building that serves as its corporate headquarters and training center, and the buildings on either side of the corporate headquarters that serves as additional offices and storage of some departments, office of 1Aviation, and office of A-Plus, all located at the Domestic Road, Barangay 191, Zone 20, Pasay City. The land on which said office buildings stand is leased from the Manila International Airport Authority (MIAA). The Group also leases its hangar, aircraft parking and other operational space from MIAA.

The Parent Company owns the Philippine Academy for Aviation Training, Inc. (PAAT) building located in C.M. Recto, Clark Freeport Zone, Philippines. This is subleased to PAAT. The land on which this building stands is leased from the Clark Development Corporation.

As of December 31, 2023, the Group has 85 aircraft (excluding three (3) ATR 72-500 aircraft classified as held for sale). Kindly refer to Notes 12, 18 and 32 of the notes to consolidated financial statements for the detailed discussions on properties, leases, purchases and capital expenditure commitments.

Item 3. Legal Proceedings

The Group is subject to lawsuits and legal actions in the ordinary course of business. The Group is not a party to, and its properties are not subject of, any material pending legal proceedings that could be expected to have a material adverse effect on the Group's financial position or result of operations.

Item 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders during the fourth quarter of the year covered by this report.

PART II - OPERATIONAL AND FINANCIAL INFORMATION

Item 5. Market for Registrant's Equity and Related Stockholder Matters

Market Information

The principal market for the Parent Company's common and preferred equity is the Philippine Stock Exchange (PSE).

Sales prices of the common stock follow:

	High	**Low**
Year 2023		
October to December 2023	₱34.45	₱30.70
July to September 2023	41.75	33.00
April to June 2023	43.90	35.85
January to March 2023	44.30	38.00

	High	Low
Year 2022		
October to December 2022	₱40.02	₱35.76
July to September 2022	45.80	36.89
April to June 2022	48.30	40.30
January to March 2022	48.88	39.98

Sales prices of the preferred stock follow:

	High	**Low**
Year 2023		
October to December 2023	₱34.00	₱31.10
July to September 2023	37.00	33.20
April to June 2023	35.40	35.30
January to March 2023	43.60	42.50

	High	Low
Year 2022		
October to December 2022	₱39.20	₱35.48
July to September 2022	46.01	37.25
April to June 2022	47.46	41.11
January to March 2022	48.01	40.50

As of March 25, 2024 the latest trading date prior to the completion of this annual report, sales price of the common and preferred stock is at ₱31.00 and ₱33.70, respectively.

Holders

The number of shareholders of record and outstanding shares as of December 31, 2023 is as follows:

	Number of Stockholders	Number of Shares Outstanding
Common Stock	103	621,991,867
Preferred Stock	12	309,693,201

List of Top 20 Stockholders of Record
As of December 31, 2023

A. Common Stock

Name of Stockholders	Number of Shares Held	% to Total Outstanding
1. CPAir Holdings, Inc.	400,816,841	64.44%
2. PCD Nominee Corporation (Filipino)*	142,656,544	22.94%
3. PCD Nominee Corporation (Non-Filipino)	71,227,808	11.45%
4. JG Summit Holdings, Inc.	6,595,190	1.06%
5. William T. Enrile or Nelly R. Enrile or Edwin R. Enrile or William R. Enrile II	311,300	0.05%
6. Berck Y. Cheng or Alvin Y. Cheng or Diana Y. Cheng or Cheryl Y. Cheng	150,000	0.02%
7. Pablo M. Pagtalunan and/or Francisca P. Pagtalunan	50,000	0.01%
8. Leyla Agro-Industries Corporation	17,000	0.00%
9. Raul Veloso Del Mar	16,000	0.00%
10. Hitesh M. Tejwani	11,400	0.00%
11. Luis Gantioqui Romero	10,300	0.00%
12. Emeriza G. Borja	8,000	0,00%
13. Lisa Gokongwei Cheng	6,667	0.00%
14. Lance Yu Gokongwei	6,667	0.00%
15. Faith Gokongwei Lim	6,667	0.00%
16. Robina Gokongwei Pe	6,667	0.00%
17. Hope Gokongwei Tang	6,667	0.00%
18.Roseller A. Mendoza	6,500	0.00%
19. Eric Macario Bernabe	5,000	0.00%
20. Estevez Villaruz (Esvill) Inc.	5,000	0.00%
Other stockholders	71,649	0.01%
Total Outstanding	**621,991,867**	**100.00%**

**The number of shares reflected excludes Cebu Air, Inc.'s 5,636,630 treasury shares under PCD Nominee Filipino Corporation.*

B. Preferred Stock

Name of Stockholders	Number of Shares Held	% to Total Outstanding
1. CPAir Holdings, Inc.	219,625,666	70.92%
2. PCD Nominee Corp. (Filipino)	52,432,602	16.93%
3. JG Summit Holdings, Inc.	25,555,398	8.25%
4. PCD Nominee Corp. (Non-Filipino)	11,740,950	3.79%
5. Tower Securities, Inc. A/C IMACRL72	121,600	0.04%
6. Tower Securities, Inc. A/C IJAVA401	100,000	0.03%
7. William Tycangco Enrile	100,000	0.03%
8. PGI Retirement Fund Inc.	15,000	0.01%
9. David Go Securities Corp.	1,000	0.00%
10. Myra P. Villanueva	767	0.00%
11. Milagros P. Villanueva	109	0.00%
12.Myrna P. Villanueva	109	0.00%
Total Outstanding	**309,693,201**	**100.00%**

Summary of Trading in Shares of Directors and Key Officers

TRADING IN COMPANY SHARES BY DIRECTORS AND KEY OFFICERS
As of December 31, 2023

Trading In Company Shares by Directors				
Name	**Shareholdings as of 31 December 2022**	**% to Total Outstanding Shares**	**Shareholdings as of 31 December 2023**	**% to Total Outstanding Shares**
Lance Y. Gokongwei	6,668	0.00%	1,006,668	16.00%
Jose Fernando B. Buenaventura	1	0.00%	1	0.00%
Robina Gokongwei Pe	6,668	0.00%	6,668	0.00%
Frederick D. Go	1	0.00%	1	0.00%
Alexander G. Lao	20,000	0.00%	50,000	0.01%
Brian H. Franke	1	0.00%	1	0.00%
Bernadine T. Siy	63,200	0.00%	63,200	0.01%
Brian Mathew P. Cu	100	0.00%	100	0.00%
Richard Raymond B. Tantoco	1	0.00%	1	0.00%
Trading In Company Shares by Key Officers				
Name	**Shareholdings as of 31 December 2022**	**% to Total Outstanding Shares**	**Shareholdings as of 31 December 2023**	**% to Total Outstanding Shares**
Michael B. Szucs	0	0.00%	616,780	0.10%
Mark Julius V. Cezar	19,000	0.00%	47,500	0.01%
Anne Romadine P. Tieng	19,000	0.00%	47,500	0.01%
Ma. Elynore J. Villanueva	17,500	0.00%	43,000	0.01%

*****As of 31 December 2023*

Dividends

There were no dividends declared in 2023 and 2022.

Recent Sales of Unregistered Securities

A. Stock Rights Offering

On March 29, 2021, the Parent Company issued Convertible Preferred Shares through a rights offering solely to shareholders of record as of February 26, 2021. The transaction relates to ₱12,499,999,984 rights offer of 328,947,368 Convertible Preferred Shares with a par value of ₱1.00 per share which was offered at the offer Price of ₱38.00 per entitlement right, with ratio of one entitlement right for every 1.8250 Common Shares held as of the said record date (the "Rights Offer").

The Parent Company also approved the increase in its authorized capital stock from ₱1,340,000,000 to ₱1,740,000,000 divided into the following shares: (i) ₱1,340,000,000 worth of common shares with a par value of ₱1.00 per share; and (ii) the creation of new convertible preferred shares amounting to ₱400,000,000 with a par value of ₱1.00 per share (the "Application to Increase Authorized Capital Stock"). The same was approved by the Securities and Exchange Commission on March 19, 2021.

BPI Capital Corporation is the Sole Global Coordinator, Bookrunner, and Underwriter for this transaction. As required by the PSE rules on Additional Listing of Securities, the entitlement rights that remain unsubscribed after the Rights Offer would have been taken up by the Sole Global Coordinator, Bookrunner, and Underwriter who shall procure purchasers in the Philippines who are qualified institutional buyers as defined under the SRC, or failing which, shall purchase the unsubscribed Rights Shares ("Domestic Institutional Offer"). There were no entitlement rights that remain unsubscribed after the Rights Offer.

The Securities and Exchange Commission confirmed in its Certificate of Exemption dated January 20, 2021, as amended on February 11, 2021, that (i) the first and second round of Rights Offer (ii) the Application to Increase Authorized Capital Stock, and (iii) Domestic Institutional Offer are exempt transactions under Sections 10.1 (e), (i) and (l) of the Code, respectively.

As of December 31, 2023, 309,693,201 shares remain as outstanding Convertible Preferred Shares.

B. Long Term Incentive Plan

Upon issuance by the Securities and Exchange Commission of a Confirmation of Exempt Transaction on November 26, 2021, the Philippine Stock Exchange approved the application of the Parent Company to list additional 11,165,846 common shares, consisting of 5,582,923 common shares for Restricted Stock Units and 5,582,923 common shares for Stock Options and with a par value of ₱1.00 per share, to cover the Parent Company's LTIP last December 2, 2021.

Restricted Stock Units (RSU)
In various dates in 2021, 2022, and 2023, RSUs were granted to eligible persons with one (1) to three (3) years vesting period (see Notes 23 and 36). Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating of "Meets Expectations". The Group does not pay cash as a form of settlement.

As of December 31, 2023 and 2022, 2,222,666 and 1,327,000 RSUs have vested and were subsequently listed with the Philippine Stock Exchange on January 17, 2024 and January 13, 2023, respectively (see Notes 23 and 36).

Stock Options
On November 26, 2021, stock options were granted to 16 eligible persons with three (3) years vesting period which can be exercised at a strike price of ₱48.575 once vested. These will vest in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022 and 2023, respectively except for two (2) grantees which vested in full at the end of 2021. These options will expire on December 31, 2027.

Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating of "Meets Expectations" within the vesting period. The Group does not pay cash as a form of settlement.

For the years ended December 31, 2023 and 2022, 2,352,500 and 1,387,500 stock options have vested. No options were exercised, forfeited or expired during both years. Thus, as of December 31, 2023, a total of 4,965,000 vested stock options remain to be outstanding and exercisable.

No underwriters were involved for this transaction.

The Securities and Exchange Commission confirmed in its Certificate of Exemption dated November 26, 2021 that the LTIP is an exempt transaction pursuant to Section 10.2 of the Code.

C. Convertible Bonds

The BOD of the Parent Company, at a special meeting held on April 16, 2021, approved the USD250.0 million investment in the form of Convertible Bonds from the International Finance Corporation, the IFC Emerging Asia Fund and Indigo Philippines LLC (an affiliate of Indigo Partners LLC). The Philippine Stock Exchange thereafter approved, on July 8, 2021, the application of the Parent Company to list a total of 318,755,000 underlying common shares with a par value of ₱1.00 per share upon conversion by bondholders of the USD250.0 million 4.5% Convertible Bonds due 2027 at a conversion price of ₱38.00. The principal amount of the Convertible Bonds will be paid in full on maturity date unless earlier converted (see Note 19).

The price at which the Conversion Shares will be issued upon conversion will initially be ₱38.00 per Conversion Share, as translated to U.S. Dollars at the fixed exchange rate of USD1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions. Conversion period shall begin forty days after the issue date of the Convertible Bonds and shall end twenty business days before the maturity date.

No underwriters were involved for this transaction.

Item 6. **Management's Discussion and Analysis or Plan of Operation**

The following discussion should be read in conjunction with the accompanying consolidated financial statements and notes thereto, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs).

Results of Operations

Year Ended December 31, 2023 Compared with Year Ended December 31, 2022

Revenues

The Group's revenues amounting to ₱90.603 billion for the year ended December 31, 2023, 59.6% higher than the ₱56.751 billion revenues earned in the same period last year. The overall increase in revenues was primarily driven by a significant increase in passenger volume, especially for international destinations as the Group continues its ramp-up its international network. International flights increased by 165.2% compared to the same period last year. The increase in revenues is accounted for as follows:

Passenger Revenues

Passenger revenues increased by ₱27.319 billion or 77.7% to ₱62.458 billion from ₱35.139 billion generated in 2022. This was brought about by the increase in seat load factor from 75.3% to 84.0%, together with 259.5% increase in international passengers to 4.8 million from 1.3 million same period last year. With an overall increase in travel demand, and as more passengers fly longer international routes, average fares increased by 26.4% to ₱2,993 from ₱2,367 for 2022.

Cargo Revenues

Cargo revenues decreased by ₱3.063 billion or 43.0% to ₱4.057 billion from ₱7.120 billion generated in 2022 due to 42.2% decrease in yield coupled with 1.5% decrease in cargo volume carried.

Ancillary Revenues

Ancillary revenues increased by ₱9.594 billion or 66.2% to ₱24.087 billion from ₱14.493 billion generated in 2022, mainly due to higher passenger volume and higher take up of ancillary products and services as more passengers flew international flights.

Expenses

The Group incurred operating expenses of ₱82.024 billion, higher by 20.3% compared to ₱68.180 billion incurred in 2022.

The increase was mainly driven by the increase in Group's operations, since a material portion of its expenses are based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar as referenced by the depreciation of the Philippine peso to an average of ₱55.63 per U.S. Dollar for 2023 from an average of ₱54.50 per U.S. Dollar in based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the increase in operating expenses.

Flying Operations

Flying operations expenses increased by ₱7.351 billion or 26.2% to ₱35.371 billion from ₱28.020 billion incurred in 2022. This was largely due to higher fuel consumption and higher pilot headcount in line with the increased flight activity, partially offset by the decrease in average published fuel MOPS price to U.S. $104.63 per barrel from U.S. $126.65 per barrel average in 2022. The weakening of the Philippine Peso against the U.S. Dollar also contributed to higher costs.

Repairs and Maintenance
Repairs and maintenance expenses decreased by ₱1.352 billion or 9.2% to ₱13.334 billion from ₱14.686 billion posted during the same period last year. This was mostly due to the decrease in provisions for asset retirement obligation and heavy maintenance visits.

Depreciation and Amortization
Depreciation and amortization expenses increased by ₱1.168 billion or 9.6% to ₱13.260 billion from ₱12.092 billion incurred in 2022. The increase is mostly brought about by new aircraft acquisitions and other capital expenditures during the year.

Aircraft and Traffic Servicing
Aircraft and traffic servicing expenses increased by ₱3.025 billion or 57.5% to ₱8.286 billion from ₱5.261 billion in 2022 in line with increased flight activity, coupled with the depreciation of the Philippine Peso against the U.S. Dollar.

General and Administrative
General and administrative expenses increased by ₱1.212 billion or 38.6% to ₱4.354 billion from ₱3.142 billion incurred in 2022. The increase was mostly attributable to the increase in IT services and professional fees incurred by the Group.

Reservation and Sales
Reservation and sales expenses increased by ₱972.265 million or 40.7% to ₱3.364 billion from ₱2.392 million for the same period last year. The increase is attributable to higher distribution costs in line with increase in sales, as well as higher advertising costs.

Passenger Service
Passenger service expenses increased by ₱897.332 million or 60.1% to ₱2.391 billion from ₱1.493 billion for the same period last year, driven by increase in cabin crew costs in line with increased flight activity.

Aircraft and Engine Lease
Aircraft and engine lease expenses went up by ₱570.448 million or 52.2% to ₱1.664 billion from ₱1.093 billion incurred in 2022 due to more aircraft and engines being leased.

<u>Operating Income (Loss)</u>
As a result of the foregoing, the Group earned an operating income of ₱8.579 billion for the year ended December 31, 2023, a reversal from the ₱11.429 billion operating loss incurred for the same period last year.

<u>Other Income (Expenses)</u>

Interest Income
Interest income increased by ₱504.661 million or 163.7% to ₱812.944 million from ₱308.283 million earned in 2022 largely due to increased placements in 2023 and higher average interest rates for cash in bank and short-term placements.

Gain from Insurance Claims
In 2023 and 2022, the Group received ₱17.875 million and ₱6.175 million, respectively, pertaining to insurance proceeds claimed for damages sustained from several incidents and loss events in prior periods.

Market Valuation Gains on Derivative Financial Instruments
The Group's market valuation gains amounting to ₱880.160 million originated from the market valuation gains recognized from its convertible bonds' embedded derivative and fuel derivatives. In the same period last year, the Group incurred a gain of ₱977.908 million.

Gain on Disposal of Property and Equipment
During 2023, the Group entered into sale-and-leaseback transactions that resulted to a gain of P1.192 billion. In 2022, the Group entered into swap transactions to replace its two (2) engines resulting to the recognition of gain on exchange amounting to ₱99.529 million, and a sale and lease back transactions that resulted to a gain of ₱1.524 billion. Additionally, the Group entered into buyback agreement which resulted to a loss of ₱381.566 million. Lastly, the Group has written down various property and equipment and recognized loss amounting to ₱427.618 million.

Foreign Exchange Losses
Net foreign exchange losses of ₱707.278 million resulted from the decline of the closing Philippine Peso to US Dollar rate from ₱55.76 in 2022 to ₱55.37 in 2023. The foreign exchange rate fluctuations affected mainly the Group's U.S. Dollar-denominated cash and cash equivalents and receivables.

Equity in Net Income (Loss) of Joint Ventures and Associates
The Group had equity in net income of joint ventures and associates of ₱58.564 million, a reversal from the ₱113.288 million equity in net loss of joint venture and associates incurred in the same period last year, as the Group's joint ventures and associates reported a net profit during the current period.

Financing Costs and Other Charges
Interest expense from debt, lease liabilities and maintenance provisions increased by ₱1.879 billion or 55.5% to ₱5.260 billion for the year ended December 31, 2023 from ₱3.381 billion for the same period last year due to the additional aircraft deliveries during the year. The increase is coupled with the increase in bank interest rates for debts and the effect of depreciation of the Philippine Peso against the U.S. Dollar.

Impairment Loss
In 2022, the Group incurred losses of ₱86.747 million arose from the reclassification of four (4) ATR aircraft as asset held for sale (nil in 2023).

<u>Income (Loss) before Income Tax</u>
As a result of the foregoing, the Group recorded income before income tax of ₱5.574 billion for the year ended December 31, 2023, a reversal from the ₱16.228 billion loss before income tax posted for the year ended December 31, 2022.

<u>Benefit from Income Tax</u>
Benefit from income tax for the year ended December 31, 2023 amounted to ₱2.349 billion mainly resulting from the recognition of deferred tax assets on future deductible amounts such as those from net lease liabilities, provision for asset retirement obligations and heavy maintenance events among others.

<u>Net Income (Loss)</u>
Net income for the year ended December 31, 2023 amounted to ₱7.923 billion, a turnaround from the ₱13.979 billion net loss incurred for the year ended December 31, 2022.

Year Ended December 31, 2022 Compared with Year Ended December 31, 2021

Revenues

The Group recorded revenues amounting to ₱56.751 billion for the year ended December 31, 2022, 260.5% higher than the ₱15.741 billion revenues earned in the same period last year. The overall increase in revenues was primarily driven by significant increase in passenger volume, cargo services and flight activities as the COVID-19 restrictions already eased by March 2022. Starting second quarter of 2022, most parts of the country have remained to be classified under the more relaxed Alert Level classification and this was retained until the end of the year. As a result, the Group has restored almost the same level of its pre-pandemic system-wide capacity following the continuous ramp-up of its domestic and international routes. Currently, the Group is expecting the level of demand to increase further for airline services not just within the Philippines but even abroad. The positive development has not only allowed the Group to carry more passengers, but also boosted the Group's cargo services. The increase in revenues is accounted for as follows:

Passenger Revenues

Passenger revenues increased by ₱28.850 billion or 458.70% to ₱35.139 billion for the year ended December 31, 2022 from ₱6.289 billion generated in 2021.

This was mainly attributable to the 335.1% increase in passenger volume from 3.4 million to 14.8 million brought about by higher number of flights by 214.3% together with a 14.7 ppts increase in seat load factor from 60.6% to 75.3%. An increase in average fares by 28.4% to ₱2,367 in 2022 from ₱ 1,844 from last year also contributed to the increase in passenger revenues.

Cargo Revenues

Cargo revenues grew by ₱0.649 billion or 10.0% to ₱7.120 billion for the year ended December 31, 2022 from ₱6.471 billion for the year ended December 31, 2021 mostly due to increase in kilograms carried by about 7.3% and higher yield by 2.5%.

Ancillary Revenues

Ancillary revenues increased by ₱11.512 billion or 386.3% to ₱14.493 billion for the year ended December 31, 2022 from ₱2.981 billion recorded in the same period last year mainly due to higher passenger volume and flight activity during the period.

Expenses

The Group incurred operating expenses of ₱68.180 billion for the year ended December 31, 2022, higher by 75.3% compared to the ₱38.899 billion operating expenses incurred for year ended December 31, 2021.

This was mostly driven by the increase in Group's operations due to the eased COVID-19 restrictions, since a material portion of its expenses are based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar as referenced by the depreciation of the Philippine peso to an average of ₱54.50 per U.S. Dollar for the year ended December 31, 2022 from an average of ₱49.27 per U.S. Dollar during the same period last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the increase in operating expenses.

Flying Operations

Flying operations expenses increased by ₱20.923 billion or 294.9% to ₱28.020 billion for the year ended December 31, 2022 from ₱7.097 billion incurred in the same period last year. This was largely accounted for by higher fuel consumption by 163.9% in line with the increased flight activity during the period, coupled with the increase in average published fuel MOPS price to U.S. $126.65 per barrel for the December 31, 2022 from U.S. $75.09 per barrel for the year ended December 31, 2021. Flight deck expenses also increased due to higher pilot headcount.

Repairs and Maintenance
Repairs and maintenance expenses went up by ₱5.032 billion or 52.1% to ₱14.686 billion for the year ended December 31, 2022 from ₱9.654 billion posted during the same period last year. This was mostly due to the increase in provision for asset restoration obligation and heavy maintenance visits of various aircraft.

Depreciation and Amortization
Depreciation and amortization expenses decreased by ₱2.263 billion or 15.8% to ₱ 12.092 billion for the year ended December 31, 2022 from ₱ 14.355 billion for the year ended December 31, 2021. The decrease is mostly brought about by lower depreciation for capitalized overhaul costs related to the two (2) A320 aircraft and two (2) A330 aircraft returned offset by the delivery of one (1) A321 NEO, two (2) A330 NEO and three (3) A320 NEO aircraft delivered mostly throughout the latter part of 2021 and 2022 plus the sale and leaseback of seven (7) A320 aircraft in December 2021.

Aircraft and Traffic Servicing
Aircraft and traffic servicing expenses increased by ₱2.591 billion or 97.1% to ₱5.261 billion for the year ended December 31, 2022 from ₱2.670 billion posted in the same period last year still relative to the significant increase in number of flights as most parts of the country are under the more relaxed COVID-19 restrictions.

General and Administrative
General and administrative expenses increased by ₱21.986 million or 0.7% to ₱3.142 billion for the year ended December 31, 2022 from ₱3.120 billion incurred for the same period last year. The increase was mostly attributable to the increase in staff expenses, computer, security and other services, taxes and licenses, insurance expenses, representation expenses, and travel and transportation expenses offset by decrease in professional expenses incurred by the Group.

Reservation and Sales
Reservation and sales expenses increased by ₱1.492 billion or 166.0% to ₱2.392 billion for the year ended December 31, 2022 from ₱899.254 million for the year ended December 31, 2021. This is significantly attributable to higher commission costs due to more sales for the year ended December 31, 2022 as compared to the same period last year. The increase was also coupled by higher GDS cost and higher advertising costs.

Passenger Service
Passenger service expenses increased by ₱833.444 million or 126.3% to ₱1.493 billion for the year ended December 31, 2022 from ₱659.762 million recorded for the year ended December 31, 2021 primarily accounted for by increased cabin crew costs and higher passenger food and supplies in line with increased headcount and number of flights.

Aircraft and Engine Lease
Aircraft and engine lease expenses went up by ₱649.947 million or 146.6% to ₱1,093.4 million for the year ended December 31, 2022 from ₱443.481 million charged last year. Increase was due to the higher number of aircraft and engines being leased during the current period as compared to same period in the prior year and the effect of the depreciation of the Philippine peso against the U.S. Dollar.

Operating Loss
As a result of the foregoing, the Group sustained an operating loss of ₱11.429 billion for the year ended December 31, 2022, 50.6% lower than the ₱23.158 billion operating loss incurred for the same period last year.

Other Income (Expenses)

Interest Income
Interest income increased by ₱271.804 million or 745.1% to ₱308.283 million for the year ended December 31, 2022 from ₱36.479 million earned in the same period last year largely due to higher cash balance and significantly higher average interest rates for cash in bank and short term placements.

Market Valuation Gains (Losses) on Derivative Financial Instruments
The Group's market valuation gains amounting to ₱977.908 million for the year ended December 31, 2022 originated from the Group's embedded derivative arising from its convertible bonds and interest rate derivatives. As compared to same period last year, the Group incurred a loss of ₱1.318 billion.

Foreign Exchange Losses
Net foreign exchange losses of ₱3.324 billion for the year ended December 31, 2022 primarily resulted from the weakening of the Philippine Peso against the US Dollar to ₱55.76 per US Dollar for the year ended December 31, 2022 from ₱51.00 per US Dollar for the year ended December 31, 2021. The Group's major exposure to foreign exchange rate fluctuations is in respect to U.S. Dollar-denominated long-term debt, short-term notes payable and convertible bonds payable.

Equity in Net Loss of Joint Ventures and Associates
The Group had equity in net loss of joint ventures and associates of ₱113.288 million for the year ended December 31, 2022, ₱61.143 million lower than the ₱174.431 million equity in net loss of joint venture and associates incurred in the same period last year. The decrease is due to lower net loss recognized by the Group's joint ventures and associates.

Financing Costs and Other Charges
Interest expense and accretion expense from lease liability increased by ₱870.166 million or 34.6% to ₱3.381 billion for the year ended December 31, 2022 from ₱2.511 billion for the same period last year due to the addition of one (1) A321 NEO, three (3) A330 NEO, three (3) A320 NEO and one (1) ATR 72-600 delivered mostly in the latter part of 2021 and 2022 plus sale and leaseback of seven (7) A320 aircraft in December 2021 offset by the return of two (2) A320 CEO and two (2) A330 CEO aircraft to the lessor in 2021 and sale of one (1) A330 CEO in 2022.

Gain from Insurance Claims
In 2022 and 2021, the Group received ₱6.175 million and ₱138.049 million, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from several incidents and loss events.

Gain (Loss) on Disposal - Net
During 2022, the Group has entered into swap transactions to replace its two (2) engines resulting to the recognition of gain on exchange amounting to ₱99.529 million. In addition, the Group entered into sale and lease back transactions that resulted to a gain of ₱1,523.862 million. Also, during the year, the Group has written down various property and equipment and recognized loss amounting to ₱427.618 million. Lastly, the Group entered into buyback agreement of its one (1) A330 aircraft which resulted to a loss of ₱381.566 million.

In 2021, the Group sold and leased back seven (7) A320 aircraft which resulted to an overall gain of ₱1,388.7 million.

Impairment Loss
As of December 31, 2022, the Group incurred losses of ₱86.747 million arose from the reclassification of RPC 7258 as asset held for sale.

In 2021, the Group assessed that its investment in Value Alliance Travel System Pte. Ltd (VATS) was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. Its target growth turned significantly lower than actual and expectation has also been further tempered due to the impact of ongoing COVID-19 pandemic. Based on the foregoing, the Group has recognized impairment loss amounting to ₱36.916 million.

Loss before Income Tax
As a result of the foregoing, the Group incurred a loss before income tax of ₱16.228 billion for the year ended December 31, 2022, 39.7% or ₱10.699 billion lower than the ₱26.927 billion loss before income tax posted for the year ended December 31, 2021.

Benefit from Income Tax
Benefit from income tax for the year ended December 31, 2022 amounted to ₱2.249 billion mainly resulting from the recognition of deferred tax assets on future deductible amounts such as those from unrealized foreign exchange losses, additional provision for asset retirement obligation and heavy maintenance visits among others.

Net Loss
Net loss for the year ended December 31, 2022 amounted to ₱13.979 billion, 43.9% lower than the ₱24.899 billion net loss incurred for the year ended December 31, 2021.

Year Ended December 31, 2021 Compared with Year Ended December 31, 2020

Revenues
The Group recorded revenues amounting to ₱15.741 billion for the year ended December 31, 2021, 30.4% lower than the ₱22.618 billion revenues earned in the same period last year. The Group was still operating at a normal capacity for most of the first quarter of 2020. Revenues, however, started to decline due to the rapid escalation of the COVID-19 situation and imposition of a strict community quarantine which prompted the Group to suspend all its scheduled flights beginning March 19, 2020. Revenues were almost nil in the second quarter of 2020 except for the mounting of some sweeper flights for stranded tourists and cargo services. Commercial passenger operations restarted last June 3, 2020 for domestic flights, but in a limited capacity. Subsequently, the Group gradually resumed more regular services including international flights. Despite the resumption of more flights in 2021, the Group's operations are still far behind its pre-COVID activity levels due to flight restrictions and weak demand for travel. The drop in revenues is accounted for as follows:

Passenger Revenues
Passenger revenues dropped by ₱6.340 billion or 50.2% to ₱6.289 billion for the year ended December 31, 2021 from ₱12.629 billion generated in 2020. This was largely due to the 32.1% decline in passenger volume from 5.0 million to 3.4 million in line with lesser number of flights by 17.6% coupled with a 15.3 ppts decrease in seat load factor from 75.9% to 60.6%. Lower average fares by 26.7% to ₱1,843 for the year ended December 31, 2021 from ₱2,513 for the same period last year also contributed to lower revenues.

Cargo Revenues
Cargo operations continued to supplement the business as revenues grew by ₱1.069 billion or 19.8% to ₱6.471 billion for the year ended December 31, 2021 from ₱5.402 billion for the year ended December 31, 2020 mostly due to increase in kilograms carried by about 10.4% and higher yield by 8.5%.

Ancillary Revenues
Ancillary revenues decreased by ₱1.606 billion or 35.0% to ₱2.981 billion for the year ended December 31, 2021 from ₱4.587 billion recorded in the same period last year mainly attributable to lesser passenger volume and flight activity during the period.

<u>Expenses</u>
The Group incurred operating expenses of ₱38.899 billion for the year ended December 31, 2021, lower by 10.3% compared to the ₱43.387 billion operating expenses incurred for year ended December 31, 2020. This was primarily brought about by the Group's reduced operations due to the COVID-19 global pandemic since a material portion of its expenses are based on flights and flight hours. The slight strengthening of the Philippine peso against the U.S. Dollar as referenced by the appreciation of the Philippine peso to an average of ₱49.27 per U.S. Dollar for the year ended December 31, 2021 from an average of ₱49.61 per U.S. Dollar during the same period last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the drop in operating expenses.

Flying Operations
Flying operations expenses declined by ₱2.271 billion or 24.2% to ₱7.097 billion for the year ended December 31, 2021 from ₱9.368 billion incurred in the same period last year. This was mostly attributable to lesser fuel consumption by 23.3% in line with the lower flight activity during the period, offset by the increase in average published fuel MOPS price to U.S. $75.09 per barrel for the year ended December 31, 2021 from U.S. $44.73 per barrel for the year ended December 31, 2020. Flight deck expenses also decreased due to lower pilot headcount.

Aircraft and Traffic Servicing
Aircraft and traffic servicing expenses decreased by ₱704.663 million or 20.9% to ₱2.670 billion for the year ended December 31, 2021 from ₱3.374 billion posted in the same period last year still relative to the overall reduction in number of flights due to the COVID-19 outbreak and lower charges for international operations due to the appreciation of the Philippine Peso against the U.S. Dollar.

Depreciation and Amortization
Depreciation and amortization expenses reduced by ₱1.719 billion or 10.7% to ₱14.355 billion for the year ended December 31, 2021 from ₱16.074 billion for the year ended December 31, 2020. The decrease is mostly brought about by the return of four (4) A320 aircraft and two (2) A330 aircraft to its lessors in 2021. This was offset by the delivery of two (2) A321 NEO aircraft, two (2) A330 NEO aircraft, one (1) A320 NEO aircraft and one (1) ATR 72-600 aircraft mostly during the latter part of 2021.

Repairs and Maintenance
Repairs and maintenance expenses went up by 12.8% to ₱9.654 billion for the year ended December 31, 2021 from ₱8.557 billion incurred during the same period last year. This was mostly due to the higher provision for asset retirement obligation and heavy maintenance visits for aircraft under operating lease with the delivery of two (2) A321 NEO aircraft, two (2) A330 NEO aircraft, one (1) A320 NEO aircraft and one (1) ATR 72-600 coupled with the sale and leaseback of seven (7) A320 CEO aircraft in 2021, partially offset by various aircraft returned to lessors during the year. The increase

in cost was also mitigated by lower flight-based maintenance costs due to lesser flight activity during the year and the effect of the slight strengthening of the Philippine Peso against the U.S. Dollar.

Aircraft and Engine Lease
Aircraft and engine lease expenses went up by ₱158.816 million or 55.8% to ₱443.481 million for the year ended December 31, 2021 from ₱284.665 million charged last year. Increase was due to the higher lease charge of two (2) A330 aircraft partially offset by the return of an A330 engine to its lessor in 2020 and the effect of the appreciation of the Philippine peso against the U.S. Dollar during the current period.

Reservation and Sales
Reservation and sales expenses dropped by ₱599.929 million or 40.0% to ₱899.254 million for the year ended December 31, 2021 from ₱1.499 billion for the year ended December 31, 2020. This is mainly accounted for by lower advertising costs in line with the Group's cost saving measures and lesser commission and booking-related expenses consequent to the overall decrease in sales transactions due to the COVID-19 outbreak.

General and Administrative
General and administrative expenses declined by ₱99.799 million or 3.1% to ₱3.120 billion for the year ended December 31, 2021 from ₱3.220 billion incurred for the same period last year generally driven by the overall reduction in operations and cost-saving initiatives. This was offset by information technology (IT)-related expenses incurred by the Group for its digitalization projects to automate and streamline its front-end and back-end processes, other costs incurred in relation to its fund-raising initiatives and cost of share-based payments in line with the Parent Company's LTIP.

Passenger Service
Passenger service expenses decreased by ₱349.794 million or 34.6% to ₱659.762 million for the year ended December 31, 2021 from ₱1.010 billion incurred for year ended December 31, 2020 primarily accounted for by reduced cabin crew costs and lower passenger food and supplies in line with reduced headcount and lesser number of flights.

Operating Income (Loss)

As a result of the foregoing, the Group sustained an operating loss of ₱23.158 billion for the year ended December 31, 2021, 11.5% higher than the ₱20.769 billion operating loss incurred for the same period last year.

Other Income (Expenses)

Interest Income
Interest income decreased by ₱121.438 million or 76.9% to ₱36.479 million for the year ended December 31, 2021 from ₱157.917 million earned in the same period last year largely due to lesser cash balance particularly in the early months of 2021 and lower average interest rates on USD short term placements.

Market Valuation Losses on Derivative Financial Instruments
For the year ended December 31, 2021, the Group recognized market valuation losses from its embedded derivative liability arising from its issuance of the convertible bonds amounting to ₱1.318 billion. For the year ended December 31, 2020, the Group incurred a hedging loss of ₱2.150 billion due to the discontinuation of hedge accounting application on non-effective hedges last year.

Foreign Exchange Gains (Losses)
Net foreign exchange losses of ₱1.291 billion for the year ended December 31, 2021 primarily resulted from the weakening of the Philippine Peso against the US Dollar to ₱51.00 per US Dollar for the year ended December 31, 2021 from ₱48.02 per US Dollar for the year ended December 31, 2020. The Group's major exposure to foreign exchange rate fluctuations is in respect to U.S. Dollar-denominated long-term debt, short-term notes payable and convertible bonds payable.

Equity in Net Loss of Joint Ventures and Associates
The Group had equity in net loss of joint ventures and associates of ₱174.431 million for the year ended December 31, 2021, ₱141.684 million lower than the ₱316.115 million equity in net loss of joint venture and associates incurred in the same period last year. A-plus and SIA Engineering (Philippines) Corporation (SIAEP) ceased to be joint ventures of the Group in November 2020, thus, reducing the Group's equity in net loss in its joint ventures.

Financing and Other Charges (interest expense on loans, promissory notes and bonds payable)
Financing and other charges increased by ₱300.956 million or 17.5% to ₱2.018 billion for the year ended December 31, 2021 from ₱1.717 billion for the same period last year due to the accrual of interest on convertible bonds issued last May 2021 and promissory notes availed in the latter part of 2020 and early 2021. This was offset by the sale and leaseback of five (5) A320 aircraft in the latter part of 2020 and the effect of the slight appreciation of the Philippine Peso against the U.S. Dollar.

Financing Costs – PFRS 16 Leases
Accretion expense on leases slightly increased by ₱7.449 million or 1.5% to ₱493.863 million for the year ended December 31, 2021 from ₱486.414 million for the same period last year due to the reduced balance of lease liability of existing aircraft as scheduled payments are made throughout the lease term. Decrease was also due to the return of four (4) A320 aircraft and two (2) A330 aircraft to its lessors during the year offset by the delivery of two (2) A321 NEO aircraft, two (2) A330 NEO aircraft, one (1) A320 NEO aircraft and one (1) ATR 72-600 aircraft mostly during the latter part of 2021.

Gain from Insurance Claims
In 2021, the Group received ₱138.049 million pertaining to insurance proceeds claimed for damages sustained by various aircraft from several incidents and loss events in 2019 and 2018.

In September 2020, the Group received ₱807.410 million pertaining to insurance proceeds claimed for damages sustained by an A320 aircraft during a runway excursion incident at Iloilo International Airport last October 2017.

Gain (Loss) on Disposal of Property and Equipment
In 2021, the Group sold and leased back seven (7) A320 aircraft which resulted to an overall gain of ₱1,388.7 million.

In 2020, the Group sold and leased back five (5) A320 aircraft and eight (8) engines which resulted to an overall loss of ₱259.977 million.

In 2019, the Group sold and delivered three (3) Airbus A320 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱352.119 million. The Group also sold and delivered two (2) Rolls – Royce Trent 772B engines to RRPF Engine Leasing Limited which resulted to a gain of ₱126.444 million.

Re-measurement and Sale of an Investment in Joint Venture
On November 3, 2020, the Parent Company signed a Deed of Absolute Sale of its 35% shareholding in SIA Engineering (Philippines) Corporation (SIAEP) to SIAEC which resulted to a gain from sale of an

investment in joint venture of ₱34.465 million. As of December 31, 2020, the Parent Company no longer has any equity interest in SIAEP. On the same date, the Parent Company acquired SIAEC's 51% interest in A-plus, making the latter a wholly-subsidiary of the Parent Company. The recognition of the investment in A-plus as a subsidiary resulted to a gain on remeasurement of ₱71.324 million on the Parent Company's existing 49% shareholding.

Impairment Loss
The Group assessed that its investment in Value Alliance Travel System Pte. Ltd (VATS) was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. Its target growth turned significantly lower than actual and expectation has also been further tempered due to the impact of ongoing COVID-19 pandemic. Based on the foregoing, the Group has recognized impairment loss amounting to ₱36.916 million.

Loss before Income Tax
As a result of the foregoing, the Group incurred a loss before income tax of ₱26.927 billion for the year ended December 31, 2021, 17.6% or ₱4.031 billion higher than the ₱22.896 billion loss before income tax posted for the year ended December 31, 2020.

Benefit from Income Tax
Benefit from income tax for the year ended December 31, 2021 amounted to ₱2.028 billion mainly resulting from the recognition of deferred tax assets on future deductible amounts such as those from realizable net operating loss carryover (NOLCO) incurred during the period, unrealized foreign exchange losses, additional provision for asset retirement obligation and heavy maintenance visits among others.

Net Loss
Net loss for the year ended December 31, 2021 amounted to ₱24.899 billion, 12.0% higher than the ₱22.236 billion net loss incurred for the year ended December 31, 2020.

Financial Position
December 31, 2023 versus December 31, 2022

As of December 31, 2023, consolidated assets increased to ₱187.185 billion from ₱147.156 billion as of December 31, 2022 mainly due to increase right of use assets, property and equipment, deferred tax assets and expendable parts, fuel, and materials. The Group is currently in a net equity position of ₱4.778 billion from a capital deficiency of ₱2.885 billion due to the net income recognized during the period. Book value per common share amounted to (₱14.32) as of December 31, 2023 from (₱26.04) as of December 31, 2022.

The Group's cash requirements have been mainly sourced through cash flow from operations. As of December 31, 2023, net cash provided by operating activities amounted to ₱17.454 billion. Net cash used in investing activities amounted to ₱9.385 billion which mostly pertain to acquisition of property and equipment offset net of proceeds from sale and lease-back transactions and refund of pre-delivery payments during the period. Net cash used in financing activities amounted to ₱11.333 billion which is comprised of repayments of debt and lease liability, offset by the proceeds from borrowings from new loans.

As of December 31, 2023, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Material Changes in the 2023 Financial Statements
(Increase/Decrease of 5% or more versus 2022)

Material changes in the Statements of Consolidated Comprehensive Income were explained in detail in the management's discussion and analysis or plan of operations stated above.

Consolidated Statements of Financial Position – December 31, 2023 versus December 31, 2022

18.7% decrease in Cash and Cash Equivalents
Due to higher disbursements related to debt and lease payments, as well as other capital expenditures over the cash generated from operations

51.3% increase in Restricted Cash
Due to additional deposits with certain banks to secure standby letters of credit issues in favor of lessors

100% decrease (or 100% increase) in Derivative Financial Assets (Liabilities) at Fair Value through Other Comprehensive Income
Due to lower fair valuation of the Group's fuel hedge transactions which ended with a net liability position at year-end

58.6% increase in Expendable Parts, Fuel, Materials and Supplies
Due to increased expendable parts, materials and supplies kept in stock for operations

27.6% decrease in Assets Held for Sale
Due to sale of one (1) ATR 72-500 resulting to a gain of ₱0.6 million

11.7% increase in Other Current Assets
Due to increase in prepayments for IT services

8.3% increase in Property and Equipment
Due to aircraft acquisitions during the period

75.4% increase in Right of Use Asset
Due to delivery of new aircraft deliveries during the period, offset by depreciation during the period

35.4% increase in Investment in Joint Ventures and Associates
Due to the recognized share in net income of joint venture during the period

46.8% increase in Deferred Tax Assets - net
Due mainly to the increase in future deductible amounts such as those from unrealized foreign exchange losses and net lease liabilities posted during the period

29.6% increase in Other Noncurrent Assets
Due to additional security deposits with lessors

21.7% increase in Accounts Payable and Other Accrued Liabilities
Due to additional trade payables and accruals for the period

50.2% increase in Due to Related Parties
Due to additional advances from affiliates

19.1% increase in Unearned Transportation Revenue
Due to significantly higher forward bookings as of December 31, 2023 compared to December 31, 2022, in line with the increased airline services demand during the period

100% increase in Income Tax Payable
Due to the increase of the Group's taxable income

4.2% decrease in Long-Term Debt (including Current Portion)
Due to repayment of outstanding long-term debt in accordance with the repayment schedule, along with other prepayments, offset by the additional loan

70.6% increase in Lease Liability (including Current Portion)
Due to additional lease liability set up for various aircraft delivered in 2023 offset by payments made during the period

100% decrease in Derivative Financial Liabilities at Fair Value through Profit or Loss
Due to lower fair valuation of the embedded derivative liabilities from the Group's convertible bonds

58.9% increase in Travel Fund Payable - net of current portion
Due to more travel fund creation during the period

17.6% increase in Retirement Liability
Due to accrual of retirement costs and remeasurement losses offset by actual contributions to the retirement plan during the year

52.4% decrease in Other Noncurrent Liabilities
Due to decrease in provision for asset retirement obligation and heavy maintenance visits coupled with the increase in applications during the year.

66.8% decrease in Other Comprehensive Income
Due to the remeasurement losses recognized for retirement liability and net mark-to-market loss for fuel derivative contracts designated as cash flow hedges

32.8% decrease in Deficit
Due to net income recognized during the period

For 2023, there are no significant elements of income that did not arise from the Group's continuing operations.

The Group has capital expenditure commitments which principally relate to the acquisition of aircraft. Kindly refer to Note 32 of the Notes to Consolidated Financial Statements for the detailed discussion on Purchase and Capital Expenditure Commitments.

December 31, 2022 versus December 31, 2021

As of December 31, 2022, consolidated assets increased to ₱147.156 billion from ₱138.254 billion as of December 31, 2021 mainly due to increase in cash and cash equivalents, receivables, other current assets, right of use asset and deferred tax asset. Equity decreased to a deficit balance of ₱2.885 billion from ₱10.610 billion due to the net loss recognized during the period. Book value per common share amounted to (₱26.04) as of December 31, 2022 from (₱3.21) as of December 31, 2021.

The Group's cash requirements have been mainly sourced through cash flow from operations. As of December 31, 2022, net cash provided by operating activities amounted to ₱11.860 billion. Net cash provided by investing activities amounted to ₱6.501 billion which mostly pertain to proceeds from sale and lease-back transactions and refund of pre-delivery payments offset by acquisitions of property and equipment during the period. Net cash used in financing activities amounted to ₱19.521 billion which is comprised of repayments of debt and lease liability amounting to ₱12.208 billion and ₱7.313 billion, respectively.

As of December 31, 2022, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Material Changes in the 2022 Financial Statements (Increase/Decrease of 5% or more versus 2021)

Material changes in the Statements of Consolidated Comprehensive Income were explained in detail in the management's discussion and analysis or plan of operations stated above.

Consolidated Statements of Financial Position – December 31, 2022 versus December 31, 2021

30.9% increase in Receivables
Due to the increased sales of the Group arising from increased operations

42.6% increase in Expendable Parts, Fuel, Materials and Supplies
Due to increased expendable parts, fuel and materials and supplies kept in stock

100% increase in Assets Held for Sale
Due to reclassification of four (4) ATR aircraft to assets held for sale

26.6% increase in Other Current Assets
Due to increase in current portion of advances to suppliers and prepaid expenses

13.0% decrease in Property and Equipment
Due to reclassification of ATR aircraft to assets held for sale and write down of various property and equipment

43.1% increase in Right of Use Asset
Due to delivery of one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO in 2022 offset by the return of one (1) A320 CEO and depreciation during the period

33.8% decrease in Investment in Joint Ventures and Associates
Due to share in net loss of joint ventures and associates during the period

61.9% increase in Deferred Tax Assets - net
Due mainly to the increase in future deductible amounts such as those from unrealized foreign exchange losses, net lease liability and additional provision for asset retirement obligations and heavy maintenance visits posted during the period

38.9% increase in Accounts Payable and Other Accrued Liabilities
Due to additional trade payables and accruals for the period

35.4% increase in Due to Related Parties
Due to additional of advances from affiliates

100.0% decrease in Short-Term Debt
Due to payment of unsecured promissory notes (PN) with JG Summit Philippines, Limited, a subsidiary of JG Summit Holdings, Inc., the Parent Company's ultimate parent

153.0% increase in Unearned Transportation Revenue
Due to significantly higher forward bookings as of December 31, 2022 compared to December 31, 2021 in line with the increased airline services demand during the period

100.0% decrease in Income Tax Payable
Due to the Group's available creditable withholding taxes, no tax payment is due

12.1% decrease in Long-Term Debt (including Current Portion)
Due to repayment of outstanding long-term debt in accordance with the repayment schedule

49.2% increase in Lease Liability (including Current Portion)
Due to additional lease liability set up for one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO delivered in 2022 offset by payments made during the period

10.2% increase in Bonds Payable
Due to amortization of bond issue costs coupled with the depreciation of Philippine Peso against U.S. Dollar.

51.1% decrease in Derivative Financial Liabilities at Fair Value through Profit or Loss
Due to lower fair valuation of the embedded derivative liabilities from the Group's convertible bonds

85.9% decrease in Travel Fund Payable - net of current portion
Due to customers utilizing the travel fund in line with the increase in flight activity during the period and actual and estimated expiry of travel fund

78.7% increase in Retirement Liability
Due to increase in number of employees covered by the retirement plan and remeasurement arising from the changes in actuarial assumptions for the current year

51.6% increase in Other Noncurrent Liabilities
Due to additional provision for asset retirement obligation and heavy maintenance visits, net of applications.

20.9% increase in Share-based payments
Due to the recognition of the share-based payments during the period net of the exercise of 1,094,000 vested restricted stock units last January 2022.

362.9% increase in Other Comprehensive Income (Losses)
Due to the higher net mark-to-market gain for interest rate derivative contracts designated as cash flow hedges offset by actuarial losses from retirement liability

136.9% decrease in Retained Earnings
Due to net loss incurred during the period

For 2022, there are no significant element of income that did not arise from the Group's continuing operations.

December 31, 2021 versus December 31, 2020

As of December 31, 2021, consolidated assets increased to ₱138.254 billion from ₱128.459 billion as of December 31, 2020 mainly due to increase in cash from the receipt of proceeds from the issuance of convertible preferred shares, convertible bonds, promissory note availments as well as proceeds from sale and leaseback of aircraft. Equity decreased to ₱10.610 billion from ₱22.691 billion last year due to net losses incurred offset by the aforementioned issuance of preferred shares. Book value per common share amounted to (₱3.21) as of December 31, 2021 from ₱37.80 as of December 31, 2020.

The Group's cash requirements have been mainly sourced through cash flow from operations which was significantly reduced due to the current COVID-19 situation. As of December 31, 2021, net cash used in operating activities amounted to ₱6.257 billion. Net cash from investing activities amounted to ₱10.428 billion mostly from proceeds from sale and leaseback of aircraft. Net cash from financing activities amounted to ₱9.057 billion which largely comprised of proceeds from issuance of convertible preferred shares and convertible bonds amounting to ₱12.500 billion and ₱11.956 billion, respectively and from promissory note availments amounting to ₱4.234 billion, net of repayments of long term debt, notes payable and lease liability for a total of ₱19.427 billion.

As of December 31, 2021, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Material Changes in the 2021 Financial Statements
(Increase/Decrease of 5% or more versus 2020)

Material changes in the Statements of Consolidated Comprehensive Income were explained in detail in the management's discussion and analysis or plan of operations stated above.

Consolidated Statements of Financial Position – December 31, 2021 versus December 31, 2020

319.6% increase in Cash and Cash Equivalents
Due to receipt of proceeds from issuance of convertible preferred shares, convertible bonds, promissory note availments and sale and leaseback of aircraft

31.4% increase in Restricted Cash
Due to additional deposits with certain banks to securitize standby letters of credit issued in favor of lessors and higher Philippine Peso to US Dollar closing exchange rate as of December 31, 2021

11.4% decrease in Receivables
Due to lesser trade receivables and provision for additional allowance for doubtful debts

6.8% decrease in Expendable Parts, Fuel, Materials and Supplies
Due to decreased volume of fuel and parts kept in stock

15.9% increase in Other Current Assets
Due to increase in current portion of advances to suppliers

18.6% decrease in Property and Equipment
Due to sale and leaseback of seven (7) A320 CEO aircraft and depreciation during the period

71.6% increase in Right of Use Asset
Due to delivery of two (2) A321 NEO aircraft, two (2) A330 NEO aircraft, one (1) A320 NEO aircraft and one (1) ATR 72-600 aircraft plus the sale and leaseback of seven (7) A320 CEO aircraft during the period, offset by the return of four (4) A320 aircraft and two (2) A330 aircraft to its lessors and depreciation during the period

38.7% decrease in Investment in Joint Ventures and Associates
Due to share in net loss of joint ventures and associates and recognition of impairment loss of an associate during the period

133.6% increase in Deferred Tax Assets-net
Due mainly to increase in future deductible amounts such as those from recoverable NOLCO, unrealized foreign exchange losses and additional provision for asset retirement obligation and heavy maintenance visits among others

38.6% decrease in Other Noncurrent Assets
Due to transfer of noncurrent advances to suppliers to current assets

15.9% increase in Accounts Payable and other accrued liabilities
Largely due to payments of refunds to passengers

70.7% decrease in Due to Related Parties
Due to payments of advances from affiliates

24.4% increase in Unearned Transportation Revenue
Due to higher forward bookings as of December 31, 2021 compared to December 31, 2020

100.0% increase in Income Tax Payable
Due to minimum current income tax due for A-plus during the period

7.1% decrease in Short-Term Debt
Due to payment of unsecured promissory notes (PN) with JG Summit Philippines, Limited, a subsidiary of JG Summit Holdings, Inc., the Parent Company's ultimate parent, offset by additional PN availments during the period

13.7% decrease in Long-Term Debt (including Current Portion)
Due to repayment of outstanding long-term debt in accordance with the repayment schedule

76.9% increase in Lease Liability (including Current Portion)
Due to delivery of two (2) A321 NEO aircraft, two (2) A330 NEO aircraft, one (1) A320 NEO aircraft and one (1) ATR 72-600 aircraft plus the sale and leaseback of seven (7) A320 CEO aircraft during the period, offset by the return of four (4) A320 aircraft and two (2) A330 aircraft to its lessors and payments made during the period

100.0% increase in Bonds Payable
Due to receipt of proceeds from the issuance of convertible bonds net of unamortized bond issue costs and the value of bifurcated embedded derivative liability from its conversion options feature

100.0% increase in Derivative Financial Liabilities at fair value through profit or loss
Due to the valuation of the embedded derivative liability arising from the Group's convertible bonds

100.0% decrease in Financial Liabilities at fair value through other comprehensive income
Due to the settlement of derivatives during the year

46.1% decrease in Travel Fund Payable - net of current portion
Due mainly to conversion of ring-fenced Getgo loyalty points to Cebu Pacific Travel Fund last July 2021. Increase was also due to customers availing of the option to convert the amount paid for their cancelled bookings to a travel fund. These are still primarily driven by flight cancellations caused by COVID-19-related travel restrictions.

28.0% decrease in Retirement Liability
Due to benefits paid during the period

3.2% increase in Other Noncurrent Liabilities
Due to additional provision for ARO and heavy maintenance visits, net of applications. Increase was largely mitigated by the transfer of ring-fenced Getgo loyalty points to Cebu Pacific Travel Fund last July 2021

53.6% increase in Capital stock
Due to issuance of 328,947,368 convertible preferred shares at ₱1 par value, some of which have been converted to common shares during the period

144.4% increase in Capital paid in excess of par value
Due to issuance of 328,947,368 convertible preferred shares at an offer price of ₱38, net of transaction costs and vesting of 1,094,000 restricted stock units at a fair value of ₱48.40

100.0% increase in Share-based Payments
Due to recognition of costs pertaining to the grant of RSUs and Stock options to eligible persons in line with the Parent Company's LTIP

264.2% increase in Other Comprehensive Income (Losses)
Due to the recognition of other comprehensive gain for retirement liability and derivative instruments designated as cash flow hedges relative to higher mark-to-market valuation of fuel derivative contracts

169.5% decrease in Retained Earnings
Due to net loss incurred during the period

For 2021, there are no significant element of income that did not arise from the Group's continuing operations.

Key Performance Indicators

The Group sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are major performance measures, which the Group has identified as reliable performance indicators. Analyses are employed by comparisons and measurements based on the financial data for the years ended December 31, 2023 and 2022:

Key Financial Indicators	**2023**	2022
Total Revenue	**₱90.603 billion**	₱56.751 billion
Pre-tax Core Net Income (Loss)	**₱4.191 billion**	(₱14.616 billion)
EBITDA	**₱21.839 billion**	₱0.664 billion
EBITDA Margin	**24.10%**	1.2%
Cost per Available Seat Kilometer (ASK) (PHP)	**2.97**	3.94
Cost per ASK (U.S. cents)	**5.34**	7.24
Seat Load Factor	**84.0%**	75.3%

The manner by which the Group calculates the above key performance indicators for both year-end 2023 and 2022 is as follows:

Total Revenue	The sum of revenue obtained from the sale of air transportation services for passengers and cargo and ancillary revenue.
Pre-tax Core Net Income (Loss)	Operating income (loss) after deducting net interest expense and adding equity in net income/loss of joint venture.
EBITDA	Operating income (loss) after adding depreciation and amortization.
EBITDA Margin	Operating income (loss) after adding depreciation and amortization divided by total revenue.
Cost per ASK	Total operating expenses divided by Available Seat Kilometers (ASK) where the ASK is computed by multiplying the number of seats available per flight to the total distance (in kilometres) those seats are flown over a specified period.
Seat Load Factor	Total number of passengers divided by the total number of actual seats on actual flights flown.

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 60) are filed as part of this Form 17-A.

Item 8. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Independent Public Accountants and Audit Related Fees

SyCip Gorres Velayo & Co. (SGV & Co.) has acted as the Group's independent public accountant. The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged. The current handling partner of SGV & Co. has been engaged by the Group in 2023 and is expected to be rotated every seven (7) years.

Audit Fees

The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by SGV & Co.

	2023	2022	2021
Audit-related fees	**₱7,378,781**	₱7,000,000	₱5,641,000
Non-audit-related fees	**112,467**	112,679	1,150,794
	₱7,491,248	₱7,112,679	₱6,791,794

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Board of Directors and Executive Officers of the Registrant

The tables below set forth certain information regarding the members of the Board of Directors, member of the advisory board and executive officers of the Group.

A. Board of Directors

The Board consists of nine (9) members, of which three (3) are independent directors.

Name	**Age**	**Position**	**Citizenship**
Lance Y. Gokongwei	57	Director, Chairman	Filipino
Alexander G. Lao	48	Director	Filipino
Jose F. Buenaventura	89	Director	Filipino
Robina Gokongwei Pe	62	Director	Filipino
Frederick D. Go	54	Director*	Filipino
Brian H. Franke	55	Director	American
Bernadine T. Siy	64	Independent Director	Filipino
Brian Mathew P. Cu	41	Independent Director	Filipino
Richard Raymond B. Tantoco	57	Independent Director	Filipino

**Effective January 8, 2024, Frederick D. Go resigned as Director of the Board of Director and David Gulliver G. Go as member of the Board of Directors.*

Bernadine T. Siy, Brian Mathew P. Cu and Richard Raymond B. Tantoco are the independent directors of the Parent Company.

B. Executive Officers

Name	Age	Position	Citizenship
Michael B. Szucs	57	Chief Executive Officer	British
Alexander G. Lao	48	President and Chief Commercial Officer	Filipino
Mark Julius V. Cezar	42	Chief Financial Officer and Compliance Officer	Filipino
Anne Romadine P. Tieng	47	General Counsel and Corporate Secretary	Filipino
Ma. Elynore J. Villanueva.	61	Treasurer	Filipino

Unless otherwise stated herein, the above directors and executive officers have served their respective offices since May 11, 2023.

A brief description of the business experience, academic qualification and other directorships held in other reporting companies of our directors, executive officers and senior consultants are provided as follows:

Name/Position	Age	Citizenship	Current Affiliations, Business Experience in the last 5 years and Academic Qualification	Term of Office/ Period Served
Lance Y. Gokongwei Chairman of the Board of Directors	57	Filipino	Chairman of the Board of Directors; President and Chief Executive Officer of the Parent Company He is also the President and Chief Executive Officer of JG Summit Holdings, Inc., Universal Robina Corporation, Robinsons Land Corporation, Robinsons Retail Holdings, Inc., Altus Property Ventures, Inc., Robinsons Bank Corporation, and JG Summit Olefins Corporation. He is a Director and a Vice Chairman of the Executive Committee of Manila Electric Company. He is also a Director of RL Commercial REIT, Inc., Oriental Petroleum and Minerals Corporation, Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., AB Capital and Investment Corporation, and Endeavor Acquisition Corporation. He is a Trustee and the Chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.	2023 to present; 1997 to 2022
Alexander G. Lao President and Chief Commercial Officer	48	Filipino	President and Chief Commercial Officer; Chief Commercial Officer; Chief Strategy Officer of the Parent Company He became Chief Commercial Officer last May 10, 2021. Prior that, he was previously the Chief Strategy Officer since August 16, 2019. Prior to this, he served as Vice President for Commercial Planning since February 2012 and Director of Revenue Management from October 8, 2007 to February 2012. Before joining the Group, he worked as Assistant Vice President of Philamlife from August 2001 to September 2007 and as Business Development Assistant of Ayala Life from 1998 to 1999.	2023 to present; 2021 to 2022; 2019 to 2020

			He graduated from Ateneo De Manila University with a Bachelor of Science degree in Legal Management. He also received his Master's degree in Business Administration from the Asian Institute of Management.	
Jose F. Buenaventura Director	89	Filipino	Director of the Parent Company He is also Chairman and Director of Consolidated Coconut Corporation, Gladtobehome, Inc. and GROW, Inc. He is a member of the Board of Grow Holdings, Inc., Hicap Properties Corportion, Himap Properties Corporation, La Concha Land Investment Corp., Philplans First, Inc., Techzone Philippines, Inc., Total Consolidated Asset Management, Inc., and Turner Entertainment Manila, Inc. He is also a member of the Board of Advisors of BDO Unibank, Inc. He has a Bachelor of Laws degree from the Ateneo de Manila University and his Master of Laws degree from Georgetown University Law Center, Washington D.C.	1999 to present
Robina Gokongwei Pe Director	62	Filipino	Director of the Parent Company She is also President and Chief Executive Officer of Robinsons Retail Holdings, Inc. (RRHI). She is also a Director of JG Summit Holdings, Inc., Robinsons Land Corporation and Robinsons Bank Corporation. She is a Trustee and the Secretary of the Gokongwei Brothers Foundation, Inc. and a Trustee and Vice Chairman of the Immaculate Concepcion Academy Scholarship Fund. She is also a member of the Xavier School Board of Trustees. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984.	2007 to present
Frederick D. Go Director	54	Filipino	Director of the Parent Company He is also the President and Chief Executive Officer of Robinsons Land Corporation (RLC). He concurrently serves as the President and Chief Executive Officer of Altus Property Ventures, Inc. and the President and Chief Executive Officer of Universal Hotels and Resorts, Inc. He is also the Chairman of RL Commercial REIT, Inc. and the Vice Chairman of Luzon International Premier Airport Development Corporation. He is a Trustee and the President of Robinsons Land Foundation, Inc. and Universal Cultural Foundation, Inc. He is the Group General Manager of Shanghai Ding Feng Real Estate Development Company Limited, Xiamen Pacific Estate Investment Company Limited, Chengdu Ding Feng Real Estate Development Company Limited, Taicang Ding Feng Real Estate Development Company Limited, Taicang Ding Sheng Real Estate Development Company Limited, Chongqing Robinsons Land Real	2007 to present

			Estate Company Limited, and Chongqing Ding Hong Real Estate Development Company Limited. He is a Director of Manila Electric Company and Cebu Light Industrial Park. He is the Vice Chairman of the Board of Directors of Robinsons Bank Corporation and of the Executive Committee of the said bank. He also serves as the Vice Chairman of the Philippine Retailers Association. In January 2023, he was appointed by the President of the Philippines as Presidential Adviser for Investment and Economic Affairs. He received a Bachelor of Science degree in Management Engineering from the Ateneo de Manila University.	
Brian H. Franke Director	55	American	Director of the Parent Company He has been a principal of Indigo Partners LLC since April 2004. He has also served as a member of the Frontier Airlines Board of Directors since December 2013. He has also served on the boards of directors of Concesionaria Vuela Compañía de Aviación, S.A.B. de C.V., since July 2010, including as board chair since April 2020; several entities within the JetSMART SpA group, since March 2017; and APiJET, LLC, since November 2020. He holds a B.S. from the University of Arizona and a Masters of International Management from the Thunderbird School of Global Management.	2021 to present
Bernadine T. Siy Independent Director	64	Filipino	Independent director of the Parent Company She is also member of the Board of Directors of Epicurean Partners Exchange Inc. and Seattle's Best Coffee. She has served as the Chairman of the Board of Trustees of the Ateneo de Manila University, making her the first woman to hold the position. She also serves as an independent director of PLDT Inc. since June 2021. She received her Bachelor of Arts in Economics (Honors Program) from the Ateneo de Manila University and graduated magna cum laude. She also has a Masters in Management degree from the J.L. Kellogg Graduate School of Management Northwestern University in Chicago in the United States.	2021 to present
Brian Mathew P. Cu Independent Director	41	Filipino	Independent director of the Parent Company He started his career as a management consultant with the Boston Consulting Group. He co-founded GoJek in Indonesia and jumped full time into the world of entrepreneurship in 2012 when he co-founded Zalora Philippines. He left in mid-2013 to co-found Grab Philippines and served as its President until August 2020. He received his Bachelor of Business Administration with Major in Finance from the National University of Singapore.	2021 to present

Richard Raymond B. Tantoco Independent Director	57	Filipino	Independent Director of the Parent Company He is the President and Chief Operating Officer (COO) of Energy Development Corporation (EDC). He is also a member of the Board of Directors of First Philippine Holdings Corporation, First Gen Corporation, Energy Development Corporation, and several of these companies' subsidiaries. Mr. Tantoco serves as a Trustee in the board of several non-profit organizations – Business for Sustainable Development, Oscar M. Lopez Center For Climate Change Adaptation and Disaster Risk Management Foundation, Inc., and The Eugeno Lopez Foundation, Inc. He obtained his B.S. Business Management degree from the Ateneo de Manila University where he graduated with honors, and his MBA in Finance from the Wharton School of Business of the University of Pennsylvania.	2021 to present
Michael B. Szucs Chief Executive Officer	57	British	Chief Executive Officer; Chief Executive Adviser of the Parent Company He has extensive airline experience in senior management and executive positions spanning over thirty years. He started his airline career as a pilot with British Airways in 1990 flying Boeing 737, 757, 767 and Airbus A320 aircraft. He moved into management within British Airwaysin 1996. Having served in senior roles in both Operations and Commercial, he joined EasyJet as Operations Director and then Chief Operating Officer. In 2006, Mr. Szucs successfully established his first airline, as the CEO of then start-up LCC VivaAerobus in Mexico. He subsequently took on a breadth of CEO challenges: trying to rescue a massively distressed airline in Europe (Spanair), successfully starting another Latin American LCC (VivaColombia) and leading the efforts to establish a new LCC for Qatar Airways in Saudi Arabia (Al Maha). He holds a first class honors degree in Aeronautical Engineering from Manchester University, UK.	2023 to present; 2019-2022
Mark Julius V. Cezar Chief Financial Officer	42	Filipino	Chief Financial Officer and Compliance Officer; Deputy Chief Financial Officer; Director – Fleet Planning of the Parent Company He started his career as a Junior Management Trainee with JG Summit Holdings Inc. and was transferred to the Parent Company where he held various positions including leadership roles in the Network Planning Group under its Commercial Department. He then expanded his career when he was appointed to lead as Director for the Fleet Planning team under the Finance Department.	2023-present; 2020-2022; 2019

			He is a licensed Certified Public Accountant and he graduated Cum Laude from the University of the Philippines – Diliman where he completed his Bachelor of Science Degree in Business Administration and Accountancy.	
Anne Romadine P. Tieng General Counsel and Corporate Secretary	47	Filipino	General Counsel and Corporate Secretary; Vice President – Legal Affairs of the Parent Company She was appointed as Vice President for Legal Affairs last December 1, 2018 and was appointed Corporate Secretary on October 1, 2020. She has worked with organizations such as Villaraza & Angangco Law Offices and Shell Philippines Exploration B.V. prior to joining Cebu Pacific in August 2011. She is a graduate of De La Salle University majoring in BS Legal Management for her undergraduate course and Ateneo De Manila School of Law for her post graduate course where she obtained her Juris Doctor degree.	2023-present; 2019-2022
Ma. Elynore J. Villanueva Treasurer	61	Filipino	Treasurer of the Parent Company She started her career in the JG Summit Group in 1996 as Senior Treasury Manager for Manila Galleria Suites. In 2003, she transferred to Big R Stores as Assistant Treasurer and was later on moved to Universal Robina Corporation and handled Cebu Pacific. In 2010, her group was formally transferred from URC to the Parent Company with her being appointed as Director - Treasury for Cebu Pacific. Since March 2014, she also assumed a concurrent role as Director - Treasury for Cebgo, Inc. She graduated as Cum Laude from St. La Salle University in Bacolod with a Bachelor of Science Degree in Commerce Major in Accounting.	2015-present

The Airline Group's executive officers can be reached at its business office at the Cebu Pacific Building, Domestic Road, Barangay 191, Zone 20, Pasay City.

Involvement in Certain Legal Proceedings of Directors and Executive Officers

To the best of the Group's knowledge and belief and after due inquiry, none of the Group's directors, nominees for election as director, or executive officer have in the past five years: (i) had any petition filed by or against any business of which such person was a general partner or executive officer either at the time of the bankruptcy or within a two year period of that time; (ii) convicted by final judgment in a criminal proceeding, domestic or foreign, or have been subjected to a pending judicial proceeding of a criminal nature, domestic or foreign, excluding traffic violations and other minor offences; (iii) subjected to any order, judgment, or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, domestic or foreign, permanently or temporarily enjoining, barring, suspending or otherwise limiting their involvement in any type of business, securities, commodities or banking activities; or (iv) found by a domestic or foreign court of competent jurisdiction (in a civil action), the Philippine SEC or comparable foreign body, or a domestic or foreign exchange or other organized trading market or self- regulatory organization, to have violated a securities or commodities law or regulation and the judgment has not been reversed, suspended, or vacated.

Family Relationship

- Mr. Frederick D. Go is the cousin of Mr. Lance Y. Gokongwei *(Frederick D. Go resigned from Cebu Air, Inc. on January 8, 2024 and was replaced by Mr. David Gulliver G. Go, on the same date, who is also Mr. Lance Y. Gokongwei's cousin)*
- Ms. Robina Gokongwei Pe is the sister of Mr. Lance Y. Gokongwei

Attendance to the 2023 Board Directors Meetings

Director	Board of Directors Meeting (March 24, 2023)	Board of Directors Meeting (May 11, 2023)	Board of Directors Meeting (May 31, 2023)	Board of Directors Meeting (August 1, 2023)	Board of Directors Meeting (August 2, 2023)	Board of Directors Meeting (November 8, 2023
1.Lance Y. Gokongwei	✓	✓	✓	✓	✓	✓
2.Jose Fernando B. Buenaventura	✓	✓	–	–	✓	✓
3.Robina Gokongwei Pe	✓	✓	✓	✓	✓	✓
4.Frederick D. Go	✓	✓	✓	✓	✓	✓
5.Brian H. Franke	✓	✓	✓	✓	✓	✓
6.Alexander G. Lao	✓	✓	✓	✓	✓	✓
7.Bernadine T. Siy	✓	✓	✓	✓	✓	✓
8.Brian Mathew P. Cu	✓	✓	✓	✓	✓	✓
9.Richard Raymond B. Tantoco**	–	–	✓	–	–	–

***Mr. Richard Raymond B. Tantoco was on medical leave from July 1, 2023 to December 1, 2023. As outlined in Memorandum Circular No. 24 s.2019 and the Parent Company's Corporate Governance Manual, board members may be excused from attending more than 50% of all regular and special board meetings during their term if the absences are due to justifiable reasons, such as illness.*

Item 10. Executive Compensation

The following are the Group's Chief Executive Officer ("CEO") and four most highly compensated executives* for the year ended 2023:

Name	Position
Michael B. Szucs. . . . . …	Chief Executive Officer
Alexander G. Lao. . . . . …	President and Chief Commercial Officer
Michael Ivan S. Shau……..	Chief Corporate Affairs Officer
Mark Julius V. Cezar………………………………..	Chief Financial Officer and Compliance Officer
Candice A. Iyog. . . . .….	Chief Marketing and Customer Experience Officer

** As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2023. However, included in the above-list would also be those not "named executive officers" but who rank as the four (4) most highly compensated executives, apart from the Chief Executive Officer, as of December 31, 2023.*

The following table identifies and summarizes the aggregate compensation of the Group's CEO and the four most highly compensated executive officers for the years ended 2022, 2023 and 2024 estimates:

	Actual - Fiscal Year 2022			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Lance Y. Gokongwei - President and CEO 2. Andrew L. Huang - Chief Compliance Officer 3. Alexander G. Lao - Chief Commercial Officer 4. Michael Ivan S. Shau - Chief Corporate Affairs Officer 5. Mark V. Cezar - Chief Financial Officer	99,991,538	9,085,387	280, 000	109,356,925
Aggregate compensation paid to all officers and directors as a group unnamed	158,348,397	19,562,400	2,945,000	180,855,797

	Actual - Fiscal Year 2023			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Michael B. Szucs – Chief Executive Officer 2. Alexander G. Lao – President and Chief Commercial Officer 3. Michael Ivan S. Shau - Chief Corporate Affairs Officer 4. Mark V. Cezar – Chief Financial Officer 5. Candice A. Iyog – Chief Marketing and Customer Experience Officer	84,352,342	7,721,017	300,000	92,373,359
Aggregate compensation paid to all officers and directors as a group unnamed	167,850,598	19,658,665	2,730,000	190,239,263

	Fiscal Year 2024 Estimates			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Michael B. Szucs - Chief Executive Officer 2. Alexander G. Lao – President and Chief Commercial Officer 3. Michael Ivan S. Shau - Chief Corporate Affairs Officer 4. Mark V. Cezar – Chief Financial Officer 5. Candice A. Iyog – Chief Marketing and Customer Experience Officer	88,991,721	8,112,673	300,000	97,404,394
Aggregate compensation paid to all officers and directors as a group unnamed	177,082,381	20,442,892	2,730,000	200,255,273

** As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2023. However, included in the above-list would also be those not "named executive officers" but who rank as the four (4) most highly compensated executives, apart from the Chief Executive Officer, as of December 31, 2023.*

***Includes per diem of directors*

Standard Arrangements

Other than payment of reasonable per diem as may be determined by the Board for every meeting, there are no standard arrangements pursuant to which directors of the Group are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which directors of the Group are compensated, or are to be compensated, directly or indirectly, for any services provided as a director for the last completed year and the ensuing year.

Employment Contracts and Termination of Employment and Change-in-Control Arrangement

There are no agreements between the Group and its directors and executive officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's pension plans.

Long Term Incentive Plan (see page 22)

Warrants Outstanding

There are no outstanding warrants held by the Group's CEO, the named executive officers, and all officers and directors as a group.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2023, the Group knows no one who beneficially owns in excess of 5% of the Group's voting stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Voting Stock
Common	CPAir Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	400,816,841	64.44%
Common	PCD Nominee Corporation - Filipino 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	142,656,544 (See note 3)	22.94%
Common	PCD Nominee Corporation - Non-Filipino 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	71,227,808 (See note 3)	11.45%

Notes:

1. CPAir Holdings, Inc. is a wholly-owned subsidiary of JG Summit Holdings, Inc. Under the By-Laws of CPAir Holdings, Inc., the President is authorized to represent the corporation at all functions and proceedings. The incumbent President of CPAir Holdings, Inc. is Mr. Lance Y. Gokongwei.

2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.

3. The number of shares reflected excludes Cebu Air, Inc.'s 5,636,630 treasury shares under PCD Nominee Corporation - Filipino. Out of the PCD Nominee Corporation account for voting stock, "Citibank N.A.," holds for various trust accounts the following shares of the Corporation as of December 31, 2023:

	No. of shares	% to Outstanding Voting Stock
Citibank N.A.	64,172,766	10.31%

Voting instructions may be provided by the beneficial owners of the shares.

(2) Security Ownership of Management as of December 31, 2023

Title of Class	Name of beneficial Owner	Position	Amount & nature of beneficial ownership (Direct and Indirect)	Citizenship	% to Total Outstanding Voting Stock
<u>Named Executive Officers and Executives[1]</u>					
Common	1. Michael B. Szucs	Chief Executive Officer	616,780	Filipino	0.10%
Common	2. Alexander G. Lao	Director, President and Chief Commercial Officer	50,000	Filipino	**
Common	3. Michael Ivan S. Shau	Chief Corporate Affairs Officer	55,000	Filipino	**
Common	4. Mark Julius V. Cezar	Chief Financial Officer	47,500	Filipino	**
Common	5. Candice A. Iyog	Chief Marketing and Customer Officer	47,500	Filipino	**
	Subtotal		*816,780*		*0.13%*
<u>Other Directors and Key Officers</u>					
Common	6. Jose F. Buenaventura	Director	1	Filipino	**
Common	7. Robina Y. Gokongwei-Pe	Director	6,668	Filipino	**
Common	8. Frederick D. Go	Director	1	Filipino	**
Common	9. Brian H. Franke	Director	1	American	**
Common	10. Bernadine T. Siy	Director (Independent)	63,200	Filipino	0.01%
Common	11. Brian Mathew P. Cu	Director (Independent)	100	Filipino	**
Common	12. Richard Raymond B. Tantoco	Director (Independent)	1	Filipino	**
Common	13. Anne Romadine P. Tieng	Corporate Secretary	47,500	Filipino	**
Common	14. Ma. Elynore J. Villanueva	Treasurer	43,000	Filipino	**
	Subtotal		*160,472*		*0.03%*
All directors and executive officers as a group unnamed			**977,252**		**0.16%**

Notes:
1. As defined under Part IV (B) (1) (b) of Annex “C” of SRC Rule 12, the “named executive officers” to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2023. However, included in the above-list would also be those not “named executive officers” but who rank as the four (4) most highly compensated officers, apart from the Chief Executive Officer, as of December 31, 2023.

2. Under the Long-Term Incentive Plan of the Parent Company, Restricted Stock Units (“RSU”) were vested in favor of certain Executive Officers as of December 31, 2022 and December 31, 2023, and have been listed with the Philippine Stock Exchange on January 11, 2023 and January 15, 2024, respectively.

** less than 0.01%

(3) Voting Trust Holders of 5% or More

As of December 31, 2023, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

(4) Change in Control

As of December 31, 2023, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

Item 12. Certain Relationships and Related Transactions

The Group, in its regular conduct of business, had engaged in transactions with its ultimate parent company, its joint venture and affiliates. See Note 29 (Related Party Transactions) of the Notes to the Consolidated Financial Statements in the accompanying Audited Financial Statements filed as part of this Form 17-A.

PART IV - CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13. Corporate Governance

The Group adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Ethics and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Group observes good governance and management practices. This is to assure the shareholders that the Group conducts its business with the highest level of integrity, transparency, and accountability. Furthermore, the Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

To underscore its promise to principled corporate stewardship, the Parent Company has instituted a Corporate Governance Manual. This document serves as the guide for the Board of Directors, its committees, and management, engraining core values like service, integrity, trust, courage, and the embodiment of the best Filipino spirit. The governance framework reinforces equitable treatment of all shareholders, exacts accountability from the Board and management, and fosters internal cooperation.

For the enhancement of performance and compliance with governance standards, the Parent Company's board of directors has convened several committees:

1. Audit Committee: Tasked with the oversight of financial reporting, internal controls mechanisms, audits, and adherence to legal requirements.

2. Corporate Governance Committee: Charged with the development and enactment of governance norms, this Committee also recommends methods for appraisal of directors and officers.

3. Board Risk Oversight Committee: Responsible for the formulation of risk management frameworks, setting risk thresholds, and the continual oversight of risk management practices.

4. Related Party Transactions Committee: Ensures that stringent policies and mechanisms are in place to govern transactions that involve related parties, particularly those that surpass established materiality limits.

Attached below are the detailed reports of each committee: The Audit Committee Report (Annex "A"), Corporate Governance Committee Report (Annex "B"), Board Risk Oversight Committee Report (Annex "C"), Related Party Transactions Committee Report (Annex "D") and the Statement of Internal Controls and Compliance System Attestation for 2023 (Annex "E").

Item 14. Sustainability Report

Please refer to the attached Sustainability Report.

PART V – EXHIBITS AND SCHEDULES

Item 15. Exhibits and Reports on SEC Form 17-C

Exhibits

See accompanying Index to Exhibits (page 59)

Reports on SEC Form 17-C

List of Corporate Disclosures/Replies to SEC Letters
Under SEC Form 17-C
January 1, 2023 to December 31, 2023

Date of Disclosure	Description
January 26, 2023	Clarification of News Reports to the PSE Query dated 26 January 2023
March 01, 2023	Press Release regarding Cebu Air, Inc.'s lease of five (5) aircraft in 2023
March 03, 2023	Press Release regarding Cebu Air, Inc.'s domestic leadership with 57% market share in 2022
March 28, 2023	Press Release regarding Cebu Air, Inc's revenues for 2022
April 27, 2023	Notice of Analysts' and Investors' Briefing for the Financial and Operating Results for the 1st Quarter 2023
May 05, 2023	Press Release regarding Cebu Air, Inc's return to profitability
May 11, 2023	Results of the Annual Stockholders' Meeting and Organizational Meeting of the Board of Directors; Change of Principal Address
August 04, 2023	Notice of Analysts' and Investors' Briefing for the Financial and Operating Results for the 2nd Quarter 2023
August 10, 2023	Press Release regarding Cebu Air, Inc.'s 2nd Quarter 2023 Financial Statements
September 15, 2023	Press Release regarding the Pratt and Whitney issue
October 20, 2023	Clarification of News Reports to the PSE Query dated 19 October 2023
November 07, 2023	Notice of Analysts' and Investor's Briefing for the Financial and Operating Results for the 3rd Quarter 2023
November 13, 2023	Press Release regarding Cebu Air, Inc's 3rd Quarter 2023 Financial Statements
November 14, 2023	Press Release regarding Cebu Air, Inc.'s financial and capacity growth in 2024
December 11, 2023	Clarification of News Reports to the PSE Query dated 11 December 2023

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of PASAY CITY on MAR 2 5 2024 2024.

CEBU AIR, INC.
Issuer

Pursuant to the requirements of the Securities Regulation Code, this annual report has been signed by the following persons in the capabilities and on the dates indicated.

By:

LANCE Y. GOKONGWEI
Chairman of the Board
Date March 25, 2024

MICHAEL B. SZUCS
Chief Executive Officer
Date March 25, 2024

MARK JULIUS V. CEZAR
Chief Financial Officer and Compliance Officer
Date March 25, 2024

ANNE ROMADINE P. TIENG
General Counsel and Corporate Secretary
Date March 25, 2024

MAR 25 2024

SUBSCRIBED AND SWORN to before me this ____ day of __________, 2024 affiants exhibiting to me his/their Government issued IDs/Philippine passports, as follows:

NAMES	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P6235422B (Philippine Passport)	February 05, 2021 until February 04, 2031	DFA NCR Central
Michael B. Szucs	529070626 (British Passport)	January 28, 2016 until January 28, 2026	HMPO
Mark Julius V. Cezar	P4965589B (Philippine Passport)	February 27, 2020 until February 26, 2030	DFA Manila
Anne Romadine P. Tieng	P7730149B (Philippine Passport)	September 30, 2021 until September 29, 2031	DFA Manila

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Page No. 6 ;
Book No. I ;
Series of 2024

ATTY. JOSINE MAE V. PROTASIO
Commission No. 24-25
Notary for Pasay City until 31 December 2025
Cebu Pacific Building, Domestic Road,
Brgy. 191 Zone 20, Pasay City
Roll No. 74700
PTR No. 8455170/ 01-09-2024/ Pasay City
IBP No. 385041/ 01-02-2024/ Makati Chapter

CEBU AIR, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES
SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

Statement of Management's Responsibility for Financial Statements

Report of Independent Auditors

Consolidated Statements of Financial Position as of December 31, 2023 and 2022

Consolidated Statements of Comprehensive Income for the Years Ended
December 31, 2023, 2022 and 2021

Consolidated Statements of Changes in Equity for the Years Ended
December 31, 2023, 2022 and 2021

Consolidated Statements of Cashflows for the Years Ended
December 31, 2023, 2022 and 2021

Notes to the Consolidated Financial Statements

SUPPLEMENTARY SCHEDULES

Report of Independent Auditors on Supplementary Schedules

I. Supplementary schedules required by Annex 68-J
   - A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)
   - B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
   - C. Amounts Receivable from and Payable to Related Parties which are Eliminated during Consolidation of Financial Statements
   - D. Long-Term Debt
   - E. Indebtedness to Related Parties (Noncurrent)*
   - F. Guarantees of Securities of Other Issuers*
   - G. Capital Stock
   - H. Property, Plant and Equipment
   - I. Accumulated Depreciation
   - J. Intangible Assets and Other Assets*

   *These schedules, which are required by Revised SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related consolidated financial statements or in the notes thereto.

II. Map of the Relationships of the Companies within the Group (Part 1, 4H)

III. Schedule of Financial Soundness Indicators

IV. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)

Cebu Air, Inc.
Cebu Pacific Building
Domestic Road, Pasay City
1301 Philippines
cebupacificair.com

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

Securities and Exchange Commission
Secretariat Building, PICC Complex,
Roxas Boulevard, Pasay City

The management of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, 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 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.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

SyCip, Gorres, Velayo & Co., the independent auditor appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

Lance Y. Gokongwei *Chairman of the Board*	**Michael B. Szucs** *Chief Executive Officer*	**Alexander G. Lao** *President and Chief Commercial Officer*	**Mark Julius V. Cezar** *Chief Financial Officer and Compliance Officer*

Signed this MAR 25 2024 day of ________, 2024.

Subscribed and Sworn to before me this MAR 25 2024, 2024 in the City of PASAY CITY, affiants exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P6235422B	02/05/2021 until 02/04/2031	DFA NCR Central
Michael B. Szucs	529070626	01/28/2016 until 01/28/2026	HMPO
Alexander G. Lao	P7185526B	07/13/2021 until 07/12/2031	DFA Manila
Mark Julius V. Cezar	P4965589B	02/27/2020 until 02/26/2030	DFA Manila

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Page No. 6
Book No. I
Series of 2024

NOTARY PUBLIC

ATTY. JOSINE MA. V. PROTASIO
Commission No. 24-25
Notary for Pasay City until 31 December 2025
Cebu Pacific Building, Domestic Road,
Brgy. 191 Zone 20, Pasay City
Roll No. 74700
PTR No. 8455170/ 01-09-2024/ Pasay City
IBP No. 385041/ 01-02-2024/ Makati Chapter

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	4	6	7	5					

COMPANY NAME

CEBU AIR, INC. AND SUBSIDIARIES

PRINCIPAL OFFICE *(No. / Street / Barangay / City / Town / Province)*

Basement 2 - R01 - 02, Robinsons Galleria Cebu, General Maxilom corner S. Osmeña Boulevard, Barangay Tejero, Cebu City

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-A	SEC	N/A

COMPANY INFORMATION

Company's Email Address	Company's Telephone Number	Mobile Number
N/A	**(632) 8802-7000**	**N/A**
No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
103	**5/11**	**12/31**

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Mark Julius V. Cezar	**MarkJulius.Cezar@cebupacificair.com**	**(632) 8802-7000**	**N/A**

CONTACT PERSON's ADDRESS

Cebu Pacific Building, Domestic Road, Barangay 191, Zone 20, Pasay City 1301, Philippines

NOTE 1 : *In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.*

2 : *All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.*

SGV
Building a better working world

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
Cebu Air, Inc.
Basement 2, Room 01 – 02, Robinsons Galleria Cebu
General Maxilom corner S. Osmeña Boulevard
Barangay Tejeros, Cebu City

Opinion

We have audited the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of comprehensive income, consolidated statements of changes in equity (capital deficiency) and consolidated statements of cash flows for each of the three years in the period ended December 31, 2023, 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 financial position of the Group as at December 31, 2023 and 2022, and its financial performance and its cash flows for each of the three years in the period ended December 31, 2023 in accordance with Philippine Financial Reporting Standards (PFRSs).

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 (the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Estimation of Asset Retirement Obligation

As of December 31, 2023, the Group operates forty-seven (47) aircraft and thirteen (13) engines under lease where the Group is contractually required to either restore them to their original conditions at its own cost or to bear a proportionate cost of restoration at the end of the contract period.

Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs involves management assumptions and estimates in respect of the anticipated rate of aircraft utilization, end of lease cost, and maintenance check cost rate. Aircraft utilization affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term. We considered this area as a key audit matter given the significant amounts involved and the extent of management judgment and estimates required.

Refer to Notes 5, 20 and 32 to the consolidated financial statements for the other relevant disclosures.

Audit response
We obtained an understanding of management's process over estimating the Group's asset retirement obligation for the abovementioned aircraft and engines. We recalculated the asset retirement obligation and evaluated the key assumptions, such as maintenance rates and end of lease cost, adopted by management in estimating the asset retirement obligation for each aircraft and engine by discussing the aircraft utilization statistics with the Group's relevant fleet maintenance engineers. In addition, we obtained an understanding of the redelivery terms of the related lease arrangements by reading the related lease agreements and comparing the estimated costs against the comparable actual costs incurred by the Group from previous similar restorations.

Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

As required under PFRSs, the Group annually tests for impairment the carrying values of goodwill and intangible assets with indefinite lives. As of December 31, 2023, the Group has goodwill and intangible assets with indefinite lives amounting to ₱721.65 million and ₱852.69 million, respectively.

Management's impairment assessment process on goodwill and intangible assets with indefinite lives require significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty.

We consider the impairment testing as a key audit matter given that the amounts of goodwill and intangible assets with indefinite lives involved are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and the significant judgment involved.

Refer to Note 5 to the consolidated financial statements for the discussion of significant judgment and estimates, and to Notes 14 and 15 to the consolidated financial statements for detailed disclosures about the carrying amounts of goodwill and intangible assets with indefinite lives.

Audit Response
With the involvement of our internal specialists, we evaluated the key assumptions, such as the forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the cash generating units (CGU) to which the management attributes the goodwill and relevant intangible assets. We evaluated these key assumptions based on our understanding of the Group's business plans and by reference to historical information and relevant market data. In our sensitivity analyses, we considered past, current and anticipated changes in the business and economic environment. We tested the parameters used in the determination of the discount rate against market data. We also reviewed the Group's disclosures about the assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite lives.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 17 A for the year ended December 31, 2023, but does not include the consolidated financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the SEC Form 20 IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2023, which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, considers whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 PFRSs, 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.

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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John T. Villa.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
Tax Identification No. 901-617-005
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-076-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082033, January 6, 2024, Makati City

March 25, 2024

CEBU AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱15,595,763,441**	₱19,175,471,185
Restricted cash (Note 7)	**1,259,263,375**	832,055,494
Derivative financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**–**	60,911,157
Receivables (Note 9)	**2,542,854,884**	2,591,146,276
Expendable parts, fuel, materials and supplies (Note 10)	**4,016,293,096**	2,532,533,554
Assets held for sale (Note 12)	**593,392,422**	819,869,232
Other current assets (Note 11)	**4,226,450,557**	3,783,004,607
Total Current Assets	**28,234,017,775**	29,794,991,505
Noncurrent Assets		
Property and equipment (Notes 12 and 32)	**69,979,277,091**	64,624,019,956
Right-of-use assets (ROU) (Note 32)	**76,100,642,430**	43,390,959,427
Investments in joint ventures and associates (Note 13)	**300,444,963**	221,880,769
Goodwill (Note 14)	**721,648,970**	721,648,970
Deferred tax assets - net (Note 27)	**8,174,363,550**	5,566,514,112
Other noncurrent assets (Note 15)	**3,674,164,579**	2,835,847,733
Total Noncurrent Assets	**158,950,541,583**	117,360,870,967
TOTAL ASSETS	**₱187,184,559,358**	₱147,155,862,472
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	**₱26,545,309,954**	₱21,814,994,648
Unearned transportation revenue (Note 17)	**13,761,288,846**	11,559,106,245
Current portion of long-term debt (Note 18)	**5,093,179,461**	3,699,412,710
Current portion of lease liability (Note 32)	**9,228,540,715**	5,851,121,778
Derivative financial liabilities at fair value through profit or loss (Notes 8 and 19)	**–**	846,835,509
Derivative financial liabilities at fair value through other comprehensive income (FVOCI) (Note 8)	**1,291,971**	–
Due to related parties (Note 29)	**56,655,756**	37,729,742
Income tax payable	**2,859,432**	–
Total Current Liabilities	**54,689,126,135**	43,809,200,632
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	**33,606,572,124**	36,680,069,698
Lease liability - net of current portion (Note 32)	**73,410,838,256**	42,597,441,915
Bonds payable (Note 19)	**13,437,715,699**	13,423,322,594
Travel fund payable - net of current portion (Note 21)	**413,619,080**	260,283,120
Retirement liability (Note 26)	**893,239,146**	759,343,717
Other noncurrent liabilities (Note 20)	**5,955,389,072**	12,511,343,360
Total Noncurrent Liabilities	**127,717,373,377**	106,231,804,404
Total Liabilities	**182,406,499,512**	150,041,005,036
Equity (Capital Deficiency)		
Capital stock (Note 22)	**944,604,918**	943,277,918
Capital paid in excess of par value (Note 22)	**20,658,552,243**	20,596,009,593
Share-based payments (Note 23)	**224,627,690**	211,441,630
Treasury stock (Note 22)	**(950,881,502)**	(950,881,502)
Other comprehensive income (Note 30)	**167,236,789**	503,754,596
Deficit	**(16,266,080,292)**	(24,188,744,799)
Total Equity (Capital Deficiency)	**4,778,059,846**	(2,885,142,564)
TOTAL LIABILITIES AND EQUITY	**₱187,184,559,358**	₱147,155,862,472

See accompanying Notes to Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2023	2022	2021
REVENUES			
Sale of air transportation services			
Passenger	**₱62,458,245,988**	₱35,138,497,462	₱6,289,010,220
Cargo	**4,057,410,639**	7,119,561,258	6,471,159,954
Ancillary revenues	**24,086,902,129**	14,493,307,139	2,980,586,682
	90,602,558,756	56,751,365,859	15,740,756,856
EXPENSES			
Flying operations (Notes 10 and 24)	**35,371,176,877**	28,019,925,825	7,097,414,932
Repairs and maintenance (Notes 10, 20 and 24)	**13,333,989,671**	14,685,821,909	9,653,563,335
Depreciation and amortization (Notes 6, 12 and 32)	**13,259,622,656**	12,092,864,031	14,355,454,086
Aircraft and traffic servicing (Note 24)	**8,286,431,623**	5,261,211,374	2,669,596,916
General and administrative (Note 25)	**4,354,012,574**	3,142,074,591	3,120,089,028
Reservation and sales (Note 24)	**3,363,948,674**	2,391,683,559	899,253,672
Passenger service	**2,390,538,303**	1,493,206,278	659,762,025
Aircraft and engine lease (Notes 6 and 32)	**1,663,875,974**	1,093,428,049	443,481,482
	82,023,596,352	68,180,215,616	38,898,615,476
OPERATING INCOME (LOSS)	**8,578,962,404**	(11,428,849,757)	(23,157,858,620)
OTHER INCOME (EXPENSE)			
Interest income (Notes 6 and 7)	**812,944,468**	308,283,217	36,478,759
Gain from insurance claims (Note 12)	**17,875,253**	6,174,764	138,049,029
Market valuation gains (losses) on derivative financial instruments – net (Note 8)	**880,160,230**	977,907,505	(1,318,117,077)
Gain on disposal of property and equipment – net (Notes 12 and 32)	**1,192,144,596**	814,206,941	1,388,678,985
Equity in net income (loss) of joint ventures and associates (Notes 6 and 13)	**58,564,194**	(113,288,471)	(174,431,012)
Impairment loss (Notes 12 and 13)	–	(86,746,894)	(36,915,815)
Foreign exchange losses – net	**(707,277,753)**	(3,324,123,371)	(1,290,685,244)
Financing costs and other charges:			
Financing costs on debt and maintenance provisions (Notes 8, 18, 19 and 20)	**(3,011,689,982)**	(2,230,271,097)	(2,017,896,899)
Leases (Note 32)	**(2,247,857,293)**	(1,151,655,726)	(493,863,414)
	(3,005,136,287)	(4,799,513,132)	(3,768,702,688)
INCOME (LOSS) BEFORE INCOME TAX	**5,573,826,117**	(16,228,362,889)	(26,926,561,308)
BENEFIT FROM INCOME TAX (Note 27)	**(2,348,838,390)**	(2,248,975,771)	(2,027,958,421)
NET INCOME (LOSS)	**7,922,664,507**	(13,979,387,118)	(24,898,602,887)
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:			
Net fair value changes in cash flow hedge reserve (Note 30)	**(247,666,543)**	744,822,569	27,705,335
Tax effect	**61,916,636**	(186,205,642)	(8,311,601)
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (losses) on retirement liability (Note 26)	**(201,023,866)**	(218,245,939)	210,443,808
Tax effect	**50,255,966**	54,561,485	(54,723,660)
	(336,517,807)	394,932,473	175,113,882
TOTAL COMPREHENSIVE INCOME (LOSS)	**₱7,586,146,700**	(₱13,584,454,645)	(₱24,723,489,005)
Earnings (Loss) Per Share (Note 28)			
Basic	**₱11.64**	(₱23.89)	(₱42.13)
Diluted	**₱6.79**	(₱23.89)	(₱42.13)

See accompanying Notes to Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CAPITAL DEFICIENCY) FOR THE YEARS ENDED DECEMBER 31, 2023, 2022 AND 2021

					Other Comprehensive Income (Loss)			Retained Earnings (Deficit)			
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Share-based Payments (Note 23)	Treasury Stock (Note 22)	Remeasurement Gain (Loss) on Retirement Liability (Note 26)	Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	Total Equity (Capital Deficiency)
Balance at January 1, 2023	**₱943,277,918**	**₱20,596,009,593**	**₱211,441,630**	**(₱950,881,502)**	**(₱54,862,331)**	**₱558,616,927**	**₱503,754,596**	**₱–**	**(₱24,188,744,799)**	**(₱24,188,744,799)**	**(₱2,885,142,564)**
Net income	–	–	–	–	–	–	–	–	**7,922,664,507**	**7,922,664,507**	**7,922,664,507**
Other comprehensive loss	–	–	–	–	**(150,767,900)**	**(185,749,907)**	**(336,517,807)**	–	–	–	**(336,517,807)**
Total comprehensive income (loss)	–	–	–	–	**(150,767,900)**	**(185,749,907)**	**(336,517,807)**	–	**7,922,664,507**	**7,922,664,507**	**7,586,146,700**
Cost of restricted stock units (RSU)	–	–	**53,434,211**	–	–	–	–	–	–	–	**53,434,211**
Cost of stock options	–	–	**23,621,499**	–	–	–	–	–	–	–	**23,621,499**
Issuance of vested RSUs	**1,327,000**	**62,542,650**	**(63,869,650)**	–	–	–	–	–	–	–	–
Balance at December 31, 2023	**₱944,604,918**	**₱20,658,552,243**	**₱224,627,690**	**(₱950,881,502)**	**(₱205,630,231)**	**₱372,867,020**	**₱167,236,789**	**₱–**	**(₱16,266,080,292)**	**(₱16,266,080,292)**	**₱4,778,059,846**
Balance at January 1, 2022	₱942,183,918	₱20,544,153,993	₱174,824,362	(₱950,881,502)	₱108,822,123	₱–	₱108,822,123	₱–	(₱10,209,357,681)	(₱10,209,357,681)	₱10,609,745,213
Net loss	–	–	–	–	–	–	–	–	(13,979,387,118)	(13,979,387,118)	(13,979,387,118)
Other comprehensive income (loss)	–	–	–	–	(163,684,454)	558,616,927	394,932,473	–	–	–	394,932,473
Total comprehensive income (loss)	–	–	–	–	(163,684,454)	558,616,927	394,932,473	–	(13,979,387,118)	(13,979,387,118)	(13,584,454,645)
Cost of restricted stock units (RSU)	–	–	61,690,810	–	–	–	–	–	–	–	61,690,810
Cost of stock options	–	–	27,876,058	–	–	–	–	–	–	–	27,876,058
Issuance of vested RSUs	1,094,000	51,855,600	(52,949,600)	–	–	–	–	–	–	–	–
Balance at December 31, 2022	₱943,277,918	₱20,596,009,593	₱211,441,630	(₱950,881,502)	(₱54,862,331)	₱558,616,927	₱503,754,596	₱–	(₱24,188,744,799)	(₱24,188,744,799)	(₱2,885,142,564)
Balance at January 1, 2021	₱613,236,550	₱8,405,568,120	₱–	(₱950,881,502)	(₱46,898,025)	(₱19,393,734)	(₱66,291,759)	₱12,000,000,000	₱2,689,245,206	₱14,689,245,206	₱22,690,876,615
Net loss	–	–	–	–	–	–	–	–	(24,898,602,887)	(24,898,602,887)	(24,898,602,887)
Other comprehensive income	–	–	–	–	155,720,148	19,393,734	175,113,882	–	–	–	175,113,882
Total comprehensive income (loss)	–	–	–	–	155,720,148	19,393,734	175,113,882	–	(24,898,602,887)	(24,898,602,887)	(24,723,489,005)
Issuance of preferred shares	328,947,368	12,171,052,616	–	–	–	–	–	–	–	–	12,499,999,984
Transaction costs	–	(32,466,743)	–	–	–	–	–	–	–	–	(32,466,743)
Cost of restricted stock units	–	–	116,527,033	–	–	–	–	–	–	–	116,527,033
Cost of stock options	–	–	58,297,329	–	–	–	–	–	–	–	58,297,329
Reversal of appropriations	–	–	–	–	–	–	–	(12,000,000,000)	12,000,000,000	–	–
Balance at December 31, 2021	₱942,183,918	₱20,544,153,993	₱174,824,362	(₱950,881,502)	₱108,822,123	₱–	₱108,822,123	₱–	(₱10,209,357,681)	(₱10,209,357,681)	₱10,609,745,213

See accompanying Notes to Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2023	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax	**₱5,573,826,117**	(₱16,228,362,889)	(₱26,926,561,308)
Adjustments for:			
Depreciation and amortization (Notes 6, 12 and 32)	**13,259,622,656**	12,092,864,031	14,355,454,086
Financing costs and other charges (Notes 6, 18, 19, 20 and 32)	**5,259,547,275**	3,381,926,823	2,511,760,313
Provision for asset retirement obligation (Note 20)	**1,114,586,977**	5,285,474,877	3,566,104,161
Provision for heavy maintenance (Note 6, 20 and 24)	**235,395,100**	1,481,580,686	849,950,290
Unrealized foreign exchange losses – net	**417,256,092**	2,840,856,561	1,464,946,976
Equity in net loss (income) of joint ventures and associates (Note 13)	**(58,564,194)**	113,288,471	174,431,012
Provision for expected credit losses (Note 9)	**28,103,934**	3,181,233	130,516,567
Gain on disposal of property and equipment – net (Notes 12 and 32)	**(1,194,228,055)**	(828,877,531)	(1,450,983,655)
Interest income (Note 7)	**(812,944,468)**	(308,283,217)	(36,478,759)
Net changes in fair value of derivatives (Note 8)	**(880,160,230)**	(977,907,505)	1,318,117,077
Earned and expired portion of travel fund/deferred revenue on rewards program (Note 21)	**(509,447,373)**	(1,121,830,228)	(13,740,128)
Share-based payments (Note 23)	**77,055,710**	89,566,869	174,824,362
Impairment loss on assets held for sale (Note 12)	**–**	86,746,894	–
Impairment loss on investment in an associate (Note 13)	**–**	–	36,915,815
Operating income (loss) before working capital changes	**22,510,049,541**	5,910,225,075	(3,844,743,191)
Decrease (increase) in:			
Restricted cash	**(427,207,881)**	(54,017,091)	134,032,031
Derivative financial assets	–	802,491,663	–
Receivables	**(316,407,346)**	(566,898,351)	146,708,730
Expendable parts, fuel, materials and supplies	**(1,483,759,542)**	(755,958,485)	129,488,752
Other current assets	**(552,991,720)**	(806,764,176)	2,043,268,058
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**5,606,983,890**	5,512,107,776	(250,717,172)
Unearned transportation revenue	**2,202,182,600**	6,990,465,671	897,172,810
Derivative financial liabilities	**28,617,927**	–	20,235,264
Amounts due to related parties	**(4,826,144)**	49,834,160	(67,151,950)
Retirement liability	**(67,128,437)**	116,277,342	45,176,068
Other noncurrent liabilities	**(8,149,290,363)**	(3,355,751,482)	(3,133,622,567)
Cash generated from (used in) operations	**19,346,222,525**	13,842,012,102	(3,880,153,167)
Interest paid	**(2,700,873,116)**	(2,269,121,872)	(1,933,873,077)
Interest received	**820,655,955**	286,747,469	35,168,921
Income tax paid	**(11,571,990)**	–	–
Net cash provided by (used in) operating activities	**17,454,433,374**	11,859,637,699	(5,778,857,323)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment (Note 12)	**10,378,657,499**	10,493,214,671	10,705,940,871
Acquisitions of property and equipment (Note 12)	**(30,499,712,253)**	(9,782,769,849)	(5,506,681,706)
Refund of pre-delivery payments (Note 12)	**11,593,934,637**	5,807,816,618	5,911,374,086
Additional investment in an associate (Note 13)	**(20,000,000)**	–	–
Increase in other noncurrent assets	**(838,316,844)**	(16,957,642)	(682,412,153)
Net cash provided by (used in) investing activities	**(9,385,436,961)**	6,501,303,798	10,428,221,098
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Long-term debt (Note 18)	**10,296,833,376**	–	–
Short-term debt (Note 18)	–	–	4,234,107,500
Proceeds from issuance of:			
Convertible preferred shares (Note 22)	–	–	12,467,533,241
Convertible bonds (Note 19)	–	–	11,782,473,335
Payments of:			
Long-term debt (Notes 18 and 33)	**(11,828,548,729)**	(7,046,553,461)	(8,368,272,347)
Short-term debt (Notes 18 and 33)	–	(5,161,625,000)	(4,791,800,000)
Lease liability (Note 32)	**(9,801,565,676)**	(7,313,010,731)	(6,267,349,863)
Net cash provided by (used in) financing activities	**(11,333,281,029)**	(19,521,189,192)	9,056,691,866
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**(315,423,128)**	1,531,153,073	590,110,620
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(3,579,707,744)**	370,905,378	14,296,166,261
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**19,175,471,185**	18,804,565,807	4,508,399,546
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱15,595,763,441**	₱19,175,471,185	₱18,804,565,807

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

Cebu Air, Inc. (the Parent Company) was incorporated and organized in the Philippines on August 26, 1988 to carry on, by means of aircraft of every kind and description, the general business of a private carrier or charter engaged in the transportation of passengers, mail, merchandise and freight, and to acquire, purchase, lease, construct, own, maintain, operate and dispose of airplanes and other aircraft of every kind and description, and also to own, purchase, construct, lease, operate and dispose of hangars, transportation depots, aircraft service stations and agencies, and other objects and service of a similar nature which may be necessary, convenient or useful as an auxiliary to aircraft transportation. In 2023, the principal place of business was changed to Basement 2 – R 01 – 02, Robinsons Galleria Cebu, General Maxilom corner S. Osmeña Boulevard, Barangay Tejero, Cebu City from Level 4, Unit 4030-4031, Robinsons Galleria Cebu, General Maxilom Avenue cor. Sergio Osmeña Boulevard, Cebu City, Cebu, upon the Parent Company's Board of Directors and stockholders approval last on May 11, 2023. The change in principal place of business was approved by the Philippine Securities and Exchange Commission on May 11, 2023.

The Group's operations are significantly affected by severe weather, natural disaster and seasonal factors. Severe weather and natural disasters can require the Group to suspend flight operations resulting to decrease in revenue. On the other hand, the demand for the Group's services increases significantly between dry season and holiday seasons such as Easter and Christmas.

The Parent Company has fourteen (14) special purpose entities (SPEs), namely:
1. Summit C Aircraft Leasing Limited (SCALL)
2. Tikgi One Aviation Designated Activity Company (TOADAC)
3. CAI Limited (CL)
4. Sampaguita Leasing Co. Ltd (SLCL)
5. Dia Boracay Ltd. (DBL)
6. Mactan Leasing Co., Ltd (MLCL)
7. Cebuano Leasing Co., Ltd. (CLCL)
8. Dia El Nido Ltd. (DENL)
9. Tarsier Leasing Co., Ltd. (TLCL)
10. RAMEN Aircraft Leasing Limited (RALL)
11. Nalu Leasing Co., Ltd. (NLCL)
12. Linden Leasing Co., Ltd. (LLCL)
13. Guimaras Leasing Co., Ltd. (GLCL)
14. Bohol Leasing Co., Ltd. (BLCL).

These are SPEs in which the Parent Company does not have any equity interest but have entered into finance lease arrangements for the funding of various aircraft deliveries (see Notes 12, 18 and 32).

In August 2022, Summit D Aircraft Leasing Limited (SDALL) was dissolved following the repayment of last aircraft loan in 2021.

As of December 31, 2023, the Parent Company, the fourteen (14) SPEs, CEBGO, Inc. and A-Plus (collectively known as "the Group") are consolidated for financial reporting purposes. Whereas, as of December 31, 2022, there were ten (10) SPEs that form part of the consolidated financial reporting of the Group (see Note 2).

On March 20, 2014, the Parent Company acquired 100% ownership of Tiger Airways Philippines (TAP), including a 40% stake in Roar Aviation II Pte. Ltd. (Roar II), a wholly owned subsidiary of Tiger Airways Holdings Limited (TAH). On April 27, 2015, with the approval of the Securities and Exchange Commission (SEC), TAP was rebranded and now operates as CEBGO, Inc.

On November 3, 2020, the Parent Company signed a Deed of Absolute Sale of Shares with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC's entire 51% shareholding in Aviation Partnership (Philippines) Corporation (A-Plus) in addition to its existing 49% interest, making A-Plus a wholly owned subsidiary of the Parent Company.

The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on October 26, 2010, the Parent Company's initial public offering (IPO) (see Note 21).

The Parent Company's ultimate parent is JG Summit Holdings, Inc. (JGSHI). The Parent Company is 65.50%-owned by CP Air Holdings, Inc. (CPAHI).

In 1991, pursuant to Republic Act (R.A.) No. 7151, the Parent Company was granted a franchise to operate air transportation services, both domestic and international. In August 1997, the Office of the President of the Philippines gave the Parent Company the status of official Philippine carrier to operate international services. On June 30, 2001, the Philippine Civil Aeronautics Board (CAB) issued the permit to operate scheduled international services and a certificate of authority to operate international charters.

The Parent Company is registered with the Board of Investments (BOI) as a new operator of air transport on a non-pioneer status. Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) which extends for a period of two (2) to four (4) years for each batch of aircraft registered to BOI.

Prior to the grant of the ITH and in accordance with the Parent Company's franchise, which extends up to year 2031:

a. The Parent Company is subject to franchise tax of five percent (5%) of the gross revenue derived from air transportation operations. For revenue earned from activities other than air transportation, the Parent Company is subject to corporate income tax and to real property tax.
b. In the event that any competing individual, partnership or corporation received and enjoyed tax privileges and other favorable terms which tended to place the Parent Company at any disadvantage, then such privileges shall have been deemed by the fact itself of the Parent Company's tax privileges and shall operate equally in favor of the Parent Company.

The Reformed-Value Added Tax (R-VAT) law took effect on November 1, 2005 following the approval on October 19, 2005 of Revenue Regulations (RR) No. 16-2005, which provides for the implementation of the rules of the R-VAT law. Among the relevant provisions of R.A. No. 9337 are the following:

a. The franchise tax of the Parent Company is abolished;
b. The Parent Company shall be subject to corporate income tax;
c. The Parent Company shall remain exempt from any taxes, duties, royalties, registration license, and other fees and charges;
d. Change in corporate income tax rate from 32% to 35% for the next three years effective on November 1, 2005, and 30% starting on January 1, 2009 and thereafter; and
e. Increase in the VAT rate imposed on goods and services from 10% to 12% effective on February 1, 2006.

On February 1, 2021, the Bicameral Conference Committee, under the 18th Congress of the Philippines, approved the reconciled version of the House Bill No. 4157 and Senate Bill No.1357 (the “Corporate Recovery and Tax Incentives for Enterprises” or CREATE bill). The CREATE bill seeks to reform corporate income taxes and incentives in the country by implementing certain changes to the current tax regulations.

These changes include:
- Reduction in the RCIT from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million excluding the value of land on which the particular business entity’s office, plant and equipment are situated;
- Reduction in the RCIT from 30% to 25% for all other corporations;
- Lowering of MCIT from 2% to 1% of gross income for three (3) years;
- Instead of 10% of taxable income, application of RCIT on regional operating headquarters;
- Standardization of final taxes on foreign corporations to 15%;
- Exemption of foreign sourced dividends received by domestic corporations subject to certain conditions;
- Additional deduction of one-half (1/2) of the value of labor training expenses subject to certain conditions;
- Repeal of the 10% improperly accumulated earnings tax (IAET);
- VAT exemption for medicines for certain critical illnesses; and
- VAT-free importation and sale for three (3) years of COVID-19 medicines, personal protective equipment and materials used for their production.

Under the bill, the above changes will be implemented for periods beginning July 1, 2020.

On February 24, 2021, the final version of the CREATE bill as passed by the Bicameral Conference Committee was transmitted to the Office of the President for signing or approval into law. On March 26, 2021, the Office of the President approved the CREATE bill and is now called Republic Act No. 11534 or CREATE Act. The CREATE Act became effective last April 11, 2021 or 15 days after complete publication in the Official Gazette or any newspaper of general circulation in the Philippines.

<u>Status of Operations</u>

The Group recognized net income of ₱7.9 billion for the year ended December 31, 2023 and incurred net loss of ₱14.0 billion and ₱24.9 billion for the years ended December 31, 2022 and 2021, respectively. Also, the Group’s current liabilities exceeded its current assets by ₱26.4 billion and ₱14.0 billion as of December 31, 2023 and 2022, respectively. Operating cashflows continue to be positive since 2022.

The Group’s operations have improved due to the higher demand for travel in 2023, in comparison with 2022. The committed initiatives of the Group to growth and profitability, supported by strong demand for airline services, have alleviated the Group’s deficit amounting to ₱24.2 billion as of December 31, 2022 to ₱16.3 billion as of December 31, 2023. Consequently, this resulted to the reversal of its negative equity of ₱2.9 billion as of December 31, 2022, to a positive equity position of ₱4.7 billion as of December 31, 2023. The Group remains optimistic that it can maintain its net positive equity position. The Group also anticipates further recovery of its domestic and international operations in 2024, as it continues to ramp-up its flight activities with more flight resumptions, additional frequencies on various domestic destinations and expansion in its international footprint, to cater the expected demand for travel in 2024.

The Group's liquidity position has been mainly sourced from the enhanced cash flows from operating activities during the year. The Group's cash and cash equivalent balance, together with management's cash flow projections for the next twelve (12) months, will be sufficient to finance its operations and pay its debt when they fall due. Accordingly, management has assessed that the Group will have sufficient financial resources to enable the Group to continue as a going concern for at least the next twelve (12) months from December 31, 2023. As such, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

2. Basis of Preparation and Statement of Compliance

The consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss (FVPL) and financial assets and financial liabilities through other comprehensive income (FVOCI) that have been measured at fair value.

The consolidated financial statements of the Group are presented in Philippine Peso (₱ or Peso), which is the Parent Company's functional and presentation currency. All amounts are rounded to the nearest Peso, unless otherwise indicated.

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

Basis of Consolidation

The consolidated financial statements as of December 31, 2023 and 2022 represent the consolidated financial statements of the Parent Company, the SPEs that it controls and its wholly owned subsidiaries, namely, CEBGO and A-Plus (see Note 1).

The Parent Company controls an investee if, and only if, the Parent Company has:

- Power over the investee (that is, existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect the amount of the investor's returns.

When the Parent Company has less than a majority of the voting or similar rights of an investee, the Parent Company considers all relevant facts and circumstances in assessing whether it has power over an investee.

The Parent Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Parent Company obtains control over the subsidiary and ceases when the Parent Company loses control of the subsidiary. Assets, liabilities, income and expenses of the subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Parent Company gains control until the date the Parent Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. The financial statements of the subsidiaries are prepared for the same reporting date as the Parent Company, using consistent accounting policies. All intragroup assets, liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in consolidation.

3. Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2023.

The adoption of these pronouncements does not have a significant impact on the Group's consolidated financial statements.

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to PAS 8, *Definition of Accounting Estimates*
- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*
- Amendments to PAS 12, *International Tax Reform - Pillar Two Model Rules*

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

4. Material Accounting Policy Information

Fair Value Measurement

The Group measures derivatives at fair value at each reporting period. Also, for assets and liabilities which are not measured at fair value in the consolidated statement of financial position but for which the fair value is disclosed, are included in Note 31.

The fair value is the price that would be received to sell an asset in an ordinary transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or 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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2: Valuation techniques for which the lowest level input that is significant to the measurement is directly or indirectly observable.
- Level 3: Valuation techniques for the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Restricted cash

Restricted cash are cash in bank set aside as security for letters of credit issued to aircraft lessors. The nature of restriction is assessed by the Group to determine its eligibility to be classified as cash and cash equivalents. The Group classifies restricted cash as current and noncurrent assets depending on the tenure of the restriction.

Financial Instruments - Initial Recognition and Subsequent Measurement

Classification of financial instruments

Financial instruments are classified, at initial recognition, as subsequently measured at amortized cost, fair value through OCI, fair value through FVPL and other financial liabilities.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs. Trade receivables are measured at the transaction price determined under PFRS 15, *Revenue from Contracts with Customers*.

In order for a financial asset to be classified as and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Other financial liabilities are initially recognized at fair value, net of directly attributable transaction costs.

a. Financial Assets at Amortized Cost
   The Group measures financial assets at amortized cost if both of the following conditions are met:

   - The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
   - The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

   Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains or losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

   This accounting policy applies to the Group's cash and cash equivalents (excluding cash on hand), receivables and certain refundable deposits.

b. Financial Assets and Liabilities at FVPL
   Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not SPPI are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortized cost or at fair value through OCI, as described above, debt instruments may be designated financial assets at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

   Financial assets at FVPL are carried in the consolidated statement of financial position at fair value with net changes in fair value recognized in profit or loss.

   A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of FVPL category.

   Derivative Financial Instruments and Hedge Accounting
   The Group uses derivative financial instruments such as jet fuel/sing kero and brent crude swaps and zero cost collars and crack swap contracts to manage its exposure to fuel price fluctuations and forward contracts for the risk associated with foreign currency (FX) and interest rate swap to manage the volatilities on swap rates causing uncertainty on monthly rent of the aircraft. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment; and
- Hedges of a net investment in a foreign operation.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes Group's risk management strategies and objectives focusing on the hedged risks, identification of the hedging instrument, the hedged item, and the nature of the risks being hedged and the Group's assessment on whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedges
The change in the fair value of a hedging instrument is recognized in the consolidated statement of comprehensive income as other expense. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognized in the consolidated statement of comprehensive income as other expense.

For fair value hedges relating to items carried at amortized cost, any adjustment to carrying value is amortized through profit or loss over the remaining term of the hedge using the EIR method. The EIR amortization may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in profit or loss.

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately under 'Market valuation gains (losses) on derivative financial instruments - net' in the consolidated statement of comprehensive income. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

The amounts accumulated in OCI are accounted depending on the nature of the underlying hedged transaction. If the hedged transaction subsequently results in the recognition of a non-financial item, the amount accumulated in equity is removed from the separate component of equity and included in the initial cost or other carrying amount of the hedged asset or liability. This is not a reclassification adjustment and will not be recognized in OCI for the period. This also applies where the hedged forecast transaction of a non-financial asset or non-financial liability subsequently becomes a firm commitment for which fair value hedge accounting is applied.

For any other cash flow hedges, the amount accumulated in OCI is reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in OCI must remain in accumulated OCI if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to profit or loss as a reclassification adjustment. After discontinuation, once the hedged cash flow occurs, any amount remaining in accumulated OCI must be accounted for depending on the nature of the underlying transaction as described above.

Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as OCI while any gains or losses relating to the ineffective portion are recognized in the consolidated statement of comprehensive income.

Derivatives not Designated as Hedging Instruments
Derivative financial instruments previously designated in hedging relationships that have been subsequently discontinued, either fully or partially, were recognized as financial assets or liabilities at FVPL in the consolidated statement of financial position. Hedge accounting is discontinued under the following circumstances:

- Risk management objectives were updated or modified;
- Economic relationship between the hedge item and hedging instrument was subsequently assessed to be non-existing;
- Effect of credit risk dominates the value changes of the hedging relationship upon performing subsequent effectiveness testing; and
- Forecasted underlying or hedged item is no longer highly probable to occur

Discontinuation of hedge accounting is applied prospectively upon determination that the forecasted cash flow is no longer highly probable, even if still expected to occur. Amounts accumulated in the cash flow hedge reserve remain recognized separately in equity until the forecasted transaction occurs if the loss is recoverable.

When discontinuation of hedge accounting arises due to hedged future cash flows are no longer expected to occur, amounts accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss under ‘Market valuation gains (losses) on derivative financial instruments - net’ in the consolidated statement of comprehensive income. Any subsequent changes in the fair value of these derivative financial instruments are recognized under ‘Market valuation gains (losses) on derivative financial instruments - net’ in the consolidated statement of comprehensive income and are presented net.

Derivatives that do not meet the hedge accounting criteria are treated as economic hedges and not designated in hedging relationships.

Derivative Financial Instruments
Derivative financial instruments, including bifurcated embedded derivatives, are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group’s derivative instruments provide economic hedges under the Group’s policies but are not designated as accounting hedges. Consequently, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

An embedded derivative is a component of a hybrid (combined) instrument that also includes a nonderivative host contract with the effect that some of the cashflows of the combined instrument vary, in a way similar to a stand-alone derivative. The Group assesses whether embedded derivatives are required to be separated from host contracts when the Group first becomes a party to the contract. An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met:

a. the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
b. a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
c. the hybrid or combined instrument is not recognized as at FVPL.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Group determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flows on the contract.

The Group’s bifurcated embedded derivatives pertain to options arising from the Parent Company’s convertible bonds payable.

c. Other Financial Liabilities
This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations and borrowings.

After initial measurement, other financial liabilities are measured at amortized cost using the effective interest rate (EIR) method. Amortized cost is calculated by taking into account any discount or premium on the acquisition and fees or costs that are an integral part of the EIR.

This accounting policy applies to the Group's accounts payable and other accrued liabilities, short-term debt, long-term debt, bonds payable and other obligations that meet the above definition.

Classification of Financial Instruments Between Liability and Equity
A financial instrument is classified as liability if it provides for a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group; or
- satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares

If the Group does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Debt Issue Costs
Debt issue costs are presented as reduction in long-term debt and are amortized over the terms of the related borrowings using the EIR method.

Derecognition of Financial Instruments
Financial asset
A financial asset (or, when applicable, a part of a financial asset or part of a group of financial assets) is derecognized (that is, removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangements; and either:

  - The Group has transferred substantially all the risks and rewards of the asset; or
  - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liability
A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires.

Impairment of Financial Assets
The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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, 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.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other debt financial instruments such as cash and cash equivalents (excluding cash on hand) and refundable deposits ECLs, the Group applies the general approach of which it tracks changes in credit risk at every reporting date. The probability of default (PD) and loss given defaults (LGD) are estimated using external and benchmark approaches for listed and non-listed financial institutions, respectively. For listed financial institutions, the Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. For non-listed financial institutions, the Group uses benchmark approach where the Group finds comparable companies in the same industry having similar characteristics. The Group obtains the credit rating of comparable companies to determine the PD and determines the average LGD of the selected comparable companies to be applied as LGD of the non-listed financial institutions.

<u>Expendable Parts, Fuel, Materials and Supplies</u>
Expendable parts, fuel, materials and supplies are stated at the lower of cost and net realizable value (NRV). Cost of flight equipment expendable parts, materials and supplies are stated at acquisition cost determined on a moving average cost method. Fuel is stated at cost on a weighted average cost method. NRV represents replacement cost of these expendable parts, fuel, materials and supplies, considering factors such as age and physical condition of these assets.

<u>Assets Held for Sale</u>
Noncurrent assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale must be highly probable. For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Noncurrent assets classified as held for sale are measured at the lower of their previous carrying amount, net of any impairment, and fair value less costs to sell.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. The initial cost of property and equipment comprises its purchase price, any related capitalizable borrowing costs attributed to progress payments incurred on account of aircraft acquisition under construction and other directly attributable costs of bringing the asset to its working condition and location for its intended use.

Subsequent costs are capitalized as part of ‘Property and equipment’ account only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Subsequent costs such as actual costs of heavy maintenance visits for airframe and engine are capitalized and depreciated based on the estimated number of years or flying hours, whichever is applicable, until the next major overhaul or inspection.

Pre-delivery payments for the construction of aircraft are initially recorded as ‘Construction in-progress’ when paid to the counterparty. Construction in-progress are transferred to the related ‘Property and equipment’ account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the property and equipment are ready for service. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use.

Depreciation and amortization of property and equipment commence once the property and equipment are available for use and are computed using the straight-line method over the estimated useful lives (EULs) of the assets, regardless of utilization.

The EULs of property and equipment of the Group follow:

Category	EUL (in Years)
Aircraft*	6-15
Engines	15
Rotables	15
Ground support equipment	5
EDP Equipment, mainframe and peripherals	3
Transportation equipment	5
Furniture, fixtures and office equipment	5
Communication equipment	5
Special tools	5
Maintenance and test equipment	5
Other equipment	5

**With residual value of 15.00%*

Leasehold improvements are amortized over the shorter of their EULs or the corresponding lease terms.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in profit or loss, when the asset is derecognized.

The methods of depreciation and amortization, EUL and residual values of property and equipment are reviewed annually and adjusted prospectively.

Fully depreciated property and equipment are returned in the account until they are no longer in use and no further depreciation or amortization is charged to profit or loss in the consolidated statement of comprehensive income.

Goodwill

Goodwill, which arise from business combination accounted under acquisition method, is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

After initial recognition, goodwill is measured at cost, less any accumulated impairment losses.

Investments in Joint Ventures and Associates

The Group accounts for its investments in JVs and associates under the equity method. Under the equity method, the investments in JVs and associates are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the JVs and associates, less any allowance for impairment in value. The consolidated statement of comprehensive income reflects the Group's share in the results of operations of the JVs and associates. Dividends received are treated as a reduction from the carrying value of the investment.

The financial statements of the investee companies used in the preparation of the consolidated financial statements are prepared as of the same date with the Group. The investee companies' accounting policies conform to those by the Group for like transactions and events in similar circumstances.

Intangible Assets

Intangible assets include acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost, less any accumulated impairment loss.

Intangible assets with indefinite lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit (CGU) level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The intangible assets of the Group have indefinite lives.

Aircraft Maintenance and Overhaul Cost

The Group recognizes aircraft maintenance and overhaul expenses in accordance with the contractual terms.

The maintenance contracts are classified into two: (a) those based on time and material basis (TMB); and (b) power-by-the-hour (PBH) contract. For maintenance contracts under TMB and PBH, the Group recognizes expenses on an accrual basis.

Asset Retirement Obligation (ARO)
The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is recognized over the remaining term of the leases.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls. The costs are accrued based on estimates made by the Group's engineers using maintenance rates which reflect the latest cost of maintenance and after considering contractual arrangements with lessors. At the reporting date, the cost of restoration is computed based on the Group's assessment of aircraft utilization. Any major overhaul made before redelivery will reverse the ARO liability set up. The ARO liability is carried at amortized cost using the effective interest method and is discounted using the prevailing market rate for certain maintenance events.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to suppliers' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the liability.

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 manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

Travel Fund
Travel fund is a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons. Travel fund is offered for cancelled flights or for flights with schedule changes of more than 60 minutes.

In accordance with PFRS 15, *Revenue from Contracts with Customers,* upon receipt of a prepayment from customer, an entity shall recognize a contract liability in the amount of the prepayment for its performance obligation to transfer, or to stand ready to transfer, goods or services in the future. An entity shall derecognize that contract liability (and recognize revenue) when it transfers those goods or services and, therefore, satisfies its performance obligation.

A customer's non-refundable prepayment to an entity gives the customer a right to receive a good service in the future (and obliges the entity to stand ready to transfer a good or service). However, customers may not exercise all of their contractual rights. Those unexercised rights are often referred to as breakage.

If an entity expects to be entitled to a breakage amount in a contract liability, the entity shall recognize the expected breakage amount as revenue in proportion to the pattern of rights exercised by the customer. If an entity does not expect to be entitled to a breakage amount, the entity shall recognize the expected breakage amount as revenue when the likelihood of the customer exercising its remaining rights becomes remote.

Revenue Recognition
The Group is in the business of providing air transportation services. Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

The following specific recognition criteria must also be met before revenue is recognized:

Sale of air transportation services
Passenger ticket and cargo waybill sales are initially recorded as unearned passenger revenue under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted or flown.

Ancillary revenue
Flight and booking services
Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as deferred ancillary revenue under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered. The specific revenue recognition criteria for each type of ancillary revenue are as follows:

Revenue from rebooking and website administration fees
Revenue from rebooking and website administration fees are recognized as revenues when the passenger is lifted or flown.

Revenue from excess baggage and other transport-related and ancillary services revenue
Revenues from excess baggage and other transport-related and ancillary services revenue are recognized when the related services have been rendered.

Revenue from inflight sales
Revenue from inflight sales is recognized at the point in time when control of the asset is transferred to customer, generally on the delivery and acceptance by the customers of the goods.

Revenue from estimated breakage (expiration) of unused travel funds
Revenue from estimated breakage (expiration) of unused travel funds are recognized based on the historical expiration experience of the Group on the unused travel funds.

A-Plus' revenue from third party customers
Revenue from services rendered by A-Plus to third party customers is recognized when it satisfies a performance obligation by transferring a promised service to the customer, which is when the customer obtains control of service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognized is the amount allocated to the satisfied performance obligation. A-Plus' revenue from third party customers is presented under 'Ancillary revenue' account in the consolidated statement of comprehensive income. A-Plus' revenue for services rendered to the Parent Company are eliminated upon consolidation.

Interest income
Interest on cash in banks and short-term cash placements recognized as the interest accrues using the EIR method.

Expense Recognition
Expenses are recognized when it is probable that decrease in future economic benefits related to a decrease in an asset or an increase in a liability has occurred and the decrease in economic benefits can be measured reliably.

The commission related to the sale of air transportation services is recognized as outright expense upon receipt of the payment from customers and is included under ‘Reservation and sales’ account in the consolidated statement of comprehensive income.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Parent Company and subsidiaries’ functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) closing rate prevailing as of December 31, 2023 and 2022, respectively. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Retirement Costs
The Group maintains defined benefit plans covering substantially all of its employees. The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method. The method reflects services rendered by employees up to the date of valuation and incorporates assumptions concerning employees’ projected salaries. Actuarial valuations are conducted with sufficient regularity with the option to accelerate when significant changes to underlying assumptions occur.

Retirement expense comprises the following:

a. Service cost; and
b. Net interest on retirement liability.

Service costs, which include current service costs, past service costs and gains or losses on non-routine settlements, are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs.

Net interest on retirement liability is the change during the period in the retirement liability that arises from the passage of time, which is determined by applying the discount rate based on high quality corporate bonds to the retirement liability. Net interest on retirement liability is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, excess of actual return on plan assets over interest income and any change in the effect of the asset ceiling (excluding net interest on retirement liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

The retirement liability is the aggregate of the present value of 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.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations).

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

<u>Share-based Payments</u>
The Group has a Long-Term Incentive Plan (LTIP) granting eligible persons any one or a combination of Restricted Stock Units (RSUs) and Stock Options to purchase a fixed number of shares of stock at a stated price during a specified period ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which these are granted. Said cost is recognized in profit or loss, together with a corresponding increase in 'Share-based payments' account in the consolidated statement of financial position, over the period in which the service conditions are fulfilled, ending on the date on which the eligible persons become fully entitled to the award ("vesting date"). The fair value of Stock Options is determined using the Cox-Ross-Rubinstein Binomial Option Pricing Method. The cumulative expense recognized for the share-based transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Parent Company's best estimate of the number of equity instruments that will ultimately vest. No expense is recognized for awards that do not ultimately vest.

Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the eligible persons as measured at the date of modification.

Where a share-based award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if there were a modification of the original award. The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

<u>Income Taxes</u>
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretations and establishes provisions, when appropriate.

Deferred tax
Deferred tax is provided using the liability method on all temporary differences, with certain exceptions, between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognized for all deductible temporary differences with certain exceptions, and carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that sufficient taxable income will be available against which the deductible temporary differences and carryforward benefits of unused tax credits from excess MCIT over RCIT and unused NOLCO can be utilized. Deferred tax assets, however, are not recognized when it arises from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of transaction, affects neither the accounting income nor taxable profit or loss and at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date, and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets and liabilities are measured at the tax rates that are applicable to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted as of the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in profit or loss or OCI.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to offset current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same tax authority.

<u>Leases</u>
Right-of-use assets
The Group 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 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. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

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. The lease payments include fixed payments.

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. 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.

The Group accounts for lease concessions as lease modification. The Group remeasures the lease liability using the incremental borrowing rate as at modification date and charge any adjustment to right-of-use assets.

Short-term leases
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 with no purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback
When entering into a sale and leaseback transaction, the Group determines whether the transfer qualifies as a sale based on the requirements satisfying a performance obligation under PFRS 15. When the transfer of the asset is a sale, the Group measures the right-of-use asset arising from the leaseback at the proportion of previous carrying amount of the asset that relates to the right-of-use assets retained by the Group. Gain or loss is recognized only at the amount that relates to the rights transferred to the buyer-lessor. When the transfer of the asset is not a sale under PFRS 15 requirements, the Group continues to recognize the asset in its statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

Provisions and Contingencies
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (that is, more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss.

Contingent liabilities are not recognized in the consolidated statement of financial position, unless the possibility of an outflow of resources embodying economic benefits is remote.

Earnings (Loss) Per Share
Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) applicable to common stockholders by the weighted average number of common shares issued and outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted earnings (loss) per share (EPS) amounts are calculated by dividing the net income (loss) attributable to common stockholders of the Group by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The CODM, who is responsible for resource allocation and assessing performance of the operating segment, has been identified as the Chief Executive Officer (CEO). The nature of the operating segment is set out in Note 6.

Events After the Reporting Date

Post year-end events that provide additional information about the Group's position at the reporting date (adjusting event) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to the consolidated financial statements, when material.

5. **Significant Accounting Judgments and Estimates**

In the process of applying the Group's accounting policies, management has exercised judgments and estimates in determining the amounts recognized in the consolidated financial statements. The most significant uses of judgments and estimates follow:

Judgments

a. *Use of going concern assumption*

The underlying assumption in the preparation of the accompanying consolidated financial statements is that the Group has the ability to continue as a going concern for at least the next twelve (12) months from December 31, 2023. The use of the going concern assumption involves management making significant judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management takes into account a whole range of factors which include, but are not limited to, the forecasted level of revenue and operating cost, profitability and cash flows, and the other potential sources of financing in case of any economic uncertainties that may be caused by the unprecedented events (Note 1).

Management believes that with the continuing implementation of the comprehensive business transformation program which will reduce operating cost and ensures the Group's competitiveness and with the progress of the steps undertaken to date on the Group's financing plans, the Group will be able to generate sufficient cash flows to enable the Group to meet its obligations when they fall due to address the Group's liquidity requirements and to support its operations. Accordingly, the accompanying financial statements have been prepared on a going concern basis of accounting.

b. *Determining the lease term of contracts with renewal and termination options - Group as lessee*

The Group 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 (See Note 32).

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group 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 or to terminate (e.g., construction of significant leasehold improvements or significant customization to the leased asset).

The Group included the renewal period as part of the lease term for leases of aircraft with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. Refer to Note 32 for the disclosure of the Group's leases.

c. *Determination of sale and leaseback transaction as true sale or financing transaction - Group as lessee*
The Group determines whether the transfer of assets qualifies as a sale by referring to the requirements for satisfying performance obligations under PFRS 15. The sale and leaseback transactions are considered as a true sale if there is a transfer of rights and ownership of the related asset. If the transfer is not a sale under PFRS 15 requirements, the Group accounts for the sale and leaseback as a financing transaction in accordance with PFRS 9. The Group assessed that the sales and leaseback transactions in 2023 and 2022 qualify as a true sale.

d. *Determination of functional currency*
PAS 21, *The Effects of Changes in Foreign Exchange Rates,* requires management to use its judgment to determine the Group's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Group. In making this judgment, each entity in the Group considers the following:

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);
- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

Management determined that Philippine Peso is the functional currency for the Group, after considering the criteria stated in PAS 21.

e. *Consolidation of SPEs*
The Group periodically undertakes transactions that may involve obtaining the rights to variable returns from its involvement with the SPEs. These transactions include the purchase of aircraft and assumption of certain liabilities. In all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Parent Company's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making these assessments, management considers the underlying economic substance of the transaction and not only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

Upon loss of control, the Group derecognizes the assets and liabilities of its SPEs and any surplus or deficit is recognized in profit or loss.

f. *Contingencies*
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these will have a material adverse effect on the Group's consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 32).

g. *Allocation of revenue, costs and expenses for registered and non-registered activities*
Revenue, costs and expenses are classified as exclusive and common. Exclusive revenue, cost and expenses such as passenger revenue, cargo revenue, baggage revenue, insurance surcharge, fuel and oil expense, hull/war/risk insurance, maintenance expense, depreciation, lease expense (for aircraft under operating lease) and interest expense based on the related long-term debt are specifically identified per aircraft based on an actual basis. For revenue, cost and expense accounts that are not identifiable per aircraft, the Group allocates based on activity factors that closely relate to the earning process of the revenue.

h. *Assessment of intangible assets with indefinite lives*
The Group has intangible assets representing costs to establish brand and market opportunities under the strategic alliance with CEBGO. Management assessed that these assets have indefinite lives because there is no foreseeable limit to the period over which these assets are expected to generate net cash inflows to the Group.

Estimates and Assumptions
The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. *Recognition of deferred tax assets*
The Group assesses the carrying amounts of deferred income taxes at each reporting period end and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As of December 31, 2023 and 2022, the Group has deferred tax assets amounting to ₱10,204.4 million and ₱8,097.3 million, respectively (see Note 27). Unrecognized deferred tax assets as of December 31, 2023 and 2022 amounted to ₱7,109.1 million and ₱10,632.9 million, respectively.

b. *Impairment of goodwill, intangible assets, property and equipment and right-of-use assets*
The Group determines whether goodwill, intangibles with indefinite lives, property and equipment and right-of-use assets are impaired. For goodwill and intangible assets with indefinite lives, the impairment testing is performed annually at the reporting date and when circumstances indicate that the carrying amount is impaired. For property and equipment and right-of-use assets, impairment testing is performed when circumstances indicate that the carrying amount is impaired. The impairment testing requires an estimation of the recoverable amounts, which is the FVLCD or VIU of the CGU whichever is higher, to which the goodwill, intangibles with indefinite lives, property and equipment and right-of-use assets belongs.

In determining the recoverable amount of these assets, the management estimates the VIU of the CGU to which goodwill and intangible assets are allocated and/or the VIU of the CGU to which the property and equipment and right-of-use assets belong. 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 and fuel costs, among others.

As of December 31, 2023 and 2022, the Group has determined that goodwill, intangibles with indefinite lives, property and equipment and right-of-use assets are recoverable based on VIU. Goodwill amounted to ₱721.6 million as of December 31, 2023 and 2022 (see Note 14). Brand and market opportunities, which are recorded under 'Other noncurrent assets' account amounted to ₱852.7 million as of December 31, 2023 and 2022 (see Notes 14 and 15). Property and equipment and right-of-use assets amounted to ₱70.0 billion and ₱76.1 billion and ₱64.6 billion and ₱43.4 billion as of December 31, 2023 and 2022, respectively (see Notes 12 and 33).

c. *Estimation of ARO*
The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft and engines to stipulated return condition or to bear proportionate costs of restoration at the end of the contract period. These costs are accrued based on an internal estimate which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2023 and 2022, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. The recognition of ARO would increase other noncurrent liabilities and repairs and maintenance expense.

As of December 31, 2023 and 2022, the Group's ARO (included under 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱3,774.5 million and ₱9,663.6 million, respectively (see Note 20).

d. *Estimation of 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 manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

As of December 31, 2023 and 2022, the Group's HMV (included other 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱2,001.0 million and ₱2,721.1 million, respectively (see Note 20).

e. *Valuation of assets held for sale*
The Group classifies a noncurrent asset as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition and its sale must be highly probable. In 2022, management determined that certain aircraft are available for sale in their present condition within the next 12 months. They were reclassified these aircraft from 'Property and equipment' into 'Assets held for sale'. As of December 31, 2023 (see Note 12), three (3) aircraft remain unsold and are measured at the lower of their carrying amount and fair value less costs to sell. Management has determined the fair value less costs to sell of the Group's held for sale based on quoted prices from prospective buyers. The planned sale of the remaining aircraft has not taken place yet due to global supply chain disruptions and Maintenance and Repair Organization (MRO) manpower shortage that delayed the Group's ongoing preparation activities to meet the aircraft's agreed sale conditions before the buyer technically accepts the aircraft. The management remains committed to sell these assets in 2024. The management believes that it is still appropriate to classify these as assets held for sale as of December 31, 2023. The carrying value of assets held for sale amounted to ₱593.4 million and ₱819.9 million as of December 31, 2023 and 2022, respectively (see Note 12).

f. *Lessee - estimating the incremental borrowing rate*
The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating) (see Note 32).

g. *Fair values of aircraft and engines at sale and operating leaseback transaction*
The Group determines the fair values of its aircraft and engines by relying on a third party's valuation which has a global view of all areas of the market which brings essential context of changes in the market and the opportunities and risks. The judgment includes determination whether the difference between the fair value of the aircraft and engines and its selling price should be accounted as immediate gain in the profit or loss or be deferred over the operating lease term. The Group has entered into sale and operating leaseback transactions in 2023 and 2022 (see Notes 12 and 32).

h. *Estimation of retirement and other employee benefit obligation and costs*
The determination of the obligation and cost of retirement and other employee benefits is dependent on the selection of certain assumptions used in calculating such amounts. Those assumptions include, among others, discount rates and salary increase rates (see Note 26).

While the Group believes that the assumptions are reasonable and appropriate, significant differences between actual experiences and assumptions may materially affect the cost of employee benefits and related obligations.

The Group's retirement liability amounted to ₱893.2 million and ₱759.3 million as of December 31, 2023 and 2022, respectively (see Note 26).

i. *Estimation of useful lives of property and equipment*
The Group estimates the useful lives of its property and equipment based on the period over which the assets are expected to be available for use. The Group reviews annually the EULs of property and equipment based on factors that include physical wear and tear, technical and commercial obsolescence and other limits on the use of the assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the EUL of property and equipment would increase the recorded depreciation and amortization expense and decrease noncurrent assets.

As of December 31, 2023 and 2022, the carrying values of the Group's property and equipment amounted to ₱70.0 billion and ₱64.6 billion, respectively (see Note 12).

j. *Estimation of allowance for credit losses on receivables*
The Group maintains allowance for credit losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the agents, customers and other counterparties, the payment behavior of agents and customers, other counterparties and other known market factors. The Group reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The balances of receivables and allowance for credit losses as of December 31, 2023 and 2022 are disclosed in Note 9.

k. *Estimation of fair value for share-based payment transactions*
Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option or appreciation right, volatility and dividend yield and making assumptions about them. The Group initially measures the cost of equity-settled transactions with employees using a binomial model to determine the fair value of the liability incurred. For the measurement of the fair value of equity-settled transactions with employees at the grant date, the Group uses Cox-Ross-Rubinstein Binomial Option Pricing Method taking into consideration the terms and conditions on which the share options were granted (see Note 23).

l. Recognition and measurement of revenue from expected breakage (expiration) of unused travel funds
Travel funds that are unused are recognized as revenue based on expected breakage (expiration) using the Group’s historical expiration experience. The balances of travel fund payable as of December 31, 2023 and 2022 amounted to ₱630.9 million and ₱1,287.4 million (see Note 21). Revenue from travel fund breakage amounting to ₱47.5 million and ₱362.7 million for the years ended December 31, 2023 and 2022 were recognized as part of ‘Ancillary revenues’ in the consolidated statements of comprehensive income.

6. Segment Information

The Group has two reportable operating segments, which is the airline business (Parent Company and CEBGO) and line and light maintenance business (A-Plus). This is consistent with how the Group’s management internally monitors and analyzes the financial information for reporting to the CODM, who is responsible for allocating resources, assessing performance and making operating decisions. The CODM is the CEO of the Parent Company.

The revenue of the operating segment was mainly derived from rendering transportation services and line and light maintenance services.

The amount of segment assets and liabilities are based on the measurement principles that are similar with those used in measuring the assets and liabilities in the consolidated statements of financial position, which is in accordance with PFRSs.

Segment information for the reportable segment is shown in the following table:

	2023	2022	2021
Revenue	**₱93,564,247,497**	₱58,857,938,286	₱17,303,963,629
Earnings (loss) before interest, taxes, depreciation and amortization (EBITDA)	**21,838,585,060**	664,014,274	(8,802,404,534)
Depreciation and amortization (Notes 12 and 32)	**13,259,622,656**	12,092,864,031	14,355,454,086
Earnings (loss) before interest and taxes (EBIT)	**8,578,962,404**	(11,428,849,757)	(23,157,858,620)
Financing costs and other charges (Notes 8, 18, 19, 20 and 32)	**5,259,547,275**	3,381,926,823	2,511,760,313
Interest income (Note 7)	**812,944,468**	308,283,217	36,478,759
Equity in net income (loss) of joint ventures and associates (Note 13)	**58,564,194**	(113,288,471)	(174,431,012)
Pre-tax core net income (loss)	**4,190,923,791**	(14,615,781,834)	(25,807,571,186)
Market valuation gains (losses) on derivative financial instruments - net (Note 8)	**880,160,230**	977,907,505	(1,318,117,077)
Income tax benefit (Note 27)	**(2,348,838,390)**	(2,248,975,771)	(2,027,958,421)
Net income (loss)	**7,922,664,507**	(13,979,387,118)	(24,898,602,887)
Capital expenditures (Note 12)	**30,499,712,253**	9,782,769,849	5,506,681,706

Pre-tax core net income (loss), EBIT and EBITDA are considered as non-PFRS measures.

Pre-tax core net income (loss) is the operating income (loss) after deducting net interest expense and adding equity in net income (loss) of joint venture and associates.

EBIT is the operating income (loss) before interest and taxes.

EBITDA is the operating income (loss) after adding depreciation and amortization.

Capital expenditure is the total paid acquisition of property and equipment for the period.

The reconciliation of the non-PFRSs measures to operating income follows:

	2023	2022	2021
Revenue	**₱90,602,558,756**	₱56,751,365,859	₱15,740,756,856
Expenses	**(82,023,596,352)**	(68,180,215,616)	(38,898,615,476)
Operating income (loss)	**8,578,962,404**	(11,428,849,757)	(23,157,858,620)
Interest expense – net	**(4,446,602,807)**	(3,073,643,606)	(2,475,281,554)
Equity in net income (loss) of joint ventures and associates	**58,564,194**	(113,288,471)	(174,431,012)
Pre-tax core net income (loss)	**₱4,190,923,791**	(₱14,615,781,834)	(₱25,807,571,186)
Operating income (loss)	**₱8,578,962,404**	(₱11,428,849,757)	(₱23,157,858,620)
Depreciation and amortization	**13,259,622,656**	12,092,864,031	14,355,454,086
EBITDA	**₱21,838,585,060**	₱664,014,274	(₱8,802,404,534)

The reconciliation of total revenue reported by reportable operating segment to revenue in the consolidated statements of comprehensive income is presented in the following table:

	2023	2022	2021
Total segment revenue of reportable operating segment	**₱90,602,558,756**	₱56,751,365,859	₱15,740,756,856
Nontransport revenue and other income	**2,961,688,741**	2,106,572,427	1,563,206,773
Total revenue	**₱93,564,247,497**	₱58,857,938,286	₱17,303,963,629

Total segment revenue of reportable operating segments includes A-Plus' revenue from rendering light and light maintenance services to third party customers amounting to ₱166.7 million, ₱120.1 million and ₱66.1 million for the years ended December 31, 2023, 2022 and 2021, respectively.

Nontransport revenue and other income include interest income, gain from insurance claims, market valuation gains on derivative financial instruments and gain on disposals and equity in net income of joint ventures and associates.

The reconciliation of total income (loss) reported by reportable operating segment to total comprehensive income (loss) in the consolidated statements of comprehensive income is presented in the following table:

	2023	2022	2021
Total segment income (loss) of reportable segment	**₱8,578,962,404**	(₱11,428,849,757)	(₱23,157,858,620)
Add (deduct) unallocated items:			
Nontransport revenue and other income	**2,961,688,741**	2,106,572,427	1,563,206,773
Nontransport expenses and other charges	**(5,966,825,028)**	(6,906,085,559)	(5,331,909,461)
Benefit from income tax	**2,348,838,390**	2,248,975,771	2,027,958,421
Net income (loss)	**7,922,664,507**	(13,979,387,118)	(24,898,602,887)
Other comprehensive gain (loss), net of tax	**(336,517,807)**	394,932,473	175,113,882
Total comprehensive income (loss)	**₱7,586,146,700**	(₱13,584,454,645)	(₱24,723,489,005)

The Group's major revenue-producing assets are the aircraft it operates, which are employed across its route network (Note 12).

There are no customers who contribute 10.0% or more to the revenue of the Group.

7. Cash and Cash Equivalents

This account consists of:

	2023	2022
Cash on hand	**₱43,605,898**	₱43,837,094
Cash in banks	**5,853,232,275**	3,932,556,795
Short-term placements	**9,698,925,268**	15,199,077,296
	₱15,595,763,441	₱19,175,471,185

Cash in banks earns interest at the respective bank deposit rates. Short-term placements, which represent money market placements, are made for varying periods depending on the immediate cash requirements of the Group. Short-term placements denominated in Peso earn an average annual interest of 5.34% and 2.56% in 2023 and 2022, respectively. Moreover, short-term placements in US Dollar (USD) earn interest on an average annual interest rate of 4.04% and 1.56% in 2023 and 2022, respectively. In 2023 and 2022, the Group also has outstanding short-term placements in Korean Won (KRW) with an average annual interest rate of 2.24% and 0.97%, respectively.

Restricted Cash

As of December 31, 2023 and 2022, the Group has restricted cash amounting to ₱1,259.3 million and ₱832.1 million, respectively. Restricted cash represents deposits with certain banks to secure standby letters of credit issued in favor of lessors (see Note 32).

Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to ₱812.9 million, ₱308.3 million and ₱36.5 million for the years ended 2023, 2022 and 2021, respectively.

8. Derivative Financial Assets and Liabilities

This account consists of derivative financial assets and liabilities as of December 31, 2023 and 2022. Details follow:

	2023	2022
Derivative financial assets at FVOCI:		
Interest rate derivatives	**₱–**	₱60,911,157
Derivative financial liabilities at FVOCI:		
Fuel derivatives	**₱1,291,971**	₱–
Derivative financial liabilities at FVPL:		
Conversion options arising from convertible bonds (Note 19)	**₱–**	₱846,835,509

As of December 31, 2023, the derivative financial liabilities at FVOCI consist of fuel derivatives.

As of December 31, 2022, the derivative financial assets at FVOCI consists of interest rate derivatives while derivative financial liabilities at FVPL consist of conversion options arising from convertible bonds.

Embedded Derivatives Arising from Convertible Bonds
On May 10, 2021, the Parent Company issued at face value US$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027. The CBs bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

The CB contains conversion and redemption options which were identified as embedded derivatives and were separated and accounted for separately on issuance date of the CBs (see Note 19).

As of December 31, 2023 and 2022, the fair value of embedded derivatives, which is shown as 'Derivative financial liabilities at FVPL' in the consolidated statements of financial position amounted to nil and ₱846.8 million, respectively (Note 19).

'Market valuation gains (losses) on derivative financial instruments - net' for the years ended December 31, 2023, 2022 and 2021 follow:

	2023	2022	2021
Embedded derivatives arising from convertible bonds (Note 19)			
Net changes in fair value	**₱846,835,509**	₱884,125,259	(₱1,318,117,077)
Attributable to accounting hedges:			
Hedge ineffectiveness	**33,324,721**	93,782,246	–
	₱880,160,230	₱977,907,505	(₱1,318,117,077)

Fair Value Changes on Derivatives

The changes in fair value of derivative financial assets at fair value through other comprehensive income follow:

	2023	2022
Balance at January 1:		
Derivative assets	**₱60,911,157**	₱–
Derivative liabilities	**–**	–
	60,911,157	–
Net changes in fair value of derivatives:		
Designated	**(33,585,201)**	863,402,821
Not-designated	**–**	–
	(33,585,201)	863,402,821
	27,325,956	863,402,821
Fair value of settled instruments:		
Designated	**(28,617,927)**	(802,491,664)
Not-designated	**–**	–
	(28,617,927)	(802,491,664)
Balance at December 31:		
Current	**(1,291,971)**	60,911,157
Non-current	**–**	–
	(₱1,291,971)	₱60,911,157
Attributable to:		
Derivative assets	**₱–**	₱60,911,157
Derivative liabilities	**(1,291,971)**	–
	(₱1,291,971)	₱60,911,157

Refer to Note 19 for the changes in fair value of derivative financial liabilities at fair value through profit or loss.

9. Receivables

This account consists of:

	2023	2022
Trade receivables	**₱1,625,106,832**	₱1,818,408,282
Due from related parties (Note 29)	**774,125,730**	780,713,926
Interest receivable	**16,321,679**	24,033,166
Others	**389,802,689**	202,289,251
	2,805,356,930	2,825,444,625
Less: Allowance for expected credit losses (ECL)	**(262,502,046)**	(234,298,349)
	₱2,542,854,884	₱2,591,146,276

Trade receivables are noninterest-bearing and generally have 30 to 90-day term.

Interest receivable pertains to accrual of interest income from short-term placements.

Others include receivable from employees.

The changes in the allowance for expected credit losses on receivables follow:

	2023		
	Trade Receivables	**Others**	**Total**
Balances at January 1	**₱150,485,725**	**₱83,812,624**	**₱234,298,349**
Provisions	**28,103,934**	–	**28,103,934**
Write off	**(360,085)**	–	**(360,085)**
Unrealized foreign exchange loss	**7,022**	**452,826**	**459,848**
Balances at December 31	**₱178,236,596**	**₱84,265,450**	**₱262,502,046**

	2022		
	Trade Receivables	Others	Total
Balances at January 1	₱199,330,293	₱77,210,075	₱276,540,368
Provisions	3,181,233	–	3,181,233
Recovery	(52,155,674)	–	(52,155,674)
Unrealized foreign exchange loss	129,873	6,602,549	6,732,422
Balances at December 31	₱150,485,725	₱83,812,624	₱234,298,349

10. Expendable Parts, Fuel, Materials and Supplies

This account consists of:

	2023	2022
At cost:		
Expendable parts	**₱3,523,620,979**	₱2,032,835,562
Fuel	**362,090,596**	427,233,972
Materials and supplies	**130,581,521**	72,464,020
	₱4,016,293,096	₱2,532,533,554

As of December 31, 2023 and 2022, the Group recognized full allowance for inventory write-down on expendable parts with cost of ₱91.7 million.

No expendable parts, fuel, material and supplies are pledged as security for liabilities.

The cost of expendable and consumable parts, and materials and supplies recognized as expense in the consolidated statements of comprehensive income for the years ended 2023, 2022 and 2021 amounted to ₱1,247.2 million, ₱612.5 million and ₱454.9 million, respectively (see Note 24).

The cost of fuel reported as expense under 'Flying operations' account amounted to ₱29,736.6 million, ₱24,506.8 million and ₱5,074.9 million for the years ended 2023, 2022 and 2021, respectively (see Note 24).

11. **Other Current Assets**

This account consists of:

	2023	2022
Current portion of advances to suppliers	**₱3,033,722,773**	₱3,170,581,766
Creditable withholding taxes	**350,636,496**	329,101,459
Prepaid insurance	**202,130,331**	26,881,074
Prepaid rent	**167,581,682**	194,112,614
Others	**472,379,275**	62,327,694
	₱4,226,450,557	₱3,783,004,607

Current portion of advances to suppliers include advances to service maintenance provider for regular maintenance. Advances for regular maintenance are recouped from progress billings, which occurs within one year from the date the advances arose, whereas, advance payment for restoration costs is recouped when the expenses for restoration of aircraft have been incurred. These advances are unsecured and noninterest-bearing.

Prepaid rent pertains to advance rental on aircraft under lease and on office spaces in airports (see Note 32).

Prepaid insurance consists of aviation insurance, which represents insurance of hull, war and risk, passenger and cargo insurance for the aircraft and non-aviation insurance represents insurance payments for all employees' health and medical benefits, commission, casualty and marine insurance, as well as car/motor insurance.

Others include housing allowance and prepayments to other suppliers.

12. Property and Equipment

The composition and movements in this account follow:

	2023							
	Passenger Aircraft (Notes 18 and 33)	Engines	Rotables	Ground Support Equipment	EDP Equipment, Mainframe and Peripherals	Leasehold Improvements	Transportation Equipment	Sub-total
Cost								
Balance at January 1, 2023	₱62,022,105,339	₱5,857,527,762	₱4,912,141,052	₱1,122,696,344	₱792,550,745	₱2,056,842,265	₱345,753,140	₱77,109,616,647
Additions (Note 6)	10,244,830,491	2,754,471,995	1,522,526,262	214,796,928	128,482,925	7,698,500	23,463,986	14,896,271,087
Reclassification	–	124,091,449	2,741,051	89,436,593	(4,160,915)	86,153,244	32,890,167	331,151,589
Disposals/others	(12,835,438,284)	(2,261,678,849)	(235,648,193)	–	(9,886,740)	–	(16,480,915)	(15,359,132,981)
Balance at December 31, 2023	59,431,497,546	6,474,412,357	6,201,760,172	1,426,929,865	906,986,015	2,150,694,009	385,626,378	76,977,906,342
Accumulated Depreciation and Amortization								
Balance at January 1, 2023	17,592,526,716	4,374,902,076	1,603,906,037	884,677,805	724,189,495	1,342,702,030	294,791,790	26,817,695,949
Depreciation and amortization	4,495,602,680	315,371,961	373,047,787	148,089,371	59,304,517	130,270,373	34,063,565	5,555,750,254
Reclassification	–	–	–	74,460,133	(4,703,993)	19,211,890	23,199,918	112,167,948
Disposals/others	(7,150,523,983)	(142,036,851)	(89,024,841)	–	(9,374,171)	–	(16,118,611)	(7,407,078,457)
Balance at December 31, 2023	14,937,605,413	4,548,237,186	1,887,928,983	1,107,227,309	769,415,848	1,492,184,293	335,936,662	25,078,535,694
Net Book Values	₱44,493,892,133	₱1,926,175,171	₱4,313,831,189	₱319,702,556	₱137,570,167	₱658,509,716	₱49,689,716	₱51,899,370,648

	2023						
	Furniture, Fixtures and Office Equipment	Communication Equipment	Special Tools	Maintenance and Test Equipment	Other Equipment	Construction in-Progress	Total
Cost							
Balance at January 1, 2023	₱166,324,645	₱20,983,125	₱125,693,171	₱202,003,791	₱151,624,152	₱14,230,828,414	₱92,007,073,945
Additions (Note 6)	15,049,602	6,713,874	14,053,589	18,006,585	7,210,105	15,542,407,411	30,499,712,253
Reclassification	(54,503,756)	587,439	(2,003,343)	34,681,044	(117,950,819)	(186,967,786)	4,994,368
Disposals/others	(236,607)	–	–	–	–	(11,593,934,637)	(26,953,304,225)
Balance at December 31, 2023	126,633,884	28,284,438	137,743,417	254,691,420	40,883,438	17,992,333,402	95,558,476,341
Accumulated Depreciation and Amortization							
Balance at January 1, 2023	146,536,265	17,943,214	117,323,818	175,550,641	108,004,102	–	27,383,053,989
Depreciation and amortization	9,862,462	894,244	6,496,570	13,029,435	11,819,970	–	5,597,852,935
Reclassification	(48,227,825)	592,472	(1,260,114)	30,104,947	(87,805,228)	–	5,572,200
Disposals/others	(201,417)	–	–	–	–	–	(7,407,279,874)
Balance at December 31, 2023	107,969,485	19,429,930	122,560,274	218,685,023	32,018,844	–	25,579,199,250
Net Book Values	₱18,664,399	₱8,854,508	₱15,183,143	₱36,006,397	₱8,864,594	₱17,992,333,402	₱69,979,277,091

	2022							
	Passenger Aircraft (Notes 18 and 33)	Engines	Rotables	Ground Support Equipment	EDP Equipment, Mainframe and Peripherals	Leasehold Improvements	Transportation Equipment	Sub-total
Cost								
Balance at January 1, 2022	₱70,571,395,818	₱7,704,900,810	₱5,606,092,282	₱1,446,394,339	₱1,347,535,177	₱1,998,887,919	₱481,118,128	₱89,156,324,473
Additions (Note 6)	451,609,840	3,060,050,951	631,244,897	53,444,806	53,563,622	132,145	1,587,321	4,251,633,582
Reclassification	(3,604,036,707)	126,832,500	–	–	–	57,861,540	–	(3,419,342,667)
Disposals/others	(5,396,863,612)	(5,034,256,499)	(1,325,196,127)	(377,142,801)	(608,548,054)	(39,339)	(136,952,309)	(12,878,998,741)
Balance at December 31, 2022	62,022,105,339	5,857,527,762	4,912,141,052	1,122,696,344	792,550,745	2,056,842,265	345,753,140	77,109,616,647
Accumulated Depreciation and Amortization								
Balance at January 1, 2022	18,607,403,432	5,073,951,895	2,156,610,037	1,066,840,425	1,270,266,088	1,203,804,678	382,881,130	29,761,757,685
Depreciation and amortization	4,188,056,537	387,749,875	376,984,883	168,123,522	61,657,370	138,936,691	48,108,689	5,369,617,567
Reclassification	(2,697,420,580)	–	–	–	–	–	–	(2,697,420,580)
Disposals/others	(2,505,512,673)	(1,086,799,694)	(929,688,883)	(350,286,142)	(607,733,963)	(39,339)	(136,198,029)	(5,616,258,723)
Balance at December 31, 2022	17,592,526,716	4,374,902,076	1,603,906,037	884,677,805	724,189,495	1,342,702,030	294,791,790	26,817,695,949
Net Book Values	₱44,429,578,623	₱1,482,625,686	₱3,308,235,015	₱238,018,539	₱68,361,250	₱714,140,235	₱50,961,350	₱50,291,920,698

	2022						
	Furniture, Fixtures and Office Equipment	Communication Equipment	Special Tools	Maintenance and Test Equipment	Other Equipment	Construction in-Progress	Total
Cost							
Balance at January 1, 2022	₱367,587,881	₱50,706,060	₱140,414,509	₱373,840,344	₱263,898,277	₱14,708,259,949	₱105,061,031,493
Additions (Note 6)	3,969,116	2,834,750	1,904,587	7,025,030	323,661	5,515,079,123	9,782,769,849
Reclassification	–	–	–	–	–	(184,694,040)	(3,604,036,707)
Disposals/others	(205,232,352)	(32,557,685)	(16,625,925)	(178,861,583)	(112,597,786)	(5,807,816,618)	(19,232,690,690)
Balance at December 31, 2022	166,324,645	20,983,125	125,693,171	202,003,791	151,624,152	14,230,828,414	92,007,073,945
Accumulated Depreciation and Amortization							
Balance at January 1, 2022	319,749,606	48,565,263	126,412,133	325,452,836	186,791,277	–	30,768,728,800
Depreciation and amortization	27,357,888	1,351,265	7,167,822	16,394,926	31,203,466	–	5,453,092,934
Reclassification	–	–	–	–	–	–	(2,697,420,580)
Disposals/others	(200,571,229)	(31,973,314)	(16,256,137)	(166,297,121)	(109,990,641)	–	(6,141,347,165)
Balance at December 31, 2022	146,536,265	17,943,214	117,323,818	175,550,641	108,004,102	–	27,383,053,989
Net Book Values	₱19,788,380	₱3,039,911	₱8,369,353	₱26,453,150	₱43,620,050	₱14,230,828,414	₱64,624,019,956

Passenger Aircraft and Engines Held as Securing Assets Under Various Loans
The Group entered into various commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2023 and 2022, the Group's passenger aircraft held as securing assets under various commercial loans are as follows:

	2023	2022
ATR 72-600	**12**	12
Airbus NEO	**9**	6
Airbus CEO	**1**	6
	22	24

Under the terms of the commercial loan facilities (Note 18), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs (see Note 1). Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2023 and 2022, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱33.2 billion and ₱28.2 billion, respectively.

Sale and Sale and Leaseback Transactions
In December 2021, the Group entered into a sale and leaseback agreement for seven (7) A320 aircraft. The lease portion consists of leases between three (3) to five (5) years. The sale portion resulted to a gain of ₱1,388.7 million. Meanwhile, in 2022, the Group entered into sale and leaseback agreements for eight (8) engines where its sale portion resulted to a gain of ₱1,523.9 million (see Note 32). On the other hand, for 2023, the Group entered into sale and leaseback agreements for five (5) aircraft and two (2) engines where its sale portion resulted to a gain of ₱1,052.5 million and ₱139.1 million, respectively.

In 2022, the Group also entered into an agreement for sale of one (1) A330 CEO aircraft that resulted into the recognition of loss amounting to ₱381.6 million recorded under 'Gain (loss) on disposal of property and equipment - net' in the consolidated statement of comprehensive income.

Proceeds from sale of property and equipment for the years ended 2023, 2022 and 2021 amounted to ₱10,378.7 million, ₱10,493.2 million and ₱10,705.9 million, respectively.

Proceeds from Insurance Claims
In 2023, 2022 and 2021, the Group received ₱17.9 million, ₱6.2 million and ₱138.0 million, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events.

Operating Fleet
As of December 31, 2023 and 2022, the Group's operating fleet follows:

	2023	2022
Leased aircraft:		
Airbus CEO	**23**	20
Airbus NEO	**29**	17
ATR 72-600	**2**	2
Owned aircraft:		
Airbus CEO	**8**	13
Airbus NEO	**9**	6
ATR 72-600	**12**	12
ATR 72-500*	**2**	2
	85	72

**This excludes three (3) and four (4) ATR 72-500 that are non-operating and classified as Assets Held for Sale as at December 31, 2023 and 2022, respectively*

Construction in-progress represents the cost of airframe and engine construction in-progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2023 and 2022, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱17,989.5 million and ₱14,222.6 million, respectively (see Note 32).

For the years ended December 31, 2023, 2022, and 2021, the Group received pre-delivery payment refunds for delivered aircraft from Airbus which amounted to ₱11,593.9 million, ₱5,807.8 million, and ₱5,911.3 million, respectively. Amount of remaining capital commitments for acquisition of property and equipment amounted to ₱16,019.2 million and ₱5,724.4 million as of December 31, 2023 and 2022, respectively.

In 2022, the Group entered into remarketing of its four (4) ATR 72-500 aircrafts namely: RPCs 7251, 7256, 7257 and 7258. The aircraft are expected to be sold in 2023. Accordingly, these aircraft were reclassified as 'Assets held for sale' in the 2022 consolidated statement of financial position and is carried at lower of their carrying amount and fair value less cost to sell of ₱819.9 million resulting to recognition of impairment loss of ₱86.7 million.

On March 1, 2023, one of the ATR 72-500 aircraft with manufacturer's serial number 944 was sold at ₱227.0 million, resulting to a gain of ₱0.6 million. Accordingly, as evidenced by Bill of Sale and Acceptance Certificate, the Group conveyed to the buyer the good legal and beneficial title to the aircraft.

The planned sale of the remaining aircraft has not taken place yet due to global supply chain disruptions and Maintenance and Repair Organization (MRO) manpower shortage that delayed the Group's ongoing preparation activities to meet the aircraft's agreed sale conditions before the buyer technically accepts the aircraft. The management believes that it is still appropriate to classify these as assets held for sale as of December 31, 2023.

As of December 31, 2023 and 2022, the carrying values of assets held for sale that remain unsold are ₱593.4 million and ₱819.9 million, respectively. The remaining aircraft as of December 31, 2023 are expected to be sold before the end of 2024.

In 2022, the Group recognized loss from asset write-down amounting to ₱427.7 million from other assets.

As of December 31, 2023 and 2022, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱7,056.1 million and ₱1,414.6 million, respectively.

13. Investments in Joint Ventures and Associates

Investments in Joint Ventures
The Parent Company has investments in joint arrangements as follows:

Investment in Philippine Academy for Aviation Training, Inc. (PAAT)
The Parent Company has subscribed to and owns 60% of the outstanding shares of PAAT accounted for as investment in shares of the joint venture. However, the joint venture agreement between the Parent Company and CAE International Holdings Limited (CAE) states that the Parent Company is entitled to 50% share on the net income/loss of PAAT. As such, the Parent Company recognizes 50% share in net income/loss of the joint venture.

PAAT was created to address the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. PAAT was formally incorporated in the Philippines on January 27, 2012 and started commercial operations in December 2012.

Investment in 1Aviation Groundhandling Services, Corp. (1Aviation)
Investment in 1Aviation refers to the Parent Company's 40% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40% for the Parent Company and the remaining 60% shall be collectively owned by PAGSS and an individual. The Parent Company recognizes 40% share in net income of the joint venture. 1Aviation is engaged in the business of providing groundhandling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private. Commercial, government or military purposes are to be performed at the Ninoy Aquino International Airport and other airports in the Philippines as may be agreed by the co-venturers.

Investment in Associates
The Parent Company has investments in associates as follows:

Investment in Digital Analytics Ventures, Inc. (DAVI)
Investment in DAVI refers to the Parent Company's 40% interest. DAVI is a data services firm which aims to create a digital rewards program and a robust data infrastructure and analytics enterprise to empower the conglomerate's consumer-oriented businesses.

The Parent Company invested an additional ₱20.0 million in July 2023, and another ₱40.0 million in February 2024 (Note 36). The Parent Company's ownership in DAVI remains to be at 40% after the additional investments.

Investment in Value Alliance Travel System Pte. Ltd. (formerly Air Block Box Asia Pacific Pte. Ltd.)
In May 2016, the Parent Company entered into Value Alliance Agreement with other low-cost carriers (LCCs), namely, Scoot Tigerair Pte. Ltd. (formerly known as Scoot Pte. Ltd.), Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Block Box Asia Pacific Pte. Ltd. (ABB).

In November 2016, the Parent Company acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 and started operations in 2018 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB. On April 30, 2021, ABB changed its name to Value Alliance Travel System Pte. Ltd. (VATS). The Parent Company has a 13% shareholding in VATS. The Parent Company has assessed that it has significant influence over VATS through its representation in the BOD and participation in the policy-making process of VATS. Accordingly, the investment was classified as an investment in an associate and is accounted for using the equity method.

In 2021, the Group assessed that its investment in VATS was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. The target growth turned significantly lower than actual, and expectation has also been further tempered due to the impact of the COVID-19 pandemic. On this basis and following the key requirements of PAS 36, *Impairment of Assets* wherein assets can be carried at no more than their recoverable amount, the Group has recognized impairment provisions of ₱36.9 million.

Subsequently, after incurring further losses, even after the resumption of operations that was previously disrupted by the global pandemic, the management of the Group decided to divest its 13% shareholding in VATS. As of December 31, 2023, prior to the finalization of the divestment on January 5, 2024, the net carrying amount of the Group's investment with VATS amounted to nil. The divestment did not have a significant impact in the consolidated financial statements.

The movements in the carrying values of the Group's investments in joint ventures and associates follow:

	2023						
	Investment in joint ventures			**Investment in associates**			
	PAAT	**1Aviation**	**Subtotal**	**VATS**	**DAVI**	**Subtotal**	**Total**
Cost							
Balances at January 1, 2023	**₱134,873,645**	**₱46,000,000**	**₱180,873,645**	**₱43,713,923**	**₱432,000,000**	**₱475,713,923**	**₱656,587,568**
Additional investment	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**	**20,000,000**
Balance at December 31, 2023	**134,873,645**	**46,000,000**	**180,873,645**	**43,713,923**	**452,000,000**	**495,713,923**	**676,587,568**
Accumulated Equity in Net Income (Loss)							
Balance at January 1, 2023	**80,197,164**	**(46,000,000)**	**34,197,164**	**(6,798,108)**	**(425,190,040)**	**(431,988,148)**	**(397,790,984)**
Equity in net income (loss) during the year	**85,374,154**	**–**	**85,374,154**	**–**	**(26,809,960)**	**(26,809,960)**	**58,564,194**
Balance at December 31, 2023	**165,571,318**	**(46,000,000)**	**119,571,318**	**(6,798,108)**	**(452,000,000)**	**(458,798,108)**	**(339,226,790)**
Allowance for Impairment Loss							
Balance at the beginning and end of year	**–**	**–**	**–**	**(36,915,815)**	**–**	**(36,915,815)**	**(36,915,815)**
Net Carrying Value	**₱300,444,963**	**₱–**	**₱300,444,963**	**₱–**	**₱–**	**₱–**	**₱300,444,963**

	2022						
	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balances at January 1 and December 31, 2022	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,923	₱432,000,000	₱475,713,923	₱656,587,568
Accumulated Equity in Net Income (Loss)							
Balance at January 1, 2022	52,571,751	(46,000,000)	6,571,751	(6,798,108)	(284,276,156)	(291,074,264)	(284,502,513)
Equity in net income (loss) during the period	27,625,413	–	27,625,413	–	(140,913,884)	(140,913,884)	(113,288,471)
Balance at December 31, 2022	80,197,164	(46,000,000)	34,197,164	(6,798,108)	(425,190,040)	(431,988,148)	(397,790,984)
Allowance for Impairment Loss							
Balance at the beginning and end of year	–	–	–	(36,915,815)	–	(36,915,815)	(36,915,815)
Net Carrying Value	₱215,070,809	₱–	₱215,070,809	₱–	₱6,809,960	₱6,809,960	₱221,880,769

Selected financial information of PAAT, 1Aviation and DAVI as of December 31, 2023 follow:

	PAAT	**1Aviation**	**DAVI**
Current assets	**₱241,713,512**	**₱286,588,495**	**₱824,879,741**
Noncurrent assets	**1,569,523,685**	**241,835,662**	**72,507,383**
Current liabilities	**(489,628,041)**	**(862,263,402)**	**(1,146,223,899)**
Noncurrent liabilities	**(720,719,230)**	**(13,958,138)**	**(15,322,517)**
Equity (Capital Deficiency)	**600,889,926**	**(347,797,383)**	**(264,159,292)**
Proportion of the Group's ownership	**50%**	**40%**	**40%**
Carrying amount of the investments	**₱300,444,963**	**₱–**	**₱–**
Cash and cash equivalents	**₱2,375,664**	**₱58,920,575**	**₱275,428,872**
Current financial liabilities (excluding trade and other payables and provisions)	**7,101,902**	**679,126,192**	**748,430,739**
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**720,719,230**	**13,958,138**	**15,322,517**

Selected financial information of PAAT, 1Aviation and DAVI as of December 31, 2022 follow:

	PAAT	1Aviation	DAVI
Current assets	₱244,517,706	₱229,092,380	₱892,732,479
Noncurrent assets	1,677,828,651	177,661,756	234,468,035
Current liabilities	(301,577,200)	(797,506,503)	(1,096,255,575)
Noncurrent liabilities	(1,190,627,539)	(2,265,557)	(13,920,036)
Equity (Capital Deficiency)	430,141,618	(393,017,924)	17,024,903
Proportion of the Group's ownership	50%	40%	40%
Carrying amount of the investments	₱215,070,809	₱–	₱6,809,960
Cash and cash equivalents	₱92,285,121	₱33,111,811	₱349,295,965
Current financial liabilities (excluding trade and other payables and provisions)	225,975,531	647,940,468	984,613,466
Noncurrent financial liabilities (excluding trade and other payables and provisions)	1,122,070,512	2,265,557	48,958,781

Summarized statements of comprehensive income (loss) of PAAT, 1Aviation and DAVI:

	2023		
	PAAT	**1Aviation**	**DAVI**
Revenue	**₱516,981,789**	**₱1,760,743,765**	**₱223,065,041**
Expenses	**(335,817,804)**	**(1,742,337,230)**	**(504,259,834)**
Other income (charges)	**(1,274,313)**	**(660,717)**	**(13,443,109)**
Income (loss) before tax	**179,889,672**	**17,745,818**	**(294,637,902)**
Income tax expense	**9,141,362**	**4,349,304**	**2,673,665**
Net income (loss)	**₱170,748,310**	**₱13,396,514**	**(₱297,311,567)**
Group's share in net income (loss) for the year	**₱85,374,154**	**₱–**	**(₱26,809,960)**

(Forward)

	2023		
	PAAT	**1Aviation**	**DAVI**
Depreciation and amortization	**₱111,569,257**	**₱24,580,345**	**₱112,548,491**
Interest income	**–**	**787,616**	**13,369,916**
Interest expense	**103,690,906**	**871,991**	**–**

	2022		
	PAAT	1Aviation	DAVI
Revenue	₱321,092,308	₱1,551,241,956	₱240,309,358
Expenses	(269,375,962)	(1,575,659,354)	(596,691,848)
Other income (charges)	7,123,804	(405,463)	5,325,186
Income (loss) before tax	58,840,150	(24,822,861)	(351,057,304)
Income tax expense (benefit)	3,589,323	(1,144,521)	1,227,406
Net income (loss)	₱55,250,827	(₱23,678,340)	(₱352,284,710)
Group's share in net income (loss) for the year	₱27,625,413	₱–	(₱140,913,884)
Depreciation and amortization	₱118,822,707	₱38,967,274	₱156,228,043
Interest income	–	209,702	6,139,364
Interest expense	59,137,555	669,139	–

The fiscal year-end of PAAT, 1Aviation, VATS/ABB and DAVI is every December 31.

The share of the Parent Company in the net income of PAAT included in the consolidated retained earnings amounted to ₱165.6 million and ₱80.2 million as of December 31, 2023 and 2022, respectively, which is not currently available for dividend distribution unless declared by PAAT.

As of December 31, 2023 and 2022, the accumulated unrecognized share in losses of 1Aviation amounted to ₱103.4 million and ₱108.7 million, respectively.

As of December 31, 2023 and 2022, the accumulated unrecognized share in losses of VATS amounted to ₱4.2 million and ₱3.5 million, respectively.

As of December 31, 2023, the accumulated unrecognized share in losses of DAVI amounted to ₱92.1 million (nil as of December 31, 2022).

14. Goodwill

This account consists of goodwill arising from the acquisition of the following entities:

	2023	2022
CEBGO	**₱566,781,533**	₱566,781,533
A-Plus	**154,867,437**	154,867,437
	₱721,648,970	₱721,648,970

Goodwill from acquisition of CEBGO is attributed to the following:

Achievement of Economies of Scale
CEBGO's overall profitability is expected to improve through cost efficiencies from leveraging on the Parent Company's network of suppliers and other partners.

Defensive Strategy
Acquiring a competitor enables the Parent Company to manage overcapacity in certain geographical areas/markets.

The Parent Company also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited (see Note 15).

Goodwill amounting to ₱154.9 million from step acquisition of A-Plus comprises the fair value of expected synergies arising from the acquisition.

Impairment testing of Goodwill and Intangible Assets with Indefinite Lives

CEBGO:
For purposes of impairment testing of goodwill and other intangible assets from acquisition of CEBGO, the Group considered CEBGO as the CGU. As of December 31, 2023 and 2022, management assessed that no impairment loss should be recognized for these intangible assets with indefinite lives.

Key assumptions used in the VIU calculation
As of December 31, 2023 and 2022, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenue, fuel cost, passenger load factor, passenger yield: These assumptions are based on the past performance of CEBGO, market developments and expectations in the industry.
- Discount rates: The discount rate used for the computation of the net present value is the weighted average cost of equity and was determined by reference to comparable entities.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the acquisition of CEBGO to materially exceed their recoverable amounts.

A-Plus:
As of December 31, 2023 and 2022, management assessed that no impairment loss should be recognized for goodwill from acquisition of A-Plus. For purposes of impairment testing, the Group considered A-Plus as the CGU.

Key assumptions used in the VIU calculation
As of December 31, 2023 and 2022, the recoverable amount of the CGU has been determined based on a VIU calculation using five-year cash flow projections. Key assumptions in the VIU calculation of the CGU are most sensitive to the following:

- Future revenue, profit margins and revenue growth rates: These assumptions are based on the past performance of A-Plus and market developments.
- Discount rates: The discount rate used for the computation of the net present value is the weighted average cost of equity and was determined by reference to comparable entities.

Sensitivity to changes in assumptions
Management believes that no reasonably possible change in any of the above key assumptions would cause the carrying values of goodwill arising from the acquisition of A-Plus to materially exceed their recoverable amounts.

15. Other Noncurrent Assets

This account consists of:

	2023	2022
Refundable deposits	**₱2,343,524,841**	₱1,498,852,139
Intangible assets	**852,691,870**	852,691,870
Receivables – net of current portion	**390,400,574**	401,335,876
Others	**87,547,294**	82,967,848
	₱3,674,164,579	₱2,835,847,733

Refundable deposits mostly refer to the amount provided to aircraft lessors as security in various operating lease agreements.

Intangible assets represent portion of the cost of acquisition of CEBGO which pertains to the established brand and market opportunities under the strategic alliance of CEBGO at the time of acquisition. Refer to Note 14 for the impairment test of these intangible assets with indefinite lives.

Noncurrent receivables pertain to training costs paid by the Group for its "study-now, pay-later" Cadet Pilot Program. These receivables are noninterest-bearing advances and are paid through salary deductions.

Others include commitment fees provided to aircraft manufacturer of A321 NEO to be capitalized as part of the cost of A321 NEO upon delivery.

16. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2023	2022
Accounts payable	**₱11,203,782,204**	₱8,635,765,654
Accrued expenses	**8,960,112,992**	6,709,826,371
Airport and other related fees payable	**4,408,243,128**	3,677,633,756
Advances from agents and others	**1,244,310,113**	1,066,552,194
Accrued interest payable	**226,381,466**	182,618,550
Travel fund payable (Note 21)	**217,309,782**	1,027,065,525
Refunds payable	**9,434,217**	70,008,622
Other payables	**275,736,052**	445,523,976
	₱26,545,309,954	₱21,814,994,648

Accrued Expenses

The Group's accrued expenses include accruals for:

	2023	2022
Aircraft maintenance	**₱4,986,960,409**	₱3,672,847,142
Compensation and benefits	**1,034,739,695**	675,481,729
Repairs and services	**770,110,533**	491,612,540
Advertising and promotion	**525,010,030**	417,874,734
Airport and traffic costs	**402,716,952**	466,583,624
Rent	**366,612,663**	264,602,056
Training costs	**143,700,793**	151,250,942
Travel and transport	**142,835,875**	71,547,331
Professional fees	**132,366,581**	98,035,679
Insurance	**126,343,171**	206,356,111
Others	**328,716,290**	193,634,483
	₱8,960,112,992	₱6,709,826,371

Others represent accrual of security, utilities, insurance and other expenses.

Accounts Payable

Accounts payable consists mostly of payables related to the purchase of inventories, are noninterest-bearing and are normally settled on a 60-day term. These inventories are necessary for the daily operations and maintenance of the aircraft, which include aviation fuel, expendables parts, equipment and in-flight supplies. It also includes other nontrade payables.

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority, Air Transportation Office, Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents.

Accrued Interest Payable

Accrued interest payable pertains to accrual of interest on long-term debt normally settled quarterly throughout the year and interest on bonds payable settled semi-annually.

Refunds Payable

Customers are given options for their cancelled flights, which included free rebooking, full cash refund or conversion to a full travel fund. Refunds payable pertain to cash due to be returned to customers.

Other Payables

Other payables are noninterest-bearing and have an average term of two months. This account includes commissions payable and other tax liabilities such as withholding taxes.

17. Unearned Transportation Revenue

This account consists of:

	2023	2022
Unearned revenue	**₱11,240,425,405**	₱9,585,832,039
Deferred ancillary revenue	**2,520,863,441**	1,973,274,206
	₱13,761,288,846	₱11,559,106,245

Recognized deferred ancillary revenue as of December 31, 2023 and 2022 follows:

	2023	2022
Balance at January 1	**₱1,973,274,206**	₱463,921,481
Deferred during the year	**22,374,986,009**	12,869,575,976
Recognized to income	**(21,827,396,774)**	(11,360,223,251)
Balance at December 31	**₱2,520,863,441**	₱1,973,274,206

18. Long-term and Short-term Debt

Long-term Debt

This account consists of:

			2023		
	Annual Interest Rates Range	Maturities	**US Dollar**	**Japanese Yen**	**Philippine Peso Equivalent**
US Dollar commercial loans	1.00% to 8.00% (US Dollar LIBOR)	Various dates through 2030	**US$280,421,182**	**JPY−**	**₱15,526,920,853**
Japanese Yen commercial loans	Less than 1.00% (TONA)	Various dates through 2033	**−**	**38,658,944,764**	**15,192,965,292**
Philippine Peso commercial loans	2.00% to 5.00% (PH BVAL)	Various dates through 2028	**−**	**−**	**7,979,865,440**
			US$280,421,182	**JPY38,658,944,764**	**₱38,699,751,585**

			2022		
	Annual Interest Rates Range	Maturities	US Dollar	Japanese Yen	Philippine Peso Equivalent
US Dollar commercial loans	1.00% to 8.00% (US Dollar LIBOR)	Various dates through 2030	US$364,598,568	JPY−	₱20,328,193,136
Japanese Yen commercial loans	Less than 1.00% (TONA)	Various dates through 2029	−	13,580,420,824	5,668,467,652
Philippine Peso commercial loans	2.00% to 5.00% (PH BVAL)	Various dates through 2028	−	−	13,796,154,953
Philippine Peso term loan	4.8% fixed interest rate	2023	−	−	586,666,667
			US$364,598,568	JPY13,580,420,824	₱40,379,482,408

The current and noncurrent portion of long-term debt are shown below:

	2023		
	US Dollar	**Japanese Yen**	**Philippine Peso Equivalent**
Current			
US Dollar loans	**US$29,636,730**	**JPY–**	**₱1,640,985,740**
Japanese Yen loans	**–**	**3,209,467,725**	**1,261,320,816**
Philippine Peso loans	**–**	**–**	**2,190,872,905**
	29,636,730	**3,209,467,725**	**5,093,179,461**
Noncurrent			
US Dollar loans	**250,784,452**	**–**	**13,885,935,113**
Japanese Yen loans	**–**	**35,449,477,039**	**13,931,644,476**
Philippine Peso loans	**–**	**–**	**5,788,992,535**
	250,784,452	**35,449,477,039**	**33,606,572,124**
	US$280,421,182	**JPY38,658,944,764**	**₱38,699,751,585**

	2022		
	US Dollar	Japanese Yen	Philippine Peso Equivalent
Current			
US Dollar loans	US$32,524,939	JPY–	₱1,813,427,996
Japanese Yen loans	–	1,568,936,150	654,873,950
Philippine Peso loans	–	–	1,231,110,764
	32,524,939	1,568,936,150	3,699,412,710
Noncurrent			
US Dollar loans	332,073,629	–	18,514,765,140
Japanese Yen loans	–	12,011,484,674	5,013,593,702
Philippine Peso loans	–	–	13,151,710,856
	332,073,629	12,011,484,674	36,680,069,698
	US$364,598,568	JPY13,580,420,824	₱40,379,482,408

Long-term debt rollforward follows:

	2023				
	US Dollar Loans	**Japanese Yen Loans**	**Philippine Peso Equivalent**	**Philippine Peso Loans**	**Total**
Balances at January 1, 2023	**US$364,598,568**	**JPY13,580,420,824**	**₱25,996,660,788**	**₱14,382,821,620**	**₱40,379,482,408**
Additions	**–**	**26,984,723,000**	**10,296,833,376**	**–**	**10,296,833,376**
Payments	**(84,177,386)**	**(1,906,199,060)**	**(5,425,592,549)**	**(6,402,956,180)**	**(11,828,548,729)**
	280,421,182	**38,658,944,764**	**30,867,901,615**	**7,979,865,440**	**38,847,767,055**
Unrealized foreign exchange loss	**–**	**–**	**(148,015,470)**	**–**	**(148,015,470)**
Balances at December 31, 2023	**US$280,421,182**	**JPY38,658,944,764**	**₱30,719,886,145**	**₱7,979,865,440**	**₱38,699,751,585**

	2022				
	US Dollar Loans	Japanese Yen Loans	Philippine Peso Equivalent	Philippine Peso Loans	Total
Balances at January 1, 2022	US$400,547,362	JPY15,141,157,756	₱27,109,307,857	₱18,845,791,759	₱45,955,099,616
Payments	(35,948,794)	(1,560,736,932)	(2,583,583,322)	(4,462,970,139)	(7,046,553,461)
	364,598,568	13,580,420,824	24,525,724,535	14,382,821,620	38,908,546,155
Unrealized foreign exchange loss	–	–	1,470,936,253	–	1,470,936,253
Balances at December 31, 2022	US$364,598,568	JPY13,580,420,824	₱25,996,660,788	₱14,382,821,620	₱40,379,482,408

US Dollar Commercial Loans

The following table summarizes the US Dollar commercial loans entered into by the Group in various dates in 2018 to 2020, to finance the purchase of seven (7) A321CEO and six (6) A321NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
Various dates in 2018	A321CEO	7	Tikgi One Aviation Designated Activity Company	Various dates in 2026
January 2019	A321NEO	1	Sampaguita Leasing Co. Ltd.	January 2029
May 2019 October 2019 November 2019	A321NEO	3	Dia Boracay Co. Ltd. Cebuano Leasing Co. Tarsier Leasing Co.	May 2029 October 2029 November 2029
December 2019 June 2020	A321NEO	2	RAMEN Aircraft Leasing Limited	December 2029 June 2030

Key terms of the remaining commercial loan facilities follow:

- Term of six to ten (10) years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 8.00% and variable rates based on US Dollar LIBOR plus margin.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2023 and 2022, the total outstanding balance of the US Dollar commercial loans amounted to ₱15,510.8 million (US$280.4 million) and ₱20,328.2 million (US$364.6 million), respectively. Interest expense amounted to ₱1,249.3 million, ₱668.3 million and ₱579.8 million in 2023, 2022 and 2021, respectively.

Japanese Yen Commercial Loans

The following table summarizes the Japanese commercial loans entered into by the Group in various dates in 2019 and 2023, to finance the purchase of seven (7) A321NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
January 2019	A321NEO	1	Sampaguita Leasing Co. Ltd.	January 2029
May 2019	A321NEO	1	Dia Boracay Leasing Co. Ltd.	May 2029
October 2019	A321NEO	1	Cebuano Leasing Co. Ltd.	October 2029
November 2019	A321NEO	1	Tarsier Leasing Co. Ltd.	November 2029
July 2023	A321NEO	1	Nalu Leasing Co., Ltd.	July 2033
September 2023	A321NEO	1	Guimaras Leasing Co., Ltd.	September 2033
November 2023	A321NEO	1	Tubbataha Leasing Co., Ltd.	November 2033

In July, September, and November 2023, the Group entered into Japanese commercial loans for three (3) Airbus A321NEO aircraft. The loan required quarterly installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

As of December 31, 2023 and 2022, the total outstanding balance of the Japanese yen commercial loans amounted to ₱15,209.1 million (¥38.7 billion) and ₱5,668.5 million (¥13.6 billion), respectively. Interest expense amounted to ₱37.8 million, ₱15.5 million and ₱18.4 million in 2023, 2022 and 2021, respectively.

Philippine Peso Commercial Loans
The following table summarizes the Philippine peso commercial loans entered into by the Group on various dates in 2016 to 2018, to finance the purchase of ten (10) ATR 72-600 and one (1) A330CEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Maturity Date
October and November 2016 February and March 2017	ATR 72-600	4	October and November 2026 February and March 2027
May, July, October and December 2017	ATR 72-600	4	May, July, October and December 2027
February and May 2018	ATR 72-600	2	February and May 2028
May 2017	A330CEO	1	May 2027

Key terms of the commercial loan facilities follow:

- Term of seven to ten (10) years starting from the delivery dates of each aircraft.
- Twenty-eight (28) to forty (40) equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2023 and 2022, the total outstanding Philippine Peso commercial loans amounted to ₱7,979.9 million and ₱13,796.2 million, respectively. Interest expense incurred from these loans amounted to ₱854.2 million, ₱569.5 million and ₱559.9 million in 2023, 2022 and 2021, respectively.

The commercial loans of the Group are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2023 and 2022, the Group is not in breach of any loan covenants.

Philippine Peso Term Loan
In 2020, the Group entered into an unsecured, Philippine peso-denominated loan amounting to ₱4.0 billion with Security Bank Corporation due in 2023. The loan was obtained to support the working capital requirements of the Group.

As of December 31, 2023 and 2022, the total outstanding Philippine Peso term loan amounted to nil and ₱586.7 million, respectively. Interest expense incurred from this loan amounted to ₱10.7 million, ₱80.3 million and ₱156.3 million in 2023, 2022 and 2021, respectively.

The Group is required to maintain certain financial ratio until termination of loans. In 2022, the Group obtained a waiver from the bank in relation to debt service coverage ratio requirement.

The Group outstanding balance as at December 31, 2022 is due for repayment in 2023 and classified as current in the 2022 consolidated statement of financial position. As of December 31, 2023, the loan has been paid in full.

Short-term Debt
On October 29, 2020, the Parent Company entered into a ₱4,839.6 million (US$100.0 million) unsecured promissory note with JG Summit Philippines, Limited (JGSPL), a subsidiary of JGSHI, the Parent Company's ultimate parent, bearing interest at the rate of 5% per annum until maturity date. The principal plus interest was paid last June 1, 2021.

On February 18, 2021, March 1, 2021 and March 4, 2021, the Parent Company entered into unsecured promissory notes with JGSPL totaling to ₱4,234.1 million (US$87.5 million) bearing interest at the rate of 5% per annum until maturity date on August 18, 2021. The promissory note has been amended to extend the maturity date to October 18, 2022 and to set the payment of interest on a semi-annual basis starting October 18, 2021. The principal plus interest was paid last October 18, 2022.

The proceeds from these promissory notes were used for the Group's working capital requirements. Interest expense incurred from these notes amounted ₱190.6 million and ₱287.8 million in 2022 and 2021, respectively.

19. Bonds Payable

On May 10, 2021, the Parent Company issued at face value US$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027. The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year. Net proceeds from issuance of CB in 2021 amounted to ₱11,782.5 million.

The CBs have a conversion option features which entitles the CB Holders to convert any or all of the outstanding CBs that they hold for the Parent Company's common shares within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions included in the terms and conditions of the CBs. None of the CB Holders have exercised their conversion option as of December 31, 2023 and 2022. The CBs also have an optional redemption feature which give the CB Holders the option to require the Parent Company to redeem the CBs upon the occurrence of any of the early redemption and regulatory events as specified in the terms of the CBs.

The CBs were assessed to be a hybrid instrument containing a host financial liability component and embedded derivative components for the equity conversion and redemption options. The embedded derivatives were separated from the CBs and accounted for as a single compound derivative on the issuance date of the CBs.

In subsequent periods, the host financial liability component of CBs were carried at amortized cost using the EIR method. Interest expense recognized from the CBs, which is included under 'Financing and others' in the consolidated statements of comprehensive income in 2023, 2022 and 2021 amounted to ₱733.5 million, ₱613.0 million and ₱415.7 million, respectively.

The carrying amount as at December 31, 2023 and 2022 of the host financial liability component of the CBs are presented below:

	2023		2022	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$240,755,494**	**₱13,423,322,594**	US$238,923,040	₱12,184,836,126
Unrealized foreign exchange loss	–	**(93,207,960)**	–	1,138,579,757
Bond amortization	**1,933,971**	**107,601,065**	1,832,454	99,906,711
Ending balance	**US$242,689,465**	**₱13,437,715,699**	US$240,755,494	₱13,423,322,594

The bifurcated embedded derivatives have an initial fair value of ₱412.8 million and is presented as 'Derivative financial liabilities at fair value through profit or loss' in the consolidated statements of financial position.

The fair value and changes in fair value of the derivative liabilities at FVPL in 2023 and 2022 follows:

	2023		2022	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$15,188,513**	**₱846,835,509**	US$33,941,073	₱1,730,960,768
Market valuation losses (Note 8)	**(15,188,513)**	**(846,835,509)**	(18,752,560)	(884,125,259)
Ending balance	**US$–**	**₱–**	US$15,188,513	₱846,835,509

The fair value of the embedded derivatives was determined by the Group using the Jarrow-Rudd model.

The inputs used for the calculation of fair value as of specific valuation date are as follows:

	2023	2022
Stock price	**₱32.50**	₱38.30
Risk free rate	**3.90%**	3.93%
Conversion price	**₱38.00**	₱38.00
Term	**5.9 years**	5.9 years
Volatility	**32.90%**	51.83%

20. Other Noncurrent Liabilities

This account consists of:

	2023	2022
Asset retirement obligation (ARO)	**₱3,774,523,251**	₱9,663,604,328
Heavy maintenance visits (HMV)	**2,000,998,239**	2,721,092,312
Other noncurrent liabilities	**179,867,582**	126,646,720
	₱5,955,389,072	₱12,511,343,360

Asset Retirement Obligation (ARO)

The Group is contractually required under various lease contracts to restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. These costs are accrued based on estimates made by the Group's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period.

The rollforward analysis of the Group's ARO follow:

	2023	2022
Balance at beginning of year	**₱9,663,604,328**	₱7,084,719,291
Provision for ARO	**1,114,586,977**	5,285,474,877
Interest expense	**124,907,879**	25,665,156
Applications and foreign exchange movement	**(7,128,575,933)**	(2,732,254,996)
Balance at end of year	**₱3,774,523,251**	₱9,663,604,328

In 2023, 2022 and 2021, ARO expenses included as part of repairs and maintenance amounted to ₱1,114.6 million, ₱5,285.5 million and ₱3,566.1 million, respectively (see Note 24).

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 manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

The rollforward analysis of the Group's HMV follow:

	2023	2022
Balance at beginning of year	**₱2,721,092,312**	₱1,082,628,412
Provision for HMV	**235,395,100**	1,481,580,686
Interest expense	**92,113,631**	9,668,350
Applications and foreign exchange movement	**(1,047,602,804)**	147,214,864
Balance at end of year	**₱2,000,998,239**	₱2,721,092,312

In 2023, 2022 and 2021, HMV expenses included as part of repairs and maintenance amounted to ₱235.4 million, ₱1,481.6 million and ₱850.0 million, respectively (see Note 24).

21. **Travel Fund Payable**

Customers are given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking.

Prior to March 15, 2020 (pre-COVID-19), the validity of travel fund was only 90 days from the travel fund creation date. However, due to the COVID-19, the Group extended the validity of travel fund from 90 days to two (2) years to give guests enough time to plan on their next trip.

Effective August 1, 2023, the Group removed the expiration date of all its remaining, unexpired travel fund, and extended the validity of its travel vouchers to 18 months, giving passengers a chance to enjoy better and improved customer service.

As of December 31, 2023 and 2022, the current portion of travel fund payable amounted to ₱217.3 and ₱1,027.1 million , respectively, and is presented under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position (see Note 16) while its noncurrent portion amounted to ₱413.6 million and ₱260.3 million, respectively.

For the years ended December 31, 2023 and 2022, expired portion of the travel fund payable amounting to ₱461.9 million and ₱759.1 million are recognized as part of 'Ancillary revenues' in the consolidated statements of comprehensive income. Additionally, estimated breakage revenue from travel fund amounting to ₱47.5 million and ₱362.7 million are recognized as part of 'Ancillary revenues' in the consolidated statements of comprehensive income for the years ended December 31, 2023 and 2022, respectively.

22. **Equity**

The Group's authorized capital stock as of December 31, 2023 and 2022 consists of the following (in number of shares):

	2023	2022
Common stock – at ₱1 par value	**1,340,000,000**	1,340,000,000
Convertible preferred stock – at ₱1 par value	**400,000,000**	400,000,000
Authorized capital stock	**1,740,000,000**	1,740,000,000

The details of the Group's issued and outstanding number of common and preferred shares and the movements thereon follow:

		2023	
	Common	**Preferred**	**Total**
Subscribed and issued	**630,560,561**	**314,044,357**	**944,604,918**
Conversion of shares	**4,351,156**	**(4,351,156)**	**–**
Subscribed and issued, after conversion	**634,911,717**	**309,693,201**	**944,604,918**
Treasury shares	**(12,919,850)**	**–**	**(12,919,850)**
	621,991,867	**309,693,201**	**931,685,068**

		2022	
	Common	Preferred	Total
Subscribed and issued	626,069,577	317,208,341	943,277,918
Conversion of shares	3,163,984	(3,163,984)	–
Subscribed and issued, after conversion	629,233,561	314,044,357	943,277,918
Treasury shares	(12,919,850)	–	(12,919,850)
	616,313,711	314,044,357	930,358,068

Common Stock

On October 26, 2010, the Parent Company listed with the PSE its common stock, by way of primary and secondary share offerings, wherein it offered 212,419,700 shares to the public at ₱125.00 per share. Of the total shares sold, 30,661,800 shares are newly issued shares with total proceeds amounting to ₱3,800.0 million. The Parent Company's share in the total transaction costs incurred incidental to the IPO amounted to ₱100.4 million, which is charged against 'Capital paid in excess of par value' in the consolidated statements of financial position. The registration statement was approved on October 11, 2010. After its listing with the PSE, there have been no subsequent offerings of common stock.

The Parent Company's total number of common stockholders is 103 and 106 as of December 31, 2023 and 2022, respectively.

Convertible Preferred Stock

On March 3, 2021, the Parent Company announced the start of its stock rights offer (SRO) for sale or subscription of its cumulative, non-voting, non-participating Convertible Preferred Shares (CPS) with a par value of ₱1.00 per share at an offer price of ₱38.00 per entitlement right. The SRO was made available to the Parent Company's eligible shareholders of record as of February 26, 2021 with an entitlement ratio of one entitlement right for every 1.8250 common shares held as of record date. The

SRO was completed and closed on March 9, 2021 with a total of 328,947,368 shares issued. Total proceeds from the SRO amounted to ₱12.5 billion. The Parent Company incurred transaction costs incidental to the SRO amounting to ₱32.5 million, which is charged against ‘Capital paid in excess of par value’ in the consolidated statements of financial position. The CPS were successfully listed with PSE last March 29, 2021. For the years ended December 31, 2023 and 2022, 4,351,156 and 3,163,984 CPS have been converted to common shares with ₱1.00 par value at the conversion price of ₱38.00 per share, respectively.

The Parent Company’s total number of preferred stockholders is 12 and 11 as of December 31, 2023 and 2022, respectively.

The rollforward of the Parent Company’s common and preferred shares follows:

	2023			2022		
	Common*	**Preferred**	**Total**	Common*	Preferred	Total
Balances at January 1	**629,233,561**	**314,044,357**	**943,277,918**	624,975,577	317,208,341	942,183,918
Issuance of vested RSUs (Note 23)	**1,327,000**	**–**	**1,327,000**	1,094,000	–	1,094,000
Conversion of shares	**4,351,156**	**(4,351,156)**	**–**	3,163,984	(3,163,984)	–
Balances at December 31	**634,911,717**	**309,693,201**	**944,604,918**	629,233,561	314,044,357	943,277,918

**Gross of 12,919,850 shares held as treasury shares*

The rollforward of the Parent Company’s capital stock and capital paid in excess of par value follows:

	2023					
	Capital Stock			**Capital Paid in Excess of Par Value**		
	Common	**Preferred**	**Total**	**Common**	**Preferred**	**Total**
Balances at January 1	**₱629,233,561**	**₱314,044,357**	**₱943,277,918**	**₱9,008,835,127**	**₱11,587,174,466**	**₱20,596,009,593**
Issuance of vested RSUs (Note 23)	**1,327,000**	**–**	**1,327,000**	**62,542,650**	**–**	**62,542,650**
Conversion of shares	**4,351,156**	**(4,351,156)**	**–**	**160,992,772**	**(160,992,772)**	**–**
Balances at December 31	**₱634,911,717**	**₱309,693,201**	**₱944,604,918**	**₱9,232,370,549**	**₱11,426,181,694**	**₱20,658,552,243**

	2022					
	Capital Stock			Capital Paid in Excess of Par Value		
	Common	Preferred	Total	Common	Preferred	Total
Balances at January 1	₱624,975,577	₱317,208,341	₱942,183,918	₱8,839,912,119	₱11,704,241,874	₱20,544,153,993
Issuance of vested RSUs (Note 23)	1,094,000	–	1,094,000	51,855,600	–	51,855,600
Conversion of shares	3,163,984	(3,163,984)	–	117,067,408	(117,067,408)	–
Balances at December 31	₱629,233,561	₱314,044,357	₱943,277,918	₱9,008,835,127	₱11,587,174,466	₱20,596,009,593

Treasury Stock

On February 28, 2011, the BOD of the Parent Company approved the creation and implementation of a share buyback program (SBP) up to ₱2.0 billion worth of the Parent Company’s common stock. The SBP shall commence upon approval and shall end upon utilization of the said amount, or as may be otherwise determined by the BOD. In August 2018, the Parent Company has decided to resume its SBP.

The Parent Company has 12,919,850 shares held in treasury with cost of ₱950.9 million as of December 31, 2023 and 2022, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Appropriation of Retained Earnings
On September 7, 2020, the Parent Company's BOD appropriated ₱12.0 billion from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2020 was reversed in the following year. The appropriated amount as of December 31, 2020 was used for the settlement of aircraft and engine lease commitments in 2021.

As of December 31, 2023, 2022 and 2021, the Group has no appropriated retained earnings.

Unappropriated Retained Earnings
The income of the subsidiaries and JVs that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and joint ventures (Note 13). As of December 31, 2023 and 2022, the Group's subsidiaries has no retained earnings available for dividends declaration. Likewise, retained earnings are restricted for the payment of dividends to the extent of the cost of common stock held in treasury amounting to ₱950.9 million as December 31, 2023, 2022 and 2021, respectively.

The Parent Company did not declare dividends in 2023, 2022 and 2021.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange loss, recognized deferred tax assets and others, and cost of common stocks held in treasury, the Parent Company has no retained earnings available for dividend declaration as of December 31, 2023 and 2022.

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Group considers its equity (capital deficiency) of ₱4,778.1 million and of (₱2,885.1 million) as of December 31, 2023 and 2022, respectively, presented in the consolidated statements of financial position, as its capital. The Group manages its capital structure, which is composed of paid-up capital and retained earnings, and makes adjustments to these ratios in light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend payment to shareholders, return capital structure or issue capital securities. No changes have been made in the objective, policies and processes as they have been applied in previous years.

The Group's ultimate parent monitors the use of capital structure using a debt-to-equity ratio, which is gross debt divided by total capital. JGSHI includes within gross debt all interest-bearing loans and borrowings, while capital represents total equity.

23. Share-based Payments

On March 29, 2021, the BOD of the Parent Company approved its Long-Term Incentive Plan (LTIP). The LTIP involves the grant of any one or a combination of Restricted Stock Units and Stock Options to eligible persons.

Restricted Stock Units (RSU)
On November 26, 2021, 4,710,000 RSUs were granted to 82 eligible persons with one (1) to three (3) years vesting period. These vested in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022 and 2023, respectively except for three (3) grantees that vested in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual

performance rating of "Meets Expectations". The fair value of each share is ₱48.40 which is the stock price at grant date.

In 2022, six (6) eligible persons were granted RSUs with three (3) years vesting period, commencing 2022. These will vest in three (3) tranches: 20%, 30% and 50% at the end of 2022, 2023 and 2024, respectively. The fair value of each share varies considering the grant date. Details are as follow:

Date granted	Fair value
January 5, 2022	₱40.75
January 7, 2022	40.00
January 13, 2022	43.30
January 31, 2022	45.00
March 9, 2022	43.05

Additionally, in 2023, 18 eligible persons were granted RSUs with three (3) years vesting period, commencing 2023. These will vest in four (4) tranches: 6%, 23%, 36% and 35% at the end of 2023, 2024, 2025 and 2026, respectively. The fair value of each share varies considering the grant date. Details are as follow:

Date granted	Fair value
April 25, 2022	₱40.20
April 26, 2022	39.30
April 27, 2022	39.25
May 2, 2023	39.70
May 3, 2023	40.20
May 4, 2023	41.00
May 5, 2023	42.35
May 8, 2023	43.65
May 9, 2023	43.00
May 10, 2023	43.85
May 12, 2023	43.95
May 15, 2023	43.50
July 17, 2023	37.65
November 9, 2023	32.50

The Group does not pay cash as a form of settlement.

On December 31, 2023, 2,222,666 RSUs have vested that were subsequently listed with the Philippine Stock Exchange on January 17, 2024 (see Note 36). While for 2022, 1,327,000 RSUs have vested that were subsequently listed with the Philippine Stock Exchange on January 13, 2023.

<u>Stock Options</u>

On November 26, 2021, 5,205,000 stock options were granted to 16 eligible persons with one (1) to three (3) years vesting period which can be exercised at a strike price of ₱48.575 once vested. These vested in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022 and 2023, respectively except for two (2) grantees that vested in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating within individual performance rating of "Meets Expectations". These options will expire on December 31, 2027. The Group does not pay cash as a form of settlement.

Additionally, in 2023, three (3) eligible persons were granted SOs with three (3) years vesting period, commencing 2023. These will vest in four (4) tranches; 6%, 23%, 37% and 33% at the end of 2023, 2024, 2025 and 2026.

On December 31, 2023 and 2022, 2,312,500 and 1,387,500 stock options have vested. No options were exercised, forfeited or expired during both years. Thus, a total of 4,965,000 and 2,652,500 vested stock options remain to be outstanding and exercisable as of December 31, 2023 and 2022, respectively.

The fair value of each option at grant date is ₱21.79 which was determined using the Cox-Ross-Rubinstein Binomial Option Pricing Method. The inputs in the valuation of the stock option are as follows:

Stock price at grant date	₱48.40
Exercise price	₱48.575
Expected volatility	47.24%
Option life	6.10 years
Dividend yield	2.93%
Risk-free interest rate	4.53%

The option life is the period between the November 26, 2021 grant date to December 31, 2027 expiry date. The expected volatility was based on the historical daily stock prices for the past five years. Daily stock price data used did not include non-trading days. Standard deviation was used to measure volatility which is a measure of risk associated with the degree of fluctuations in stock price over a period of time.

In 2023, the cost of RSUs and stock options charged to operations under the 'General and administrative' in the consolidated statements of comprehensive income amounted to ₱53.4 million and ₱23.6 million, respectively. Meanwhile, for 2022, the cost of RSUs and stock options charged to operations were ₱61.7 million and ₱27.9 million, respectively. Correspondingly, a credit was made to equity which is presented under 'Share-based payments' in the consolidated statements of financial position amounting to ₱77.0 million and ₱89.6 million, in 2023 and 2022, respectively.

As of December 31, 2023 and 2022, the outstanding 'Share-based payments' presented in the consolidated statements of financial position amounted to ₱224.6 million and ₱211.4 million, respectively.

24. Operating Expenses

Flying Operations

This account consists of:

	2023	2022	2021
Aviation fuel expense (Note 10)	**₱29,736,559,205**	₱24,506,760,493	₱5,074,851,774
Flight deck	**4,421,040,660**	2,578,522,532	1,272,460,967
Aviation insurance	**278,480,501**	255,660,192	332,878,292
Others	**935,096,511**	678,982,608	417,223,899
	₱35,371,176,877	₱28,019,925,825	₱7,097,414,932

For years ended December 31, 2023 and 2021 (nil in 2022), the Group charged as a deduction to aviation fuel expense the effective portion of its cash flow hedges amounting to ₱84.0 million and ₱24.5 million, respectively. These amounts were previously accumulated in OCI and have been reclassified to profit or loss in the same period when the purchase of fuel affected profit or loss.

Flight deck expenses consist of salaries of pilots and co-pilots, training costs, meals and allowances, insurance and other pilot-related expenses.

Aviation insurance pertains to insurance costs incurred directly for aircraft.

Repairs and Maintenance

Repairs and maintenance expenses relate to the cost of maintaining, repairing and overhauling of all aircraft and engines, technical handling fees on pre-flight inspections and cost of aircraft spare parts and other related equipment. The account includes related costs of other contractual obligations under aircraft lease agreements (see Note 32).

Total amount of repairs and maintenance includes provision for aircraft return condition amounting to ₱1,114.6 million, ₱5,285.5 million and ₱3,566.1 million in 2023, 2022 and 2021, respectively (see Note 20). This also includes provision for heavy maintenance visits amounting to ₱235.4 million, ₱1,481.6 million and ₱850.0 million in 2023, 2022 and 2021, respectively (see Note 20).

Aircraft and Traffic Servicing

This account consists of:

	2023	2022	2021
Airport charges	**₱3,822,915,305**	₱2,552,647,762	₱1,198,504,958
Ground handling	**3,684,560,805**	2,462,714,242	1,166,429,990
Others	**778,955,513**	245,849,370	304,661,968
	₱8,286,431,623	₱5,261,211,374	₱2,669,596,916

Airport charges are fees which are paid to airport authorities relating to landing and take-off of aircraft on runways, as well as for the use of airport facilities.

Ground handling refers to expenditures incurred for services rendered at airports, which are paid to departure stations or ground handling agents.

Others pertain to staff expenses incurred by the Group such as basic pay, employee training cost and allowances.

Reservation and Sales

Reservation and sales relate to the cost to sell or distribute airline tickets and other ancillaries provided to passengers such as costs to maintain the Group's web-based booking channel, reservation ticketing office costs and advertising expenses. These amounted to ₱3,363.9 million, ₱2,391.7 million, and ₱899.3 million in 2023, 2022 and 2021, respectively.

25. General and Administrative Expenses

This account consists of:

	2023	2022	2021
IT and other professional fees	**₱1,729,845,619**	₱1,166,535,036	₱1,369,831,417
Staff costs	**1,234,214,292**	936,092,666	710,193,599
Security	**496,453,138**	391,765,671	294,209,382
Utilities	**160,095,230**	157,567,483	125,928,772
Travel and transportation	**49,135,242**	26,518,837	12,125,546
Rent expense (Note 32)	**46,986,452**	10,732,074	33,705,315
Others	**637,282,601**	452,862,824	574,094,997
	₱4,354,012,574	₱3,142,074,591	₱3,120,089,028

Others include membership dues, annual listing maintenance fees, supplies, bank charges and others.

26. Employee Benefits

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of its regular employees.

The pension funds of the Parent Company and CEBGO are being administered and managed through JG Summit Multi-Employer Retirement Plan (the "Plan"), with Robinsons Bank Corporation (RBC) as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD and Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement. As approved by the SEC, RBC was merged with Bank of the Philippine Islands (BPI), with BPI as a surviving entity, effective January 1, 2024. Accordingly, BPI will be the Trustee for the Plan.

The retirement plan of A-Plus is of the final salary defined benefit type. The plan provides a retirement benefit equal to one hundred percent (100%) of plan salary for every year of credited service. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the plan. Since A-Plus does not have a formal, trusteed retirement plan, there are no Trustees yet.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Employee Benefit Cost
Total personnel expenses, consisting of salaries, expense related to defined benefit plans and other employee benefits, are included in flying operations, aircraft and traffic servicing, repairs and maintenance, reservation and sales, general and administrative, and passenger service.

Defined Benefit Plans
The Group has funded, noncontributory, defined benefit plans covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The range of assumptions used to determine retirement benefits of the Group in 2023, 2022 and 2021 are as follows:

	2023	2022	2021
Average remaining working life	**26 - 36 years**	23–- 27 years	24– 27 years
Discount rate	**6.09%-6.12%**	7.16%-7.34%	4.94% - 5.18%
Salary increase rate	**5.00%**	5.00%	4.00% - 5.00%

As of December 31, 2023 and 2022, the discount rate used in determining the retirement liability is determined by reference to market yields at the reporting date on Philippine government bonds.

The amounts recognized as retirement liability follow:

	2023	2022
Present value of defined benefit obligation	**₱1,622,876,364**	₱1,309,399,971
Fair value of plan assets	**(729,637,218)**	(550,056,254)
	₱893,239,146	₱759,343,717

Remeasurement gains (losses) recognized in OCI follow:

	2023	2022	2021
Actuarial gains (losses) from benefit obligation	**(₱175,174,201)**	(₱179,804,034)	₱286,173,372
Return on plan assets, excluding amount included in net interest cost	**(25,849,665)**	(38,441,905)	(75,729,564)
Amount recognized in OCI	**(₱201,023,866)**	(₱218,245,939)	₱210,443,808

Movements in the fair value of plan assets follow:

	2023	2022
Balance at January 1	**₱550,056,254**	₱587,435,074
Interest income included in net interest cost	**45,148,302**	28,359,466
Contribution	**165,000,000**	–
Return on plan assets, excluding amount included in net interest cost	**(25,849,665)**	(38,441,905)
Benefits paid from plan assets	**(4,717,673)**	(27,296,381)
Balance at December 31	**₱729,637,218**	₱550,056,254

The plan assets consist of:

	2023	**%**	2022	%
Cash	**₱168,473,678**	**23.1%**	₱23,946,625	4.4%
Investment in debt securities	**203,566,472**	**27.9%**	96,093,439	17.5%
Investment in equity securities	**27,347,746**	**3.8%**	32,375,403	5.9%
Unit investment trust funds	**324,232,327**	**44.4%**	325,929,684	59.3%
Receivables	**6,016,995**	**0.8%**	71,711,103	12.9%
	₱729,637,218	**100.0%**	₱550,056,254	100.0%

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

The Group expects to contribute about ₱194.0 million into the retirement fund for the year ending 2024.

The actual returns on plan assets amounted to ₱19.3 million gains and ₱10.1 million losses in 2023 and 2022, respectively.

Changes in present value of the defined benefit obligation follow:

	2023	2022
Balance at January 1	**₱1,309,399,971**	₱1,012,255,510
Current service cost	**115,260,071**	95,202,296
Interest cost	**93,935,416**	50,209,133
Benefits paid from plan assets	**(4,717,673)**	–
Benefits paid from book reserves	**(66,175,622)**	(28,071,002)
Actuarial loss (gain) due to:		
Experience adjustments	**46,109,624**	298,200,653
Changes in financial assumption	**116,771,316**	(133,843,516)
Changes in demographical assumption	**12,293,261**	15,446,897
Balance at December 31	**₱1,622,876,364**	₱1,309,399,971

Movements in net retirement liability follow:

	2023	2022
Balance at January 1	**₱759,343,717**	₱424,820,436
Retirement expense	**164,047,185**	117,051,963
Recognized in OCI	**163,788,387**	218,245,939
Contribution	**(165,000,000)**	–
Benefits paid	**(28,940,143)**	(774,621)
Balance at December 31	**₱893,239,146**	₱759,343,717

Components of retirement expense included in the Group's consolidated statements of comprehensive income follow:

	2023	2022	2021
Current service cost	**₱115,260,071**	₱95,202,296	₱111,312,231
Net interest cost	**48,787,114**	21,849,667	20,942,783
Settlement loss	**–**	–	24,117,102
Total retirement expense	**₱164,047,185**	₱117,051,963	₱156,372,116

Shown below are the sensitivity analyses that have been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period assuming all other assumptions were held constant:

	2023	
		PVO
Discount rates	**+100 basis points**	**(₱108,063,210)**
	-100 basis points	**123,971,881**
Salary increase rates	**+100 basis points**	**111,475,289**
	-100 basis points	**(98,353,652)**

	2022	
		PVO
Discount rates	+100 basis points	(₱79,547,067)
	-100 basis points	90,457,732
Salary increase rates	+100 basis points	79,106,183
	-100 basis points	(70,210,121)

Shown below is the maturity profile of the undiscounted benefit payments of the Group as of December 31, 2023 and 2022:

	2023	2022
Less than one year	**₱194,333,067**	₱187,470,478
One to less than five years	**752,372,684**	679,172,493
Five to less than 10 years	**956,446,681**	810,926,003
10 to less than 15 years	**1,196,339,863**	961,331,691
15 to less than 20 years	**1,227,426,910**	940,842,243
20 years and above	**2,553,363,820**	1,830,323,672

The average duration of the expected benefit payments as of December 31, 2023 and 2022 is 9.4 years and 8.9 years, respectively.

27. **Income Taxes**

Provision for (benefit from) income tax consists of:

	2023	2022	2021
Current	**₱150,793,085**	₱11,318,830	₱1,270,183
Deferred	**(2,499,631,475)**	(2,260,294,601)	(2,029,228,604)
	(₱2,348,838,390)	(₱2,248,975,771)	(₱2,027,958,421)

The Group's current income tax mainly consists of MCIT due amounting to ₱125.1 million, ₱11.3 million and ₱1.3 million in 2023, 2022 and 2021, respectively. This also includes RCIT due for A-Plus amounting to ₱25.7 million in 2023.

Income taxes include corporate income tax. The NIRC of 1997 provides for rules on the imposition of MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. Under the Republic Act No. 11534 or CREATE Act, which became effective last April 11, 2021, the MCIT rate was lowered from 2% to 1% of gross income for three years beginning July 1, 2020 to June 30, 2023.

Under Section 11 of R.A. No. 7151 (Parent Company's Congressional Franchise) known as the "ipso facto clause", the Parent Company is allowed to benefit from the tax privileges being enjoyed by competing airlines. The Parent Company's major competitor, by virtue of P.D. No. 1590, is enjoying tax exemptions which are likewise being claimed by the Parent Company, if applicable, including but not limited to the following:

a. To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b. To carry over as a deduction from taxable income any NOLCO incurred in any year up to five years following the year of such loss.

For the years ended December 31, 2023 and 2022, below are the details of additional NOLCO of the Group:

Parent Company NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2023	₱2,933,604,726	₱–	₱–	₱2,933,604,726	2028
2022	5,892,099,712	–	–	5,892,099,712	2027
	₱8,825,704,438	₱–	₱–	₱8,825,704,438	

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱526,518,435	₱–	₱–	₱526,518,435	2025

APLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱49,790,993	(₱49,790,993)	₱–	₱–	2025

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

In compliance with the disclosure requirements of RR No. 25-2020, below shows the unused NOLCO of the Group:

Parent Company NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	–	–	21,026,735,635	2025
	₱39,430,470,452	₱–	₱–	₱39,430,470,452	

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,348,925,483	₱–	₱–	₱1,348,925,483	2026
2020	1,111,045,562	(912,909,471)	–	198,136,091	2025
	₱2,459,971,045	(₱912,909,471)	₱–	₱1,547,061,574	

APLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱188,837,864	₱37,721,802	₱–	₱151,116,062	2026

Furthermore, details of remaining excess MCIT are as follows:

CEB MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2023	₱109,779,045	₱–	₱–	₱109,779,045	2026
2022	8,646,570	–	–	8,646,570	2025
	₱118,425,615	₱–	₱–	₱118,425,615	

CEBGO MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2023	₱15,327,474	₱–	₱–	₱15,327,474	2026

APLUS MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱2,709,857	(₱2,709,857)	₱–	₱–	2025
2021	1,244,782	(1,244,782)	–	–	2024
	₱3,954,639	(₱3,954,639)	₱–	₱–	

The components of the Group's deferred tax assets and liabilities follow:

	2023	2022
Items recognized in profit or loss		
Deferred tax assets:		
NOLCO	**₱5,591,760,648**	₱1,461,285,332
Lease liability, net of ROU asset	**2,122,576,619**	2,475,328,743
Provision for ARO	**1,014,571,157**	2,415,901,082
Provision for HMV	**542,715,574**	680,273,078
Unrealized foreign exchange losses – net	**479,699,918**	389,226,964
Retirement liability	**161,117,593**	181,204,151
Unrealized loss on net derivative liabilities	**124,612,000**	382,686,730
Allowance for credit losses	**65,625,512**	58,764,320
Share-based payment transactions	**24,361,987**	37,410,265
Excess MCIT	**15,327,474**	3,381,164
	10,142,368,482	8,085,461,829
Deferred tax liability:		
Double depreciation	**1,670,531,543**	2,185,612,382
Unamortized bond issue costs	**80,556,374**	4,245,718
Excess of fair value of assets acquired over cost	**154,704,634**	154,704,634
	1,905,792,551	2,344,562,734
	8,236,575,931	5,740,899,095
Items recognized directly in other comprehensive income or loss		
Deferred tax asset:		
Reserve for retirement plan	**62,076,624**	11,820,658
Deferred tax liability:		
Hedge reserve	**(124,289,005)**	(186,205,641)
	(62,212,381)	(174,384,983)
	₱8,174,363,550	₱5,566,514,112

The Group's recognized deferred tax assets and deferred tax liabilities are expected to be reversed more than twelve (12) months after the reporting date.

Net deferred benefit (provision) from accrued retirement cost and hedge reserves amounted to (₱112.2 million), ₱131.6 million and ₱63.0 million in 2023, 2022 and 2021, respectively, is presented under OCI.

As of December 31, 2023 and 2022, the Parent Company has not recognized deferred tax assets on NOLCO of ₱27,962.7 million and ₱42,497.4 million, respectively. The deferred tax assets on NOLCO were not recognized because management believes that the Parent Company may not have sufficient taxable profits available to allow all or part of these deferred income tax assets to be utilized in the future and prior to their expiration. Unrecognized deferred tax assets on NOLCO as of December 31, 2023 and 2022 amounted to ₱6,990.7 million and ₱10,624.3 million, respectively. Unrecognized deferred tax assets on excess MCIT amounted to ₱118.4 million and ₱8.6 million as of December 31, 2023 and 2022, respectively.

The Parent Company has outstanding registrations with the BOI as a new operator of air transport on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226) (see Note 34). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2023 and 2022, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft of registered activity (see Note 34).

A reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2023	2022	2021
Statutory income tax rates	**25.00%**	25.00%	25.00%
Adjustments resulting from:			
Unrecognized deferred tax on NOLCO and MCIT	**(56.88)**	(14.44)	(15.41)
Income subject to ITH	**(15.10)**	2.03	–
Nondeductible/(nontaxable) items	**1.03**	0.98	(0.02)
Change in tax rate	–	–	(1.00)
Others	**3.81**	0.29	(1.04)
Effective income tax rates	**(42.14%)**	13.86%	7.53%

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.50% of net sales for sellers of goods or properties or 1.00% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (allocated under different expense accounts in the consolidated statements of comprehensive income) amounting to ₱5.2 million, ₱2.5 million and ₱1.1 million in 2023, 2022, and 2021, respectively.

28. Earnings (Loss) Per Share

The following reflects the income and share data used in the basic/diluted loss per share computations:

	2023	2022	2021
Net income (loss)	**₱7,922,664,507**	(₱13,979,387,118)	(₱24,898,602,887)
Less: Cumulative preferred dividends	**(706,100,498)**	(716,021,134)	(550,847,493)
Net income (loss) attributable to common shareholders for basic loss per share	**7,216,564,009**	(14,695,408,252)	(25,449,450,380)
Divided by: Weighted average number of common shares	**619,856,432**	615,212,672	604,095,978
Basic earnings (loss) per share	**₱11.64**	(₱23.89)	(₱42.13)
Net income (loss) attributable to common shareholders for diluted EPS	**8,472,756,431**	(14,695,408,252)	(25,449,450,380)
Divided by: Adjusted weighted average number of common shares	**1,248,299,633**	615,212,672	604,095,978
Diluted earnings (loss) per share	**₱6.79**	(₱23.89)	(₱42.13)

(Forward)

	2023	2022	2021
Adjusted weighted average number of common shares for diluted EPS			
Weighted average number of common shares	**₱619,856,432**	₱615,212,672	₱604,095,978
Add: Dilutive shares arising from convertible bonds and preferred shares	**628,443,201**	–	–
Adjusted weighted average number of common shares	**1,248,299,633**	615,212,672	604,095,978

The EPS effect of the Group's potential common shares (stock options, convertible preference shares and convertible bonds) for the years ended December 31, 2022 and 2021 are anti-dilutive, thus, the basic and diluted loss per share is stated at the same amount.

29. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group has entered into transactions with its ultimate parent, its JVs and affiliates principally consisting of advances, sale of passenger tickets, reimbursement of expenses, regular banking transactions, maintenance and administrative service agreements. The transactions with related parties for the period were carried out in the normal course of business.

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

The significant transactions and outstanding balances of the Group with the related parties follow:

	2023			
Related Party	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	**(₱47,488,511)**	**(₱14,828,555)**	Non-interest bearing	Unsecured
Trade payables	**(52,703,703)**	–	Non-interest bearing	Unsecured
Joint ventures and associates				
(2) PAAT, Inc.				
Due from related parties (Note 9)				
Loans	**5,432,540**	**101,141,127**	2% interest per annum	Unsecured; No impairment
Sublease agreement	**44,522,124**	**30,771,616**	Payable monthly	Unsecured; No impairment
Trade payables	**(339,672,568)**	**(35,241,233)**	Non-interest bearing	Unsecured
(3) 1Aviation				
Due from related parties (Note 9)	**36,811,341**	**642,110,001**	Non-interest bearing	Unsecured; No impairment
Trade payables	**(1,519,673,936)**	**(18,760,737)**	Non-interest bearing	Unsecured
Sublease agreement	**9,513,227**	–	Non-interest bearing	Unsecured; No impairment
Others	**142,374**	–	On-demand	Unsecured

(Forward)

2023				
Related Party	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
(4) Value Alliance Travel System Pte. Ltd.				
Trade payables	**(₱31,300)**	**(₱14,184,493)**	Non-interest bearing	Unsecured
(5) Data Analytics Ventures, Inc.				
Due to related parties	**(14,836,718)**	**(11,858,618)**	Non-interest bearing	Unsecured
Trade payables	**(24,164,009)**	–	Non-interest bearing	Unsecured
Trade receivables	**25,175,632**	**1,755,041**	Non-interest bearing	Unsecured; No impairment
Entities under common control				
(6) Robinsons Bank Corporation (RBC)				
Trade receivables	**23,136,510,749**	**10,804,025**	Non-interest bearing	Unsecured; No impairment
Long-term debt	**150,707,264**	**(2,296,960,236)**	Interest bearing	Secured
Sub-lease agreement	**1,089,661**	–	Non-interest bearing	Unsecured; No impairment
Cash in bank	**952,553,958**	**2,046,916,292**	Interest bearing	Unsecured; No impairment
Short-term placements	**(3,219,250,785)**	**2,028,809,653**	Interest bearing	Unsecured; No impairment
(7) Universal Robina Corporation (URC)				
Trade receivables	**45,579,942**	**11,625,681**	Non-interest bearing	Unsecured; No impairment
Due to related parties	**(104,233,276)**	**(29,968,583)**	Non-interest bearing	Unsecured
(8) Robinsons Land Corporation (RLC)				
Trade payables	**(526,637)**	–	Non-interest bearing	Unsecured
(9) Robinsons Handyman, Inc				
Trade receivables	**18,695,306**	**1,756,430**	Interest bearing	Unsecured; No impairment
Trade payables	**(10,159,910)**	–	Non-interest bearing	Unsecured
(10) Robinsons Supermarket Corporation				
Trade receivables	**259,455,500**	**5,398,552**	Non-interest bearing	Unsecured; No impairment
(11) Robinsons Convenience Store				
Sublease agreement	**1,720,595**	–	Non-interest bearing	Unsecured; No impairment
(12) ASPEN Business Solutions, Inc.				
Trade receivables	**830,355**	**42,218**	Non-interest bearing	Unsecured; No impairment
Trade payables	**(4,193,750)**	–	Non-interest bearing	Unsecured

2022				
Related Party	Amount/ Volume	Outstanding Balance	Terms	Conditions
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	(₱11,574,960)	(₱6,418,179)	Non-interest bearing	Unsecured
Trade payables	(47,669,369)	(3,042,159)	Non-interest bearing	Unsecured
Joint ventures and associates				
(2) PAAT, Inc.				
Due from related parties				
Loans	–	90,977,300	2% interest per annum	Unsecured; No impairment
Sublease agreement	41,504,655	80,572,331	Payable monthly	Unsecured; No impairment
Trade payables	(187,454,206)	(8,611,416)	Non-interest bearing	Unsecured
(3) 1Aviation				
Due from related parties	104,009,435	609,061,301	Non-interest bearing	Unsecured; No impairment
Trade payables	(1,199,700,620)	(59,274,419)	Non-interest bearing	Unsecured
Sublease agreement	9,773,183	–	Non-interest bearing	Unsecured; No impairment
Others	102,986	102,986	On-demand	Unsecured
(4) Value Alliance Travel System Pte. Ltd.				
Trade payables	–	(14,251,698)	Non-interest bearing	Unsecured

(Forward)

	2022			
Related Party	Amount/ Volume	Outstanding Balance	Terms	Conditions
(5) Data Analytics Ventures, Inc.				
Due to related parties	(₱8,097,666)	(₱1,618,104)	Non-interest bearing	Unsecured
Trade payables	9,729,932	1,712,756	Non-interest bearing	Unsecured
Trade receivables	(807,480)	(278,204)	Non-interest bearing	Unsecured; No impairment
Entities under common control				
(6) Robinsons Bank Corporation (RBC)				
Non-trade receivables	10,944	–	Non-interest bearing	Unsecured; No impairment
Trade receivables	29,704,095,215	329,506,628	Non-interest bearing	Unsecured; No impairment
Long-term debt	–	2,447,667,500	Interest bearing	Secured
Sub-lease agreement	1,076,318	–	Non-interest bearing	Unsecured; No impairment
Cash in bank	–	1,094,362,334	Interest bearing	Unsecured; No impairment
Short-term placements	–	5,248,060,438	Interest bearing	Unsecured; No impairment
(7) Universal Robina Corporation (URC)				
Trade receivables	18,611,595	3,746,886	Non-interest bearing	Unsecured; No impairment
Due to related parties	(11,623,139)	(29,693,459)	Non-interest bearing	Unsecured
(8) Robinsons Land Corporation (RLC)				
Trade receivables	10,954	130,011	Interest bearing	Unsecured; No impairment
Trade payables	(117,035)	(95,765)	Non-interest bearing	Unsecured
(9) Robinsons Handyman, Inc				
Trade receivables	12,259,728	117,778	Interest bearing	Unsecured; No impairment
Trade payables	(7,058,230)	(1,049,185)	Non-interest bearing	Unsecured
(10) Robinsons Supermarket Corporation				
Trade receivables	202,055,278	4,483,396	Non-interest bearing	Unsecured; No impairment
(11) Robinsons Convenience Store				
Sublease agreement	739,261	–	Non-interest bearing	Unsecured; No impairment
(12) ASPEN Business Solutions, Inc.				
Trade payables	(3,636,793)	–	Non-interest bearing	Unsecured
(13) JG Summit Philippines Limited				
Short-term debt (Note 18)	(4,462,412,500)	–	5% interest per annum	Unsecured

		Consolidated Statements of Comprehensive Income			
	Year	**Sale of Air Transportation Service**	**Ground handling**	**Ancillary Revenues**	**Interest Expense**
JV in which the Parent Company is a venturer					
PAAT	**2023**	**₱–**	**₱–**	**₱44,522,124**	**₱–**
	2022	₱–	₱–	₱41,504,655	₱–
	2021	₱–	₱–	₱25,257,847	₱–
1Aviation	**2023**	**–**	**1,519,673,936**	**–**	**–**
	2022	–	1,199,700,620	–	–
	2021	–	628,288,496	–	–
Entities under common control					
RBC	**2023**	–	**–**	**–**	**–**
	2022	10,944	–	–	–
	2021	–	–	–	–
URC	**2023**	**45,579,942**	**–**	**–**	**–**
	2022	7,226,199	–	–	–
	2021	–	–	–	–
RLC	**2023**	**–**	**–**	**–**	**–**
	2022	106,081	–	–	–
	2021	–	–	–	–

(Forward)

		Consolidated Statements of Comprehensive Income			
	Year	**Sale of Air Transportation Service**	**Ground handling**	**Ancillary Revenues**	**Interest Expense**
RHI	**2023**	**₱18,695,306**	**₱–**	**₱–**	**₱–**
	2022	₱5,201,498	₱–	₱–	₱–
	2021	₱–	₱–	₱–	₱–
RSC	**2023**	**259,455,500**	**–**	**–**	**–**
	2022	202,055,278	–	–	–
	2021	–	–	–	–
Aspen	**2023**	**830,355**	–	–	–
	2022	3,636,793	–	–	–
	2021	–	–	–	–
JG Summit Philippines Limited	**2023**	**–**	**–**	**–**	
	2022	–	–	–	190,569,655
	2021	–	–	–	287,759,404
Total	**2023**	**₱324,561,103**	**₱1,519,673,936**	**₱44,522,124**	**₱–**
	2022	₱218,236,793	₱1,199,700,620	₱41,504,655	₱190,569,655
	2021	₱–	₱628,288,496	₱25,257,847	₱287,759,404

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. Also, these transactions are short-term in nature. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Group's significant transactions with related parties follow:
1. JG Summit Holdings, Inc. charges the Group for its share in various charges such as, but not limited to corporate center units (CCU), IT charges and legal fees.

2. In 2012, the Group entered into a sub-lease agreement with PAAT for its office space. The lease agreement is for a period of 15 years from November 29, 2012 until November 19, 2027.

   In 2012 and 2013, under the shareholder loan agreement, the Group provided a loan to PAAT to finance the purchase of its Full Flight Simulator, other equipment and other working capital requirements amounting to ₱155.4 million (US$3.5 million). The loans are subject to two percent (2%) interest per annum payable on a monthly basis. As of December 31, 2023 and 2022, the outstanding, loan to PAAT amounted to ₱101.1 million (US$2.3 million) and ₱100.0 million (US$2.3 million), respectively.

   On June 21, 2012 and December 18, 2019, the Parent Company entered into a 15-year training service agreement with PAAT to conduct pilot training courses and dry lease of its full flight simulators for the Airbus A320 family and ATR 72-600 aircraft, respectively. The costs are recorded as part of the "Flight deck" expenses under "Flying operations" account in the Group's statements of comprehensive income (see Note 24).

3. On March 21, 2018, the Parent Company entered into a Standard Groundhandling Service Agreement (SGHA) with 1Aviation to provide ground handling services to Manila and Davao stations. The initial agreement, valid from March 2018 to May 2023, was renewed effectively from July 1, 2023 to June 30, 2026. Accordingly, the Groups records the groundhandling feed under the Group's trade payables.

The Group charges the 1Aviation for its share in various charges such travel and transportation allowances, meal allowances of employees, reimbursement of spareparts purchases, among others. These various charges initially paid by the Group and subsequently collected from 1Aviation are recorded under 'Due from related parties' account.

4. VATS manages a settlement system which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and accordingly, collects connections fees for their services. This is recorded under the Group's trade payables.

5. DAVI is in charge of the management of the Group's loyalty program. As such, all revenue and expenses in relation to the Getgo loyalty points will be recognized by DAVI. The Group accounts for such issued and redeemed points as a payable to and receivable from DAVI, respectively. Accordingly, DAVI also collects service charges from the Group for the management of these loyalty points, which are recorded under the Group's trade payables.

6. The Group provides air transportation services to RBC, for which unpaid amounts are recorded as trade receivables under 'Trade receivables' account in the consolidated statements of financial position.

   In 2017, the Parent Company entered into a loan agreement with RBC to finance the acquisition of four (4) ATR 72-600 aircraft (see Note 18). As of December 31, 2023, the outstanding loans is ₱2,297.0 million and will be payable in on a quarterly basis until December 2027.

   The Group also maintains deposit accounts and short-term investments with Robinsons Bank which is reported under 'Cash and cash equivalents' account.

7. The Group provides air transportation services to URC, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the consolidated statements of financial position.

   The Group also purchases goods from URC for in-flight sales and recorded as trade payable, if unpaid, in the consolidated statements of financial position. Total amount of purchases in 2023, 2022 and 2021 amounted to ₱45.6 million, ₱34.0 million and ₱3.7 million, respectively. Additionally, the Group also incurs liabilities to URC primarily for the rendering of payroll service to the Group which are recorded under 'Due to related parties' account.

8. The Group provides air transportation services to certain related parties, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the consolidated statements of financial position.

The compensation of the Group's key management personnel by benefit type follows:

	2023	2022	2021
Short-term employee benefits	**₱542,756,588**	₱479,815,755	₱324,863,258
Post-employment benefits	**135,129,707**	131,757,619	6,688,069
	₱677,886,295	₱611,573,374	₱331,551,327

There are no agreements between the Group and any of its directors and key officers providing for benefits upon termination of employment, except for such benefits to which they may be entitled under the Group's retirement plans.

30. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, derivative financial assets and liabilities, receivables, payables and interest-bearing borrowings. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Group's BOD reviews and approves policies for managing each of these risks and these are summarized in the succeeding paragraphs, together with the related risk management structure.

Risk Management Structure
The Group's risk management structure is closely aligned with that of JGSHI. The Group has its own BOD, which is ultimately responsible for the oversight of the Group's risk management process, and is involved in identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee to spearhead the managing and monitoring of risks.

Audit Committee
The Group's Audit Committee assists the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and the internal audit functions of the Group. Furthermore, it is the Audit Committee's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The Audit Committee also aims to ensure that:

a. Financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. Risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. Audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. The Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management (ERM) Division
The ERM Division ensures that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

The ERM framework revolves around the following eight interrelated risk management approaches:

a. Internal Environmental Scanning - it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.
b. Objective Setting - the Company's BOD mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Group's goals.
c. Event Identification - it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment - the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.
e. Risk Response - the Group's BOD, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities - policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
g. Information and Communication - relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring - the Internal Control and Internal Audit Groups constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Internal Controls
With the leadership of the Chief Financial Officer (CFO), internal control is embedded in the Group's operations thus increasing their accountability and ownership in the execution of the internal control framework. To accomplish the established goals and objectives, the Group implement robust and efficient process controls to ensure:

a. Compliance with policies, procedures, laws and regulations;
b. Economic and efficient use of resources;
c. Check and balance and proper segregation of duties;
d. Identification and remediation control weaknesses;
e. Reliability and integrity of information; and
f. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Treasury Risk Management (TRM) Group
The TRM Group is mainly responsible for the monitoring of market risk exposures and effectively managing these risks. TRM Group is headed by the CFO and is subdivided into two (2) main offices: Front and Middle Offices, with support from the Comptroller and Treasury Departments for the back-office functions.

The TRM Group follows a risk management program with the primary objectives of reducing undesirable risk exposures, improving cash flow predictability, protecting margins from excessive volatility, and aligning with industry peers to prevent being at a competitive disadvantage. Internal controls and processes are in place to ensure adherence to this risk management program as approved by the Company's Executive Committee. Part of the program is to mainly manage these market risks using derivatives that are solely for the purpose of hedging. Hedging activities are regularly reviewed and monitored by the Chief Executive Adviser and Chief Strategy Officer to ensure alignment of hedging strategies and objectives with the Company's overall purpose.

This risk management program includes the following four key areas:

a. Risk identification involves review of the business and its processes to identify associated market risks.
b. Risk assessment refers to the quantification of the identified risk exposures and the maximum probable losses and cash outflows the Company may incur within a certain frequency over a certain time frame.
c. Risk control represents the activities and programs the Company undertakes in order to eliminate or minimize these market risk exposures. This mainly involves the determination of hedge levels and level of core risks the Company is willing to retain given key stakeholders' risk tolerance.
d. Risk monitoring pertains to the assessment of the risk control activities against established metrics and tracking of the compliance to limits and thresholds set.

Risk Assessment Tool

To help the Group in the Risk Assessment Process, the Risk Assessment Tool which is a database driven web application was developed for departments to help in the assessment, monitoring and management of risks.

The Risk Assessment Tool documents the following activities:

a. Risk Identification– is the critical step of the risk management process. The objective of risk identification is the early identification of events that may have negative impact on the Group's ability to achieve its goals and objectives.
   1.1. Risk Indicator– is a potential event or action that may prevent the continuity/action
   1.2. Risk Driver– is an event or action that triggers the risk to materialize
   1.3. Value Creation Opportunities– is the positive benefit of addressing or managing the risk
b. Identification of Existing Control Measures– activities, actions or measures already in place to control, prevent or manage the risk.
c. Risk Rating/Score– is the quantification of the likelihood and impact to the Group if the risk materialized. The rating has two (2) components:
   3.1. Probability– the likelihood of occurrence of risk
   3.2. Severity– the magnitude of the consequence of risk
d. Risk Management Strategy– is the structured and coherent approach to managing the identified risk.
e. Risk Mitigation Action Plan– is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Results of the Risk Assessment Process are summarized in a Dashboard that highlights risks that require urgent actions and mitigation plan. The dashboard helps Management to monitor, manage and decide a risk strategy and needed action plan.

Risk management support groups

The Group's BOD created the following departments within the Group to support the risk management activities of the Group and the other business units:

a. Corporate Security and Safety Board (CSSB)– Under the supervision of ERM Division, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.

b. Corporate Supplier Accreditation Team (CORPSAT)– Under the supervision of ERM Division, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
c. Finance Division– The Finance Division is responsible for the oversight of strategic planning, budgeting and performance review processes of the business units as well as for administration of the insurance program of the Group.

Risk Management Policies
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, namely foreign currency risk, commodity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk
Credit risk is defined as the risk of loss due to uncertainty in a third party's ability to meet its obligation to the Group. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are being subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis resulting in an insignificant exposure in bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash in banks and cash equivalents, restricted cash and financial assets at FVOCI and FVPL, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

Maximum exposure to credit risk without taking account of any credit enhancement
The table below shows the gross maximum exposure to credit risk (including financial assets at FVPL) of the Group as of December 31, 2023 and 2022, without considering the effects of collaterals and other credit risk mitigation techniques.

	2023	2022
Cash and cash equivalents*	**₱15,552,157,543**	₱19,131,634,091
Restricted cash	**1,259,263,375**	832,055,494
Derivative financial assets at FVOCI	–	60,911,157
Receivables		
Trade receivables	**1,625,106,832**	1,818,408,282
Due from related parties	**774,125,730**	780,713,926
Interest receivable	**16,321,679**	24,033,166
Others**	**389,802,689**	202,289,251
Refundable deposits***	**2,343,524,841**	1,498,852,139
	₱21,960,302,689	₱24,348,897,506

* *Excluding cash on hand*
** *Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statements of financial position*

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's

financial strength and undermine public confidence. In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

The Group's credit risk exposures, before taking into account any collateral held or other credit enhancements are categorized by geographic location as follows:

	2023				
	Philippines	**Asia (excluding Philippines)**	**Europe**	**Others**	**Total**
Cash and cash equivalents*	**₱7,275,076,486**	**₱8,056,014,518**	**₱–**	**₱221,066,539**	**₱15,552,157,543**
Restricted cash	**1,259,263,375**	**–**	**–**	**–**	**1,259,263,375**
Receivables					
Trade receivables	**856,555,411**	**568,115,004**	**53,043,394**	**147,393,022**	**1,625,106,832**
Due from related parties	**774,125,730**	**–**	**–**	**–**	**774,125,730**
Interest receivable	**8,816,013**	**–**	**–**	**7,505,666**	**16,321,679**
Others**	**217,832,213**	**1,619,624**	**169,005,527**	**1,345,325**	**389,802,689**
Refundable deposits***	**–**	**2,343,524,841**	**–**	**–**	**2,343,524,841**
	₱10,391,669,228	**₱10,969,273,987**	**₱222,048,921**	**₱377,310,552**	**₱21,960,302,689**

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

	2022				
	Philippines	Asia (excluding Philippines)	Europe	Others	Total
Cash and cash equivalents*	₱7,861,612,333	₱11,162,058,036	₱–	₱107,963,722	₱19,131,634,091
Restricted cash	832,055,494	–	–	–	832,055,494
Derivative financial assets at FVOCI	–	–	60,911,157	–	60,911,157
Receivables					
Trade receivables	1,144,765,704	637,153,015	11,142,448	25,347,115	1,818,408,282
Due from related parties	780,713,926	–	–	–	780,713,926
Interest receivable	24,033,166	–	–	–	24,033,166
Others**	194,240,993	3,108,063	4,940,195	–	202,289,251
Refundable deposits***	–	1,498,852,139	–	–	1,498,852,139
	₱10,837,421,616	₱13,301,171,253	₱76,993,800	₱133,310,837	₱24,348,897,506

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

The Group has no concentration of risk with regard to various industry sectors. The major industry relevant to the Group is the transportation sector and financial intermediaries.

Credit quality per class of financial assets
The Group maintains internal credit rating system relating to its revenue distribution channel credit risk management. Credit limits have been set based on the assessment of rating identified. Letters of credit and other forms of credit insurance such as cash bonds are considered in the calculation of expected credit losses.

Other financial assets include cash and cash equivalents and refundable deposits. The Group implements external credit rating system which uses available public information and international credit ratings. The management does not expect default from its counterparty banks given their high credit standing.

The tables below show the credit quality by class of financial assets based on internal credit rating of the Group (gross of allowance for impairment losses) as of December 31, 2023 and 2022:

	2023				
	Neither Past Due Nor Specifically Impaired			**Past Due or Individually Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**		
Cash and cash equivalents*	**₱15,552,157,543**	**₱–**	**₱–**	**₱–**	**₱15,552,157,543**
Restricted cash	**1,259,263,375**	**–**	**–**	**–**	**1,259,263,375**
Receivables					
Trade receivables	**1,446,870,236**	**–**	**–**	**178,236,596**	**1,625,106,832**
Due from related parties	**774,125,730**	**–**	**–**	**–**	**774,125,730**
Interest receivable	**16,321,679**	**–**	**–**	**–**	**16,321,679**
Others**	**305,537,239**	**–**	**–**	**84,265,450**	**389,802,689**
Refundable deposits***	**2,343,524,841**	**–**	**–**	**–**	**2,343,524,841**
	₱21,697,800,643	**₱–**	**₱–**	**₱262,502,046**	**₱21,960,302,689**

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

	2022				
	Neither Past Due Nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents*	₱19,131,634,091	₱–	₱–	₱–	₱19,131,634,091
Restricted cash	832,055,494	–	–	–	832,055,494
Derivative financial assets at FVOCI	60,911,157	–	–	–	60,911,157
Receivables					
Trade receivables	1,667,922,557	–	–	150,485,725	1,818,408,282
Due from related parties	780,713,926	–	–	–	780,713,926
Interest receivable	24,033,166	–	–	–	24,033,166
Others**	118,476,627	–	–	83,812,624	202,289,251
Refundable deposits***	1,498,852,139	–	–	–	1,498,852,139
	₱24,114,599,157	₱–	₱–	₱234,298,349	₱24,348,897,506

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks of which some belong to the top ten banks in terms of resources and profitability.

High grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

The following tables show the aging analysis of the Group's receivables:

	2023							
	Neither Past Due Nor Impaired	**Past Due But Not Impaired**					**Past Due and Impaired**	**Total**
		1-30 Days	**31-60 Days**	**61-90 Days**	**91-180 Days**	**Over 180 Days**		
Trade receivables	**₱1,269,932,573**	**₱28,821,409**	**₱21,896,584**	**₱126,219,670**	**₱–**	**₱–**	**₱178,236,596**	**₱1,625,106,832**
Due from related parties	**774,125,730**	**–**	**–**	**–**	**–**	**–**	**–**	**774,125,730**
Interest receivable	**16,321,679**	**–**	**–**	**–**	**–**	**–**	**–**	**16,321,679**
Others	**257,586,787**	**1,220,672**	**10,975,708**	**34,487,555**	**1,266,517**		**84,265,450**	**389,802,689**
	₱2,317,966,769	**₱30,042,081**	**₱32,872,292**	**₱160,707,225**	**₱1,266,517**	**₱–**	**₱262,502,046**	**₱2,805,356,930**

Include nontrade receivables from insurance, employees and counterparties.

	2022							
	Neither Past Due Nor Impaired	Past Due But Not Impaired					Past Due and Impaired	Total
		1-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days		
Trade receivables	₱1,324,813,529	₱149,124,894	₱26,012,162	₱33,991,350	₱133,980,622	₱–	₱150,485,725	₱1,818,408,282
Due from related parties	780,713,926	–	–	–	–	–	–	780,713,926
Interest receivable	24,033,166	–	–	–	–	–	–	24,033,166
Others	30,756,447	58,229,234	2,614,062	21,406,972	3,959,594	1,510,318	83,812,624	202,289,251
	₱2,160,317,068	₱207,354,128	₱28,626,224	₱55,398,322	₱137,940,216	1,510,318	₱234,298,349	₱2,825,444,625

Include nontrade receivables from insurance, employees and counterparties.

Collateral or credit enhancements
As collateral against trade receivables from sales ticket offices or agents, the Group requires cash bonds from major sales ticket offices or agents ranging from ₱50,000 to ₱2.1 million depending on the Group's assessment of sales ticket offices and agents' credit standing and volume of transactions. As of December 31, 2023 and 2022, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position) amounted to ₱70.4 million and ₱80.4 million, respectively (see Note 16).

There are no collaterals for impaired receivables.

Impairment assessment
An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (that is, per revenue distribution channel). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

For other debt financial instruments such as cash and cash equivalents (excluding cash on hand) and refundable deposits ECLs, the Group applies the general approach of which it tracks changes in credit risk at every reporting date. The probability of default (PD) and loss given defaults (LGD) are estimated using external and benchmark approaches for listed and non-listed financial institutions, respectively. For listed financial institutions, the Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs. For non-listed financial institutions, the Group uses benchmark approach where the Group finds comparable companies in the same industry having similar characteristics. The Group obtains the credit rating of comparable companies to determine the PD and determines the average LGD of the selected comparable companies to be applied as LGD of the non-listed financial institutions.

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent nor objective evidence of individual impairment yet. A particular portfolio is reviewed on a periodic basis in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment yet on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information:

(a) historical losses/write-offs;
(b) losses which are likely to occur but have not yet occurred; and
(c) the expected receipts and recoveries once impaired.

Liquidity risk
Liquidity is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without recurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and availing of export credit agency facilities.

Financial assets
The analysis of financial assets held for liquidity purposes into relevant maturity grouping is based on the remaining period at the reporting date to the contractual maturity date or, if earlier, the expected date the assets will be realized.

Financial liabilities
The relevant maturity grouping is based on the remaining period at the reporting date to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in installments, each installment is allocated to the earliest period in which the Group can be required to pay.

The tables below summarize the maturity profile of financial instruments based on remaining contractual undiscounted cash flows as of December 31, 2023 and 2022:

	2023					
	Less than one month to 1 month	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**>5 years**	**Total**
Financial Assets						
Cash and cash equivalents	**₱5,896,838,173**	**₱9,698,925,268**	**₱–**	**₱–**	**₱–**	**₱15,595,763,441**
Restricted cash	–	**1,259,263,375**	–	–	–	**1,259,263,375**
Receivables:						
Trade receivables	–	**1,625,106,832**	–	–	–	**1,625,106,832**
Due from related parties*	**774,125,730**	–	–	–	–	**774,125,730**
Interest receivable	–	**16,321,679**	–	–	–	**16,321,679**
Others***	**389,802,689**	–	–	–	–	**389,802,689**
Refundable deposits		–	–	–	**2,343,524,841**	**2,343,524,841**
	₱7,060,766,592	**₱12,599,617,154**	**₱**	**₱–**	**₱2,343,524,841**	**₱22,003,908,587**
Financial Liabilities						
Accounts payable and other accrued liabilities***	**₱24,092,919,974**	**₱458,164,571**	**₱1,744,152**	**₱45,717,820**	**₱28,078,543**	**₱24,626,625,060**
Due to related parties*	**56,655,757**	–	–	–	–	**56,655,757**
Derivative financial liabilities at FVOCI	**1,291,971**	–	–	–	–	**1,291,971**
Lease liability****	**1,029,865,271**	**2,059,730,542**	**9,268,787,438**	**51,859,489,305**	**35,570,499,092**	**99,788,371,648**
Long-term debt*****	**211,313,026**	**1,236,111,215**	**4,352,931,328**	**22,756,684,135**	**13,124,872,901**	**41,681,912,605**
Bonds payable*****	**53,639,688**	**103,818,750**	**465,454,063**	**15,311,535,313**	–	**15,934,447,814**
	₱25,445,685,687	**₱3,857,825,078**	**₱14,088,916,981**	**₱89,973,426,573**	**₱48,723,450,536**	**₱182,089,304,855**

**Receivable and payable on demand*
***Include nontrade receivables from insurance, employees and counterparties*
****Excluding government-related payables*
*****Consist of undiscounted minimum lease payments*
******Including future interest payments*

	2022					
	Less than one month to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	Total
Financial Assets						
Cash and cash equivalents	₱3,976,393,889	₱15,199,077,296	₱–	₱–	₱–	₱19,175,471,185
Restricted cash	–	832,055,494	–	–	–	832,055,494
Derivative financial assets at FVOCI	–	–	60,911,157	–	–	60,911,157
Receivables:						
Trade receivables	1,818,408,282	–	–	–	–	1,818,408,282
Due from related parties*	780,713,926	–	–	–	–	780,713,926
Interest receivable	24,033,166	–	–	–	–	24,033,166
Others**	202,289,251	–	–	–	–	202,289,251
Refundable deposits	–	–	–	–	1,498,852,139	1,498,852,139
	₱6,801,838,514	₱16,031,132,790	₱60,911,157	₱–	₱1,498,852,139	₱24,392,734,600
Financial Liabilities						
Accounts payable and other accrued liabilities***	₱19,397,073,911	₱57,650,536	₱14,904,759	₱99,811,466	₱–	₱19,569,440,672
Due to related parties*	37,729,742	–	–	–	–	37,729,742
Derivative financial liabilities at FVPL	846,835,509	–	–	–	–	846,835,509
Lease liability****	625,101,965	1,250,203,929	5,625,917,682	32,160,242,558	17,433,103,405	57,094,569,539
Long-term debt*****	234,081,430	827,221,448	3,994,971,765	31,030,465,952	9,363,694,434	45,450,435,029
Bonds payable*****	54,012,656	102,798,281	470,432,813	16,045,243,594	–	16,672,487,344
	₱21,194,835,213	₱2,237,874,194	₱10,106,227,019	₱79,335,763,570	₱26,796,797,839	₱139,671,497,835

**Receivable and payable on demand*
***Include nontrade receivables from insurance, employees and counterparties*
****Excluding government-related payables*
*****Consist of undiscounted minimum lease payments*
******Including future interest payments*

Refer to Note 1 on the measures taken by the Group to address liquidity gap as at December 31, 2023 and 2022.

Market risk
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, commodity prices or other market changes. The Group's market risk originates from its holding of foreign exchange instruments, interest-bearing instruments and derivatives.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The exchange rates used to translate the Group's foreign currency-denominated assets and liabilities as of December 31, 2023 and 2022 follow:

	December 31, 2023	December 31, 2022
US Dollar	**₱55.370 to US$1.00**	₱55.755 to US$1.00
Singapore Dollar	**₱42.090 to SGD1.00**	₱41.580 to SGD1.00
Hong Kong Dollar	**₱7.1121 to HKD1.00**	₱7.1996 to HKD1.00
Japanese Yen	**₱0.3930 to JPY1.00**	₱0.4174 to JPY1.00

The following table sets forth the impact of the range of reasonably possible changes in the USD – Peso exchange value on the Group's pre-tax income for the years ended December 31, 2023, 2022 and 2021 (in thousands):

	2023		2022		2021	
Changes in foreign exchange value	**₱2**	**(₱2)**	₱2	(₱2)	₱2	(₱2)
Change in pre-tax income	**(₱3,732,247)**	**₱3,732,247**	(₱1,794,625)	₱1,794,625	(₱2,150,031)	₱2,150,031

Other than the potential impact on the Group's pre-tax income, there is no other effect on equity.

The Group does not expect the impact of the volatility on other currencies to be material.

Commodity price risk
In 2023 and 2022, the Group entered into commodity derivatives to hedge its exposure to jet fuel price risks arising from its forecasted fuel purchases. Commodity hedging allows stability in prices, thus, offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.00 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱2,502.9 million and ₱1,681.7 million for the years ended December 31, 2023 and 2022, respectively, in each of the covered periods, assuming no change in volume of fuel is consumed.

Derivative financial instruments which are part of hedging relationships do not expose the Group to market risk since changes in the fair value of the derivatives are offset by the changes in the fair value of the hedged items.

There is an economic relationship between the hedged items and hedging instruments as the terms of the foreign exchange forward contracts and commodity swaps and zero cost collars match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward contracts and commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of hedging instruments against the changes in the fair value of hedged items attributable to the hedged risks.

The hedge ineffectiveness arising from the differences on the counterparty and own credit risk incorporated in the hedging instrument and zero credit risk on the hedged item are deemed insignificant given that all counterparties are given investment grade ratings by the major credit rating agencies.

Outstanding derivative contracts
The tables below summarize the maturity profile of outstanding derivative contracts as of December 31:

Commodity derivatives (nil in 2022):

	2023					
	1 to 3 months	**More than 3 to 6 months**	**More than 6 to 12 months**	**More than 12 to 15 months**	**More than 15 months**	**Total**
Notional amount (in barrels)	**30,000**	**30,000**	–	–	–	**60,000**
Notional amount (in US$)	**$2,397,000**	**$2,397,000**	–	–	–	**$4,794,000**
Average hedged rate	**79.90**	**79.90**	–	–	–	**79.90**

Interest rate swap contracts (nil in 2023)

	2022					
	1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 to 15 months	More than 15 months	Total
Notional amount (in US$)	–	$86,400,000	–	–	–	$86,400,000

The impact of the hedge accounting on the consolidated statements of financial position as of December 31, 2023 and 2022 follows:

December 31, 2023

	Change in fair value used in measuring ineffectiveness for the period	Cash flow hedge reserve
Interest rate derivatives	**₱531,772,717**	**₱498,447,997**
Fuel derivatives	**(₱1,291,971)**	**(₱1,291,971)**

December 31, 2022

	Change in fair value used in measuring ineffectiveness for the period	Cash flow hedge reserve
Interest rate derivatives	(₱838,604,814)	(₱744,822,569)

Roll forward of each component of equity and the analysis of the other comprehensive income (loss) follows:

	2023	2022
Balances at January 1	**₱503,754,596**	₱108,822,123
Effective portion of cash flow hedges:		
Fuel hedges	**82,705,956**	–
Interest rate hedge	**(145,658,942)**	787,014,615
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense (Note 24)	**(83,997,927)**	–
Interest expense (Note 8)	**(100,715,630)**	(42,192,046)
Actuarial loss on retirement liability	**(201,023,866)**	(218,245,939)
Tax effect	**112,172,602**	(131,644,157)
Balances at December 31	**₱167,236,789**	₱503,754,596

Interest rate risk
Interest rate risk arises on interest-bearing financial instruments recognized in the consolidated statements of financial position and on some financial instruments not recognized in the consolidated statements of financial position (i.e., some loan commitments, if any). The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt (see Note 18).

Furthermore, the Group enters into interest rate derivative contracts to manage exposure to the volatility of interest rates on the leases of the expected aircraft deliveries (see Note 8).

The following tables show information about the Group's long-term debt that are exposed to interest rate risk as of December 31, 2023 and 2022 and are presented by maturity profile (see Note 18):

	2023							
	<1-1 year	**>1-2 years**	**>2-3 years**	**>3-4 years**	**>4-5 years**	**>5 years**	**Total**	**Fair Value**
Commercial loans from banks (in US Dollar; Note 18)	**US$29,636,730**	**US$31,424,992**	**US$86,637,811**	**US$ 57,593,749**	**US$10,830,535**	**US$64,297,365**	**US$280,421,182**	**US$278,542,495**
US $ loans (in Philippine Peso)	**₱1,640,985,745**	**₱1,740,001,813**	**₱4,797,135,581**	**₱3,188,965,862**	**₱599,686,701**	**₱3,560,145,151**	**₱15,526,920,853**	**₱14,307,894,131**
Commercial loans from banks (in JPY; Note 18)	**JPY3,209,467,725**	**JPY3,319,862,626**	**JPY3,346,380,067**	**JPY3,373,136,381**	**JPY3,399,661,220**	**JPY22,010,436,745**	**JPY38,658,944,764**	**JPY37,755,938,452**
JPY loans (in Philippine Peso)	**₱1,261,320,816**	**₱1,304,706,012**	**₱1,315,127,366**	**₱1,325,642,598**	**₱1,336,066,859**	**₱8,650,101,641**	**₱15,192,965,292**	**₱14,838,083,812**
Commercial loans from banks (Note 18)	**2,190,872,905**	**2,232,909,780**	**2,232,909,780**	**1,210,588,765**	**112,584,210**	–	**7,979,865,440**	**7,182,601,862**
	₱5,093,179,466	**₱5,277,617,605**	**₱8,345,172,727**	**₱5,725,197,225**	**₱2,048,337,770**	**₱12,210,246,792**	**₱38,699,751,585**	**₱36,328,579,805**

	2022							
	<1-1 year	>1-2 years	>2-3 years	>3-4 years	>4-5 years	>5 years	Total	Fair Value
Commercial loans from banks (in US Dollar; Note 18)	US$32,524,939	US$33,513,360	US$34,542,373	US$95,175,604	US$57,593,749	US$111,248,543	US$364,598,568	US$321,695,462
US $ loans (in Philippine Peso)	₱1,813,427,996	₱1,868,537,383	₱1,925,910,022	₱5,306,515,775	₱3,211,139,454	₱6,202,662,506	₱20,328,193,136	₱17,936,130,496
Commercial loans from banks (in JPY; Note 18)	JPY1,568,936,150	JPY1,577,004,749	JPY1,585,465,365	JPY1,593,796,773	JPY1,602,172,729	JPY5,653,045,058	JPY13,580,420,824	JPY11,641,263,443
JPY loans (in Philippine Peso)	₱654,873,950	₱658,241,782	₱661,773,243	₱665,250,773	₱668,746,897	₱2,359,581,007	₱5,668,467,652	₱4,859,063,361
Commercial loans from banks (Note 18)	1,231,110,764	3,559,918,166	2,593,956,240	1,523,162,940	867,999,778	4,606,673,732	14,382,821,620	16,832,972,553
	₱3,699,412,710	₱6,086,697,331	₱5,181,639,505	₱7,494,929,488	₱4,747,886,129	₱13,168,917,245	₱40,379,482,408	₱39,628,166,410

The following table sets forth the impact of the range of reasonably possible changes in interest rates on the Group's pre-tax income for the years ended December 31, 2023 and 2022.

	2023		2022		2021	
Changes in foreign exchange value	**1.50%**	**(1.50%)**	1.50%	(1.50%)	1.50%	(1.50%)
Change in pre-tax income	**(₱972,373)**	**₱972,373**	(₱1,070,194)	₱1,070,194	(₱970,105)	₱970,105

Fair value interest rate risk
Fair value interest rate risk is the risk that the value/future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk relates primarily to the Group's financial assets and financial liabilities at fair value through profit or loss.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax and the relative impact on the Group's net assets as of December 31, 2023 and 2022:

	Change in Basis Points	Effect on Profit Before Tax
2023	**+200%**	**(₱107,508,042)**
	-200%	**248,235,601**
2022	+200%	(₱117,272,589)
	-200%	270,781,896

31. **Fair Value Measurement**

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to their short-term maturities, except for the following financial assets and other financial liabilities as of December 31, 2023 and 2022:

	2023		2022	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset:				
Refundable deposits* (Note 15)	**₱2,343,524,841**	**₱1,933,383,196**	₱1,498,852,139	₱1,010,955,047
Financial Liability:				
Other financial liability:				
Long-term debt**(Note 18)	**₱38,699,751,585**	**₱36,328,579,805**	₱40,379,482,411	₱39,628,166,410

**Included under 'Other noncurrent assets' account in the consolidated statements of financial position.*
***Including current portion.*

The methods and assumptions used by the Group in estimating the fair value of financial assets and other financial liabilities are:

Refundable deposits
The fair values are determined based on the present value of estimated future cash flows using prevailing market rates. The Group used discount rates of 3% to 6% and 4% to 8% as of December 31, 2023 and 2022, respectively.

Long-term debt
The fair value of long-term debt is determined using the discounted cash flow methodology, with reference to the Group's current incremental borrowing rates for similar types of loans. The discount rates used range from 2% to 7% and 1% to 8% as of December 31, 2023 and 2022, respectively.

The tables below show the Group's financial instruments carried or presented at fair value hierarchy classification:

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value:				
Derivative financial liabilities at FVOCI	**₱–**	**₱1,291,971**	**₱–**	**₱1,291,971**
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	**₱–**	**₱–**	**₱1,933,383,196**	**₱1,933,383,196**
Long-term debt	**–**	**36,328,579,805**	**–**	**36,328,579,805**

	2022			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:				
Derivative financial assets at FVOCI	₱–	₱60,911,157	₱–	₱60,911,157
Derivative financial liabilities at FVPL	₱–	₱846,835,509	₱–	₱846,835,509
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	₱–	₱–	₱1,010,955,047	₱1,010,955,047
Long-term debt	–	41,059,976,174	–	41,059,976,174

There were no transfers within any hierarchy level of fair value measurements for the years ended December 31, 2023 and 2022, respectively.

32. Commitments and Contingencies

Leases
The Group has aircraft and non-aircraft leases. Leases of aircraft generally have lease term between 1.25 and 8 years, while leases of non-aircraft items generally have remaining lease term between 3 and 18 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain non-aircraft leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

The movements in right-of-use assets follow:

	2023	2022
Cost		
Balance at January 1	**₱63,198,412,415**	₱44,296,825,552
Additions (non-cash investing activity)	**41,744,523,661**	22,483,271,639
Deferred gain on sale and leaseback	**(1,373,070,937)**	(2,529,297,116)
Retirement	**(2,906,291,255)**	(1,052,387,660)
Balance at December 31	**100,663,573,884**	63,198,412,415
Accumulated depreciation		
Balance at January 1	**19,807,452,988**	13,975,864,019
Amortization	**7,661,769,721**	6,639,771,097
Retirement	**(2,906,291,255)**	(808,182,128)
Balance at December 31	**24,562,931,454**	19,807,452,988
	₱76,100,642,430	₱43,390,959,427

The movements in lease liability follow:

	2023	2022
Balance at January 1	**₱48,448,563,693**	₱32,470,382,013
Additions	**41,744,523,661**	22,483,271,639
Accretion of interest	**2,247,857,293**	1,151,655,726
Payment	**(9,801,565,676)**	(7,313,010,731)
Retirement	**–**	(343,734,954)
Ending balance	**82,639,378,971**	48,448,563,693
Less: current portion	**9,228,540,715**	5,851,121,778
Noncurrent portion	**₱73,410,838,256**	₱42,597,441,915

The following are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2023, 2022 and 2021:

	2023	2022	2021
Depreciation expense on right-of-use assets	**₱7,661,769,721**	₱6,639,771,097	₱6,666,577,250
Interest expense on lease liabilities	**2,247,857,293**	1,151,655,726	493,863,414
Rent expense on short term leases	**2,655,010,201**	1,649,519,624	796,340,708
	₱12,564,637,215	₱9,440,946,447	₱7,956,781,372

Aircraft Lease Commitments

The Group entered into operating lease agreements with certain leasing companies, which cover the following aircraft:

A320CEO aircraft
The following table summarizes the specific lease agreements on the Group's Airbus A320CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
March 2008	Wells Fargo Trust Company, N.A.	1	October 2023
July 2018	JPA No. 117 Co. Ltd	1	June 2025
July 2018	JPA No. 118 Co. Ltd	1	October 2024
August 2018	JPA No. 119 Co. Ltd	1	December 2024
November 2020	EOS Aviation 6 (Ireland) Limited	2	March 2024
December 2021	Avolon Leasing Ireland 3 Limited	5	August 2025 - September 2027
December 2021	VMO Aircraft Leasing 32 and 33 (Ireland) Limited	2	July 2025 - October 2026
May 2023	Banc of America Leasing Ireland Co., Limited	1	May 2026
June 2023	AWAS 3896 Trust	1	June 2026
June 2023	Wilmington Trust SP Services (Dublin) Limited	3	April 2028 – January 2028
November 2023	EOS Aviation 9 (Ireland) Limited	2	November – December 2028
December 2023	AVAP Aircraft Trading Pte. Ltd.	1	December 2027

In 2017, the Group entered into lease agreements with ILL for two (2) Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320. These leases have already expired in 2023.

In 2018, the Group had extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two (2) years, with Wells Fargo Trust Company, N.A for four (4) years, and with GY Aviation Lease 0905 Co. Limited for another two (2) years on one (1) aircraft and three (3) years on the other. These leases have already expired in 2023.

A320NEO aircraft
The following table summarizes the specific lease agreements on the Group's Airbus A320NEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
July 2019	SMBC Aviation Capital LTD	1	July 2029
October 2019	SMBC Aviation Capital LTD	1	October 2029
November 2019	Orix Aviation Systems Limited	1	June 2029
November 2019	Orix Aviation Systems Limited	1	September 2029
January 2020	SMBC Aviation Capital LTD	1	January 2030
November 2021	SMBC Aviation Capital LTD	1	November 2031
April 2022	Jackson Square Aviation Ireland Limited	1	April 2032
July 2022	Sky High 135 Leasing Company Limited	1	July 2032

(Forward)

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
December 2022	Sky High 135 Leasing Company Limited	1	December 2032
March 2023	Avolon Leasing Ireland 3 Limited	1	October 2034
March 2023	Avolon Leasing Ireland 3 Limited	2	May – June 2035
April 2023	Jackson Square Aviation Ireland Limited	1	April 2035
June 2023	Miracle Carina Company Limited	1	June 2035
August 2023	AerCap Aviation Leasing Limited	1	August 2033
September 2023	AerCap Aviation Leasing Limited	1	September 2033
October 2023	Miracale Cassiopeia Company Limited	1	October 2037
November 2023	SMBC Aviation Capital LTD	1	April 2033

A321NEO aircraft

The following table summarizes the specific lease agreements on the Group's Airbus A321NEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
November 2020	Connolly Aviation Capital 5 Limited	1	November 2032
March 2021	JSA Cayman Leasing, Ltd.	1	March 2033
March 2022	Connolly Aviation Capital 6 Limited	1	March 2034
May 2021	SMBC Aviation Capital LTD	1	May 2031

ATR 72-600 aircraft

On May 10, 2019, the Group entered into a 10-year lease agreement with AVAP AIRCRAFT TRADING III PTE. Ltd. for one (1) ATR 72-600 aircraft which was delivered in May 2019.

In December 2021, the Group entered into a 10-year lease agreement with MSO 1628 Leasing Designated Activity Company for one (1) ATR-600 delivered on December 15, 2021.

A330NEO aircraft

The following table summarizes the specific lease agreements on the Group's Airbus A330NEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
July 2019	Avolon Leasing Ireland 3 Limited	1	December 2033
November 2019	Avolon Leasing Ireland 3 Limited	1	November 2034
May 2022	Dune Aviation 15 Limited	1	May 2034
November 2021	SMBC Aviation Capital LTD	1	November 2033
March 2023	JLPS Ireland Limited	1	March 2035
November 2023	SMBC Aviation Capital LTD	1	November 2035
November 2019	Avolon Leasing Ireland 3 Limited	1	December 2035

Engine Lease Commitments

The following table summarizes the specific lease agreements on the Group's engines:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	10	6-12 years with pre-termination option
September 2020	SMBC Aero Engine Lease B.V.	8	18 months – 9 years
December 2021	Crestone Air Partners, Inc.	2	4-7 years

In May 2019, the Group entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of three (3) Trent 700 engines.

In September and October 2020, the Group entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V for eight (8) CFM56 engines. The leases have short- and long-term lease arrangements between 18 months to eight (8) years, respectively. In December 2021 and April 2022, two (2) CFM56 engine were amended to effect the novation of lease rights to current lessor, SUNRISE NON-US PO 1 LTD.

In 2022, the Group provided a notice to early terminate its operating lease agreement with RRPF Engine Leasing Limited for the lease of one (1) Trent 700 engine until February 2023.

In May and June 2022, the Group has entered into swap transactions to replace its two old (2) engines (ESN 729600 and ESN 697582) with new engines (ESN 849340 and ESN 849288) with its lessors. As a result of the exchange transactions, the Group recognized a gain of ₱99.5 million under 'Gain (loss) on disposal - net' in the consolidated statement of comprehensive income.

In August 2022, the Group entered into operating lease agreements as part of a sale and leaseback transaction with RRPF Engine Leasing Limited for the lease of two (2) PW1133G-JM engines and one (1) Trent 7000 engine.

In September 2022, the Group entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. for four (4) PW1133GA-JM engines with lease term arrangements between seven (7) to nine (9) years.

In November 2022, the Group again entered into operating lease agreement as part of a sale and leaseback transaction with RRPF Engine Leasing Limited for the lease of one (1) PW1133G-JM engines.

In 2022, the Group recognized gain on the sale portion of the above transactions amounting to ₱1,523.9 million recorded under 'Gain (loss) on disposal - net' in the consolidated statement of comprehensive income.

In respect to the operational lease agreement dated November 8, 2019, Avolon Leasing Ireland 3 Limited delivered one (1) aircraft to the Group in November 2023. The aircraft was then novated to SMBC Aviation Capital Limited; the executed version of the aircraft lease novation and amendment is dated November 14, 2023.

In December 2023, the Group received one (1) aircraft from Avolon Leasing Ireland 3 Limited in respect of the initial operating lease agreement entered last November 2019. In June 2023, the Group and the lessor amended certain sections and were fully signed and executed thereafter.

As of December 31, 2023 and 2022, the Group has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors (see Note 7).

Lease expenses relating to aircraft leases (included in 'Aircraft and engine lease' account in the consolidated statements of comprehensive income) amounted to ₱1,663.9 million, ₱1,093.4 million and ₱443.5 million in 2023, 2022, and 2021, respectively.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2023		2022		2021	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$258,328,908**	**₱14,303,671,636**	US$182,214,559	₱10,159,372,756	US$116,348,826	₱5,933,673,803
After one year but not more than five years	**982,573,506**	**54,405,095,010**	731,976,291	40,811,338,097	353,191,108	18,012,393,320
Over five years	**753,471,084**	**41,719,693,917**	474,231,261	26,440,763,968	237,732,932	12,124,141,820
	US$1,994,373,498	**₱110,428,460,563**	US$1,388,422,111	₱77,411,474,821	US$707,272,866	₱36,070,208,943

Operating Non-Aircraft Lease Commitments

The Group has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.00% to 10.00%.

Future minimum lease payments under these noncancellable operating leases follow:

	2023	2022	2021
Within one year	**₱227,165,672**	₱221,968,510	₱217,233,256
After one year but not more than five years	**1,227,426,336**	943,617,379	920,545,458
Over five years	**3,840,389,291**	4,351,363,919	4,596,404,352
	₱5,294,981,299	₱5,516,949,808	₱5,734,183,066

Lease expenses relating to both cancellable and noncancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱991.1 million, ₱556.1 million and ₱352.9 million in 2023, 2022, and 2021, respectively.

Service Maintenance Commitments

On June 21, 2012, the Parent Company has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bugatti-Dowty (Safran group) to purchase wheels and brakes for its fleet of Airbus A319 and A320 aircraft. The contract covers the current fleet, as well as future aircraft to be acquired. On June 27, 2023 this agreement has been extended for another 10 years.

On June 22, 2012, the Parent Company has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the Airbus A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight (8) Airbus A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last Airbus A330.

On March 28, 2017, the Parent Company entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its Airbus A319, Airbus A320 and Airbus A321 aircraft. These services include provision of access to inventories under lease basis, access to pooled components on a flat rate basis, and repairs of aircraft parts and components.

On November 29, 2019, the Parent Company has entered into a service contract with Rolls-Royce plc (Rolls-Royce) for service support for the engines of Airbus A330NEO aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 7000 engines. Contract term shall be from delivery of the first A330NEO until the redelivery of the last Airbus A330NEO.

Aircraft and Spare Engine Purchase Commitments
In August 2011, the Group entered in a commitment with Airbus S.A.S. to purchase firm orders of 32 new Airbus A321NEO aircraft and ten (10) additional option orders. These aircraft are scheduled to be delivered from 2019 to 2026.

On June 28, 2012, the Group has entered into an agreement with United Technologies International Corporation Pratt & Whitney Division to purchase new PurePower® PW1100G-JM engines for its 32 firm and ten (10) optional A321NEO aircraft. The agreement also includes an engine maintenance services program for a period of ten (10) years from the date of entry into service of each engine.

On October 31, 2019 the Parent Company placed an order with Airbus S.A.S to purchase 16 Airbus A330 NEO aircraft. Consequently, on November 29, 2019, the Parent Company entered into agreements with Rolls-Royce PLC for the purchase of spare Trent 7000 engines and for the provision of Total Care life services and other services required in connection with the 16 A330NEO aircraft.

On December 19, 2019, the Parent Company placed an additional order with Airbus S.A.S for 15 A320NEO family aircraft which includes up to ten (10) A321XLR.

As of December 31, 2023, to cover for industry delays, the Group has entered into lease agreements for three (3) Airbus A320 with Banc of America Leasing Ireland Co., Limited, AWAS 3896 Trust and AVAP Aircraft Trading Pte. Ltd., and five (5) Airbus A320NEO with Avolon Leasing Ireland 3 Limited and AerCap Aviation Leasing Limited. Seven (7) out of eight (8) aircraft have been delivered from April to September 2023.

As of December 31, 2023, the Group is set to take delivery of seven (7) A320 NEO aircraft, twelve (12) A321 NEO aircraft, eleven (11) A330 NEO aircraft, ten (10) A321XLR aircraft and two (2) ATR 72-600 aircraft until 2027.

The above-indicated commitments relate to the Group's re-fleeting and expansion programs. These agreements remain in effect as of December 31, 2023.

Capital Expenditure Commitments
The Group's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱233,689.3 million and ₱241,940.2 million as of December 31, 2023 and 2022, respectively.

	2023	
	US Dollar	**Philippine Peso Equivalent**
Within one year	**US$1,076,424,848**	**₱59,601,643,843**
After one year but not more than five years	**2,390,608,582**	**132,367,997,206**
More than five years	**753,471,084**	**41,719,693,917**
	US$4,220,504,514	**₱233,689,334,966**

	2022	
	US Dollar	Philippine Peso Equivalent
Within one year	US$998,715,602	₱55,683,388,406
After one year but not more than five years	2,892,892,307	161,293,210,604
More than five years	447,739,012	24,963,688,598
	US$4,339,346,921	₱241,940,287,608

Contingencies

The Group has pending suits, claims and contingencies which are either pending decisions by the courts or being contested or under evaluation, the outcome of which are not presently determinable. The information required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed until final settlement, on the ground that it might prejudice the Group's position.

33. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The changes in liabilities arising from financing activities in 2023, 2022 and 2021 follow:

			Noncash		
	January 1, 2023	**Cash Flows**	**Foreign Exchange Movement**	**Others***	**December 31, 2023**
Current portion of long-term debt	**₱3,699,412,710**	**(₱11,828,548,729)**	**(₱14,988,451)**	**₱13,237,303,931**	**₱5,093,179,461**
Long-term debt - net of current portion	**36,680,069,698**	**10,296,833,376**	**(133,027,019)**	**(13,237,303,931)**	**33,606,572,124**
Bonds payable	**13,423,322,594**	**–**	**(93,207,960)**	**107,601,065**	**13,437,715,699**
Lease liability	**48,448,563,693**	**(9,801,565,676)**	**–**	**43,992,380,954**	**82,639,378,971**
Total liabilities from financing activities	**₱102,251,368,695**	**(₱11,333,281,029)**	**(₱241,223,430)**	**₱44,099,982,019**	**₱134,776,846,255**

**Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest and amortization of bond issue costs*

			Noncash		
	January 1, 2022	Cash Flows	Foreign Exchange Movement	Others*	December 31, 2022
Short-term debt	₱4,462,412,500	(₱5,161,625,000)	₱699,212,500	₱–	₱–
Current portion of long-term debt	3,855,439,137	(7,046,553,461)	121,617,332	6,768,909,702	3,699,412,710
Long-term debt - net of current portion	42,099,660,479	–	1,349,318,921	(6,768,909,702)	36,680,069,698
Bonds payable	12,184,836,126	–	1,138,579,757	99,906,711	13,423,322,594
Lease liability	32,470,382,013	(7,313,010,731)	–	23,291,192,411	48,448,563,693
Total liabilities from financing activities	₱95,072,730,255	(₱19,521,189,192)	₱3,308,728,510	₱23,391,099,122	₱102,251,368,695

**Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest and amortization of bond issue costs*

			Noncash		
	January 1, 2021	Cash Flows	Foreign Exchange Movement	Others*	December 31, 2021
Short-term debt	₱4,802,300,000	(₱557,692,500)	₱217,805,000	₱–	₱4,462,412,500
Current portion of long-term debt	4,840,069,458	(8,368,272,347)	94,487,067	7,289,154,959	3,855,439,137
Long-term debt - net of current portion	48,399,864,978	–	988,950,460	(7,289,154,959)	42,099,660,479
Bonds payable	–	11,782,473,335	759,069,399	(356,706,608)	12,184,836,126
Lease liability	18,353,651,000	(6,267,349,863)	–	20,384,080,876	32,470,382,013
Total liabilities from financing activities	₱76,395,885,436	(₱3,410,841,375)	₱2,060,311,926	₱20,027,374,268	₱95,072,730,255

**Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest and amortization of bond issue costs*

Please see notes 12 and 32 for noncash investing activities in 2023, 2022 and 2021.

There are no principal noncash operating and financing activities in 2023, 2022 and 2021.

34. **Registration with the BOI**

As of December 31, 2023, the Parent Company is registered with the BOI as an operator of air transport on a non-pioneer status for 14 Airbus A320 NEO, seven (7) Airbus A321 CEO, 21 Airbus A321 NEO and 13 Airbus A330 NEO aircraft.

Based on the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives (see Notes 1, 12, 27 and 32):

a. An ITH for a period of two to four years.

b. Employment of foreign nationals. This may be allowed in supervisory, technical or advisory positions for five years from date of registration.

c. Importation of capital equipment, spare parts and accessories at zero (0) duty from date of effectivity of Executive Order (E.O.) No. 70 and its Implementing Rules and Regulations for a period of five years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier, as applicable; or
   Importation of capital equipment, spare parts and accessories at zero (0) duty under E.O. No. 22, No.57, or No. 85, and related Implementing Rules and Regulations, as applicable.

d. Avail of a bonus year in each of the following cases but the aggregated ITH availment (regular and bonus years) shall not exceed eight years.

   - The ratio of total of imported and domestic capital equipment to the number of workers for the project does not exceed the ratio set by the BOI.
   - The net foreign exchange savings or earnings amount to at least US$500,000 annually during the first three years of operation.
   - The average cost of indigenous raw materials used in the manufacture of the registered product must at least be fifty percent (50%) of the total cost of raw materials for the preceding years prior to the extension unless the BOI prescribes a higher percentage.

e. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

f. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and suppliers.

g. Importation of consigned equipment for a period of ten years from date of registration subject to posting of re-export bond.

As of December 31, 2023 and 2022, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft of registered activity.

35. Approval of the Consolidated Financial Statements

The consolidated financial statements were approved and authorized for issue by the BOD on March 25, 2024.

36. Events After the Financial Reporting Date

Listing of Vested RSUs
On January 15, 2024, the Parent Company advised the Philippine Stock Exchange that 2,222,666 common shares have been availed under Restricted Stock Units of its Long-Term Incentive Plan. These shares were listed on January 15, 2024. The RSUs vested on December 31, 2023 (see Note 23).

Additional capital investment in DAVI
The Parent Company invested an additional ₱40.0 million in February 2024. The Parent Company remains to have a 40% shareholding in DAVI after the additional investment.

Dissolution of Summit C Aircraft Leasing Limited (SCALL)
In January 2024, Summit C Aircraft Leasing Limited (SCALL) was dissolved following the full payment of loan and transfer of ownership of the last aircraft under SCALL to Wilmington Trust SP Services (Dublin) Limited.

37. Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*
  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - 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

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- Amendments to PFRS 16, *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.

The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed. The Group is still assessing the impact of the amendments to the consolidated financial statements.

- Amendments to PAS 7 and PFRS 7, *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.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024. Earlier adoption is permitted and that fact must be disclosed. The Group is still assessing the impact of the amendments to the consolidated financial statements.

<u>Effective beginning on or after January 1, 2025</u>
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

<u>Deferred Effectivity</u>
- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE

The Stockholders and the Board of Directors
Cebu Air, Inc.
Basement 2, Room 01 – 02, Robinsons Galleria Cebu
General Maxilom corner S. Osmeña Boulevard
Barangay Tejeros, Cebu City

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, included in this Form 17-A and have issued our report thereon dated March 25, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
Tax Identification No. 901-617-005
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-076-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082033, January 6, 2024, Makati City

March 25, 2024

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE OF
RETAINED EARNINGS AVAILABLE
FOR DIVIDEND DECLARATION**

The Stockholders and the Board of Directors
Cebu Air, Inc.
Basement 2, Room 01 – 02, Robinsons Galleria Cebu
General Maxilom corner S. Osmeña Boulevard
Barangay Tejeros, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 25, 2024. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The accompanying Supplementary Schedule of Retained Earnings Available for Dividend Declaration as of December 31, 2023 is the responsibility of the Group's management. This schedule is presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and is not part of the basic consolidated financial statements. This has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
Tax Identification No. 901-617-005
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-076-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082033, January 6, 2024, Makati City

March 25, 2024

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULE OF
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
Cebu Air, Inc.
Basement 2, Room 01 – 02, Robinsons Galleria Cebu
General Maxilom corner S. Osmeña Boulevard
Barangay Tejeros, Cebu City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (the Group) as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023, and have issued our report thereon dated March 25, 2024. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary Schedule of Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2023 and 2022 and for each of the three years in the period ended December 31, 2023 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

John T. Villa
Partner
CPA Certificate No. 94065
Tax Identification No. 901-617-005
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
BIR Accreditation No. 08-001998-076-2023, October 23, 2023, valid until October 22, 2026
PTR No. 10082033, January 6, 2024, Makati City

March 25, 2024

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2023

I. Supplementary schedules required by Annex 68-J

A. Financial Assets (Current Marketable Equity and Debt Securities and Other Short-Term Cash Investments)

B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)

C. Amounts Receivable from and Payable to Related Parties which are Eliminated during Consolidation of Financial Statements

D. Long-Term Debt

E. Indebtedness to Related Parties (Noncurrent)*

F. Guarantees of Securities of Other Issuers*

G. Capital Stock

H. Property, Plant and Equipment

I. Accumulated Depreciation

J. Intangible Assets and Other Assets*

*These schedules, which are required by Revised SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included/shown in the related consolidated financial statements or in the notes thereto.

II. Map of the Relationships of the Companies within the Group (Part 1, 4H)

III. Schedule of Financial Soundness Indicators

IV. Reconciliation of Retained Earnings Available for Dividend Declaration (Annex 68-D)

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
(CURRENT MARKETABLE EQUITY AND DEBT SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)
DECEMBER 31, 2023

Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/ Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Various / USD Short-term cash investments	₱5,737,575,279	₱5,737,575,279	₱352,907,267
Various / PHP Short-term cash investments	3,806,189,989	3,806,189,989	431,089,945
Various / KRW Short-term cash investments	155,160,000	155,160,000	2,874,577
	₱9,698,925,268	₱9,698,925,268	₱786,871,789

See Note 7 of the Consolidated Financial Statements.

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2023

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Various employees	₱407,210,271	₱70,511,333	(₱64,954,874)	₱–	₱64,110,927	₱348,655,803	₱412,766,730

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2023

I. Receivables

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Balance at End of Period		
					Current	Noncurrent	Total
CEBGO, Inc.	₱317,178,536	₱3,823,036,993	(₱3,789,171,150)	₱–	₱351,044,379	₱–	₱351,044,379
Aviation Partnership (Philippines) Corporation (A-plus)	168,730,180	121,757,919	(154,065,564)		136,422,535		136,422,535

II. Payables

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Amounts Paid	Amounts Written Off	Balance at End of Period		
					Current	Noncurrent	Total
CEBGO, Inc.	₱526,318,079	₱8,114,369,976	(₱7,958,248,286)	₱–	₱682,439,769	₱–	₱682,439,769
Aviation Partnership (Philippines) Corporation (A-plus)	213,718,350	1,217,333,525	(1,318,761,465)	–	112,290,410	–	112,290,410

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2023

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-term Debt – Net of Current Portion" in Related Balance Sheet
Commercial loans from banks	1.00% to 8.00% (US Dollar LIBOR)	Various dates through 2030	₱1,640,985,740	₱13,885,935,113
Commercial loans from banks	Less than 1.00% (JPY TONA)	Various dates through 2033	1,261,320,816	13,931,644,476
Commercial loans from banks	2.00% to 5.00% (PHP BVAL)	Various dates Through 2028	2,190,872,905	5,788,992,535
Total			₱5,093,179,461	₱33,606,572,124

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Bonds Payable" in Related Balance Sheet
Convertible bonds	4.5%	May 10, 2027	₱13,437,715,699

See Notes 18 and 19 of the Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2023

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	1,340,000,000	621,991,867	323,515,952	407,412,031	4,039,920	210,539,916
Preferred Stock	400,000,000	309,693,201	309,693,201	245,181,064	−	64,512,137

See Notes 22 and 23 of the Consolidated Financial Statements.

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE H – PROPERTY AND EQUIPMENT
DECEMBER 31, 2023

Classification	Balance at Beginning of Period	Additions at Cost	Reclassification	Disposals and Others	Balance at End of Period
Passenger Aircraft	₱62,022,105,339	₱10,244,830,491	₱–	(₱12,835,438,284)	₱59,431,497,546
Engines	5,857,527,762	2,754,471,995	124,091,449	(2,261,678,849)	6,474,412,357
Rotables	4,912,141,052	1,522,526,262	2,741,051	(235,648,193)	6,201,760,172
Ground Support Equipment	1,122,696,344	214,796,928	89,436,593	–	1,426,929,865
EDP Equipment, Mainframe and Peripherals	792,550,745	128,482,925	(4,160,915)	(9,886,740)	906,986,015
Building and Leasehold Improvements	2,056,842,265	7,698,500	86,153,244	–	2,150,694,009
Transportation Equipment	345,753,140	23,463,986	32,890,167	(16,480,915)	385,626,378
Furniture, Fixtures and Office Equipment	166,324,645	15,049,602	(54,503,756)	(236,607)	126,633,884
Communication Equipment	20,983,125	6,713,874	587,439	–	28,284,438
Special Tools	125,693,171	14,053,589	(2,003,343)	–	137,743,417
Maintenance and Test Equipment	202,003,791	18,006,585	34,681,044	–	254,691,420
Other Equipment	151,624,152	7,210,105	(117,950,819)	–	40,883,438
Construction In-progress	14,230,828,414	15,542,407,411	(186,967,786)	(11,593,934,637)	17,992,333,402
	₱92,007,073,945	₱30,499,712,253	₱4,994,368	(₱26,953,304,225)	₱95,558,476,341

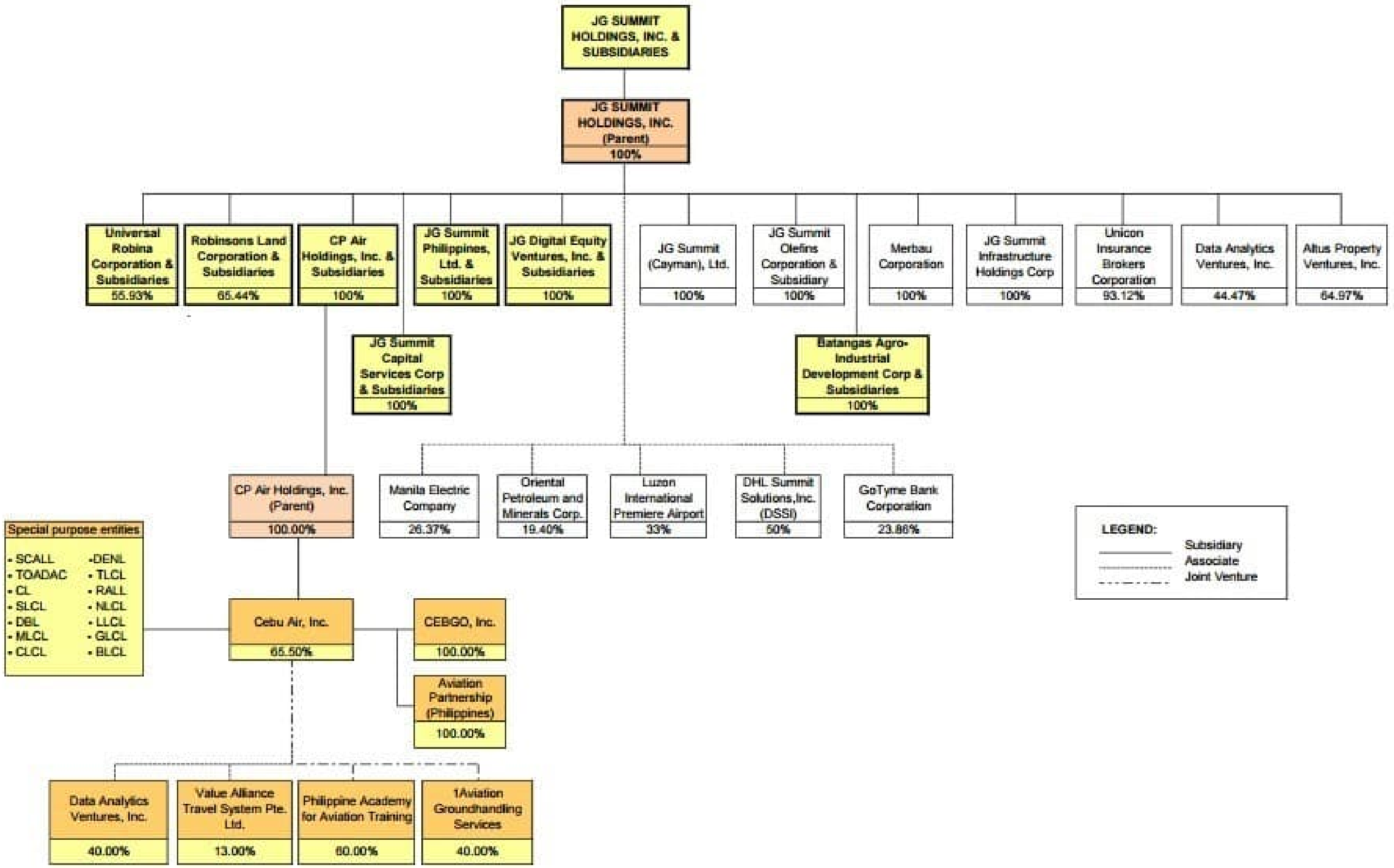
CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE I - ACCUMULATED DEPRECIATION
DECEMBER 31, 2023

Classification	Balance at Beginning of Period	Depreciation	Reclassification	Disposals and Others	Balance at End of Period
Passenger Aircraft	₱17,592,526,716	₱4,495,602,680	₱–	(₱7,150,523,983)	₱14,937,605,413
Engines	4,374,902,076	315,371,961	–	(142,036,851)	4,548,237,186
Rotables	1,603,906,037	373,047,787	–	(89,024,841)	1,887,928,983
Ground Support Equipment	884,677,805	148,089,371	74,460,133	–	1,107,227,309
EDP Equipment, Mainframe and Peripherals	724,189,495	59,304,517	(4,703,993)	(9,374,171)	769,415,848
Building and Leasehold Improvements	1,342,702,030	130,270,373	19,211,890	–	1,492,184,293
Transportation Equipment	294,791,790	34,063,565	23,199,918	(16,118,611)	335,936,662
Furniture, Fixtures and Office Equipment	146,536,265	9,862,462	(48,227,825)	(201,417)	107,969,485
Communication Equipment	17,943,214	894,244	592,472	–	19,429,930
Special Tools	117,323,818	6,496,570	(1,260,114)	–	122,560,274
Maintenance and Test Equipment	175,550,641	13,029,435	30,104,947	–	218,685,023
Other Equipment	108,004,102	11,819,970	(87,805,228)	–	32,018,844
	₱27,383,053,989	₱5,597,852,935	₱5,572,200	(₱7,407,279,874)	₱25,579,199,250

CEBU AIR, INC. AND SUBSIDIARIES
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2023

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP



CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

The following are the financial ratios that the Group monitors in measuring and analyzing its financial soundness:

	Formula	2023	2022
Liquidity Ratios			
Current Ratio	Current assets / Current liabilities	**52%**	68%
Quick Ratio	Current assets – Inventories and other current assets / Current liabilities	**35%**	52%
Capital Structure Ratios			
Asset to Equity Ratio (x)	Total assets / Total equity	**39.18**	(51.00)
Interest Coverage Ratio (x)	Total revenues – Operating expenses / Interest expense	**1.93**	3.72
Profitability Ratios			
EBITDA Margin	Total revenues – Operating expenses + Depreciation and amortization / Total revenues	**24.1%**	1.2%
EBIT Margin	Total revenues – Operating expenses / Total revenues	**9.5%**	(20.1%)
Pre-tax core net income margin	Total revenues – Operating expenses + Interest Income – Interest expense + (-) Equity in net income (loss) of joint ventures and associates / Total revenues	**4.6%**	(25.8%)
Return on asset	Net income (loss) / Average total assets	**4.7%**	(9.8%)
Return on equity	Net income (loss) / Average total equity	**837.1%**	(361.9%)

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2023

The table below presents the retained earnings available for dividend declaration as of December 31, 2023:

Unappropriated Retained Earnings, January 1, 2023 available for dividend		(₱30,422,683,150)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of retained earnings appropriation	₱–	
Effect of restatements or prior-period adjustments	–	
Others	–	–
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	–	
Retained Earnings appropriated during the reporting period	–	
Effects of restatements or prior-period adjustments	–	
Others	–	–
Unappropriated Retained Earnings, January 1, 2023 as adjusted		(30,422,683,150)
Add/Less: Net income (loss) for the current year		8,338,242,255
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	(1,071,977,464)	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	(880,160,230)	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
Sub-total		(1,952,137,694)

(Forward)

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2023

Add:	**Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to Cash and cash equivalents	₱–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Add:	**Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
	Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Reversal of previously recorded fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Adjusted Net Income/Loss			6,386,104,561

(Forward)

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2023

Add:	**Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
	Depreciation on revaluation increment (after tax)	₱–	
	Others	–	
	Sub-total		₱–
Add/Less:	**Category E: Adjustments related to relief granted by the SEC and BSP**		
	Amortization of the effect of reporting relief	–	
	Total amount of reporting relief granted during the year	–	
	Others	–	
	Sub-total		–
Less:	**Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	–	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(3,995,933,908)	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, i.e., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	1,661,047,693	
	Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
	Others	–	
	Sub-total		(2,334,886,215)
Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2023			**(₱26,371,464,804)**

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REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2023

Cebu Air, Inc. (the "Company") prioritizes effective audit oversight and governance to ensure the delivery of high-quality service to its clients and stakeholders. As members of the Audit Committee, our roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Directors. We assist the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the following:

1. Company's financial reporting;
2. Internal Controls System;
3. Internal and External Audit processes;
4. Efficiency and effectiveness of business operations; and
5. Proper safeguarding and use of Company's resources and assets.

In compliance with the Audit Committee Charter, we confirm that:

- An Independent Director chairs the Audit Committee. Majority of the members of the Committee are independent directors.
- We had four meetings in 2023, with the following attendance rate:

Directors	No. of Meetings Attended	Percent Present
Bernadine T. Siy	4/4	100%
Brian Mathew P. Cu	4/4	100%
Jose Fernando B. Buenaventura	1/4	25%

- After evaluating SGV & Co.'s performance and qualifications, including management's recommendation, we proposed to the Board of the Directors its re-appointment as the independent external auditor of the Company for 2023.
- During our extensive review process, we thoroughly examined the quarterly and annual consolidated financial statements of the Company and its subsidiaries. These evaluations were complemented by in-depth discussions that encompassed a comprehensive analysis of the Company's financial condition and results of operations for the fiscal year that ended on 31 December 2023.
- We thoroughly assessed and approved the overall scope of work and specific audit plans of both the Company's Internal Auditors and External Auditors. We also analyzed the outcomes of their audits and their evaluation of the Company's internal controls and the overall quality of the financial reporting process.
- We devoted considerable attention to the detailed reports submitted by the Internal Audit teams, effectively ensuring that management promptly undertakes necessary corrective actions. It is noteworthy that the Internal Audit team diligently executed their

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duties in unwavering adherence to the revered International Standards for the Professional Practice of Internal Auditing.

- We also evaluated and approved all audit-related services as well as any non-audit services and fees performed by SGV & Co and concluded that these services and fees do not impair their independence.
- We also took note of any internal control issues raised during internal and external audits, investigating the root causes and ensuring that appropriate corrective actions were taken in a timely manner.
- We assessed and discussed our performance for 2023, in accordance with the guidelines set forth by the Securities and Exchange Commission and confirmed that the Committee continues to meet board, management and shareholder expectations.

Based on the reviews and discussions above, the Committee recommends that the audited financial statements be included in the Annual Report for the year ended 31 December 2023. The Committee also confirms that the Company's internal controls and compliance systems are adequate and effective in all material respects.

Date: March 25, 2024

BERNADINE T.SIY	**BRIAN MATHEW P. CU**	**JOSE FERNANDO B. BUENAVENTURA**
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

Cebu Air, Inc.
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REPORT OF THE CORPORATE GOVERNANCE COMMITTEE TO THE BOARD OF DIRECTORS

For the year ended December 31, 2023

The Corporate Governance Committee (CG) was established to ensure that Cebu Air, Inc.'s (Company) governing processes and practices align with ethical standards, legal requirements, and the best interest of stakeholders. The CG focuses on promoting transparency, accountability, and responsible decision-making within the organization.

In line with the CG Charter, we confirm that for 2023, we fulfilled our corporate management responsibilities to the Board by:

1. Overseeing and ensuring compliance with ethical standards and legal requirements.
2. Overseeing the implementation of the Corporate Governance Manual and the Code of Business Conduct and Ethics.
3. Enhanced the overall corporate governance framework to align with the best interests of stakeholders.
4. Determined the nomination and election process for the Company's Directors.
5. Established a formal procedure to develop a policy for determining the remuneration of Directors and Officers.
6. Established efficient communication channels which aid and encourage employees, customers, suppliers, creditors and other stakeholders to raise concerns on potential unethical behaviour.
7. Reviewed recommendations concerning policies on conflict of interest, salaries and benefits policies, promotion and career advancement directives.

The Committee reports that for 2023:

- The CG is composed of three (3) members, all of which are independent directors.
- A total of two (2) meetings were held for the year.
- All meetings met the necessary requirement for quorum before proceeding.
- We exercised oversight and guidance over the Corporate Governance team.
- We discussed with the Human Resources Group on the Company's Whistleblower reports and recommended improvements in the existing policy of the Company in terms of escalation, reporting and turnaround time.
- We reviewed and evaluated the effectiveness of the IT security and control measures, including data privacy and cyber security.
- We established and enforced compliance with laws, regulations, and ethical standards.

Cebu Air, Inc.
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Date: March 25, 2024

RICHARD B. TANTOCO
Chairperson

BERNADINE T. SIY
Member

BRIAN MATHEW P. CU
Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

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REPORT OF THE BOARD RISK OVERSIGHT COMMITTEE TO THE BOARD OF DIRECTORS

For the year ended December 31, 2023

The Board Risk Oversight Committee (BROC) was established to assist the Board in fulfilling its oversight responsibilities in relation to risk governance in Cebu Air, Inc. (Company). The BROC ensured, among others, that the Board and Management made well-informed decisions based on prudent assessment of risks and opportunities.

In line with the BROC Charter, we confirm that for 2023, we fulfilled our risk management responsibilities to the Board by:

- Maintaining and managing an effective, efficient, and integrated risk management process in the Company.
- Reviewed the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business.
- Providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation.
- Continuously developing a risk-aware culture that is pervasive throughout the Company, ensuring transparency in reporting of the risks.

The Committee reports that for 2023:

- The BROC is composed of three (3) members, two (2) of which are independent directors.
- A total of two (2) meetings were held for the year.
- All meetings met the necessary requirement for quorum before proceeding.
- The Company's Chief Risk Officer (CRO), the Internal Audit Head (IAH), members of Top Management and shareholder representatives were present in all meetings.
- We exercised oversight and guidance over the Company's Risk Management and government structure, through the ERM department.
- Risk management activities are aligned with Internal Audit work plan, to avoid duplication of efforts.
- The following were the risks reports for 2023:
  - Safety reports from the Airline Safety Review Committee covering:
    - Safety Incidents
    - Operations Risks
    - Occupational Health and Safety
    - Safety Management System
  - Reports from the Data Privacy, Information Security, Business Continuity and Sustainability Board covering:
    - Fleet-Related Risks
    - Supply- Chain Related Issues and Risks
    - Information Security Related Issues and Risks
    - Cybersecurity Incidents
    - Business Continuity Incidents
    - Environmental and Sustainability Risks

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        - Data Privacy Risks
    - Reports from the Treasury Risk Committee covering:
        - Fuel Hedging Risks
        - Foreign Exchange Risks

Date: March 25, 2024

BRIAN MATHEW P. CU	JOSE FERNANDO B. BUENAVENTURA	RICHARD B. TANTOCO
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

Cebu Air, Inc.
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REPORT OF THE RELATED PARTY TRANSACTIONS COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended December 31, 2023

The Related Party Transactions Committee (RPT) upholds strong corporate governance supporting Cebu Air, Inc.'s (Company) commitment in overseeing and approving transactions between the Company and its related parties. The RPT Committee ensures, among others, that the transactions of the Board and Management are conducted fairly, transparently, and in the best interest of the Company and its shareholders by, among others:

- Overseeing and approval of transactions meeting the RPT threshold between the Company and its related parties;
- Ensuring that transactions meeting the RPT threshold are conducted in the best interest of the Company and its shareholders;
- Assessing the risks, benefits, and potential conflicts of interest associated with RPTs.
- Helping maintain integrity and ethical standards within the organization.

In line with the RPT Policy, we confirm that for 2023, there were no related party transactions that met the threshold for approval of the RPT Committee.

Date: March 25, 2024

RICHARD B. TANTOCO	JOSE FERNANDO B. BUENAVENTURA	BERNADINE T. SIY
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

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Statement of Internal Controls and Compliance System Attestation for 2023

Cebu Air, Inc. ("Corporation") recognizes that good corporate governance is essential to build an environment of trust, transparency and accountability necessary for fostering long-term performance, financial stability, business integrity and sustainability of the Corporation for the protection of the interests of its shareholders and other stakeholders.

To further advocate the Corporation's commitment in the pursuit of good governance and achieving compliance with applicable laws and corporate policies and procedures, it continues to strengthen the Enterprise Governance, Risk Management and Compliance (GRC) Culture and maintain a strong system of internal controls focused on accountability and oversight of operations.

Board of Directors

The Board of Directors (BOD) is primarily responsible for the governance of the Corporation and provides an independent check on management. It has oversight function and assures the continuing soundness, effectiveness and adequacy of the Corporation's control environment that consists of : (a) the Corporation that is properly and effectively managed and supervised; (b) Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management of information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

Audit Committee

The Audit Committee (AudCom) assists the BOD in fulfilling oversight responsibilities over the Corporation's system of internal controls. They are also responsible for providing oversight over its financial reporting, GRC processes, Internal and External Audit processes, and monitor compliance with applicable laws and regulations.

Management

Management continues to be primarily responsible for designing, implementing and maintaining adequate and effective internal controls and risk management processes on a day-to-day basis. This includes identifying, assessing controls, and mitigating various risks. Specifically, the management has taken suitable measures to establish and uphold robust internal control systems and compliance to ensure transparency, integrity, and proper governance in its business activities. Furthermore, management diligently monitors and enhances data privacy and security, IT modernization program delivery, IT service management, and digital solutions for business operations.

Cebu Pacific Building
Domestic Airport Road
Pasay City 1301, Philippines
cebupacificair.com

Internal Audit

Internal audit adopts a risk-based approach in developing its annual audit plans for the purpose of providing independent assessments to the AudCom, management, and outside parties on the adequacy and effectiveness of internal controls of the Corporation.

External Audit

SGV & Co., the Corporation's external auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process.

Based on the above assurance and submitted reports provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that the Corporation's internal controls, risk management and compliance system and governance practices are adequate.

Date: March 25, 2024

LANCE Y. GOKONGWEI

Chief Executive Officer

RYA AISSA S. AGUSTIN

Chief Audit Executive

Cebu Air, Inc.

2023 Sustainability Report

In compliance with SEC Sustainability Reporting Guidelines for Publicly Listed Companies

INDEX

CONTEXTUAL INFORMATION

Name of Organization	Cebu Air, Inc. (Operates under the trade names "Cebu Pacific" and "Cebu Pacific Air")
Location of Headquarters	Cebu Pacific Building, Domestic Airport Road Pasay City, 1301 Philippines
Location of Operations	Cebu Pacific's network spans operations in Southeast Asia, North Asia, the Middle East, and Australia. As of December 2023, the Group operates 35 domestic stations and 68 domestic routes, as well as 25 international stations and 36 international routes.
Report Boundary	This report covers the operations, commercial, and support activities of Cebu Air, Inc. and its subsidiary, Cebgo, Inc., collectively known as "Cebu Pacific" or "the Group", for the calendar year 2023.
Business model, including primary activities, brands, products, services	Cebu Air, Inc. is the leading low-cost carrier (LCC) in the Philippines. It pioneered the "low fare, great value" strategy in the local aviation industry. The LCC business model prioritizes safe, affordable, and reliable air travel for passengers. This is achieved through frequent, high-capacity flights, efficient aircraft utilization, a modern fleet, minimized distribution costs, and operational efficiency. Cebu Pacific is also the preferred air cargo carrier in the Philippines, providing competitive, fast, and straightforward air cargo services through an extensive network of individual shippers and cargo agents. In addition to passenger service and airport-to-airport cargo services, the Group also offers ancillary services such as travel insurance, in-flight merchandise, baggage, and travel-related products and services. Cebgo, Inc. is a subsidiary of Cebu Pacific. It is a regional brand of Cebu Pacific offering domestic flights in the Philippines. Presently, Cebgo operates an all-ATR fleet, with fourteen (14) passenger aircraft in service.
Reporting Period	01 January 2023 – 31 December 2023
Highest Ranking Person responsible for this report	Jose Alejandro B. Reyes Chief Strategy Officer CEBsustainability@cebupacificair.com

MATERIALITY PROCESS

Cebu Pacific's materiality assessment provides a list of topics most relevant to the Group for the year 2023. Two new topics were included in the 2023 list, Climate Strategy and Cybersecurity, in addition to the list of topics reported in the previous year. Several material topics were also renamed for 2023. A guide detailing how these topics were reported in previous reports is included in the table below for reference.

Cebu Pacific's materiality process consists of three main steps: (1) Identification, (2) Prioritization, and (3) Response.

1. Identification - Identification and fair representation of possible sustainability issues
2. Prioritization - Evaluation and prioritization of clear, replicable assessment criteria
3. Response - Reinforcement of sustainability pillars in response to identification and prioritization of material topics.

The Group identified potential sustainability issues and topics relevant to operations and the broader industry through a comprehensive review of different sustainability-related frameworks/standards and industry benchmarking. Cebu Pacific referenced the Global Reporting Initiative (GRI) standards, the International Air Transport Association (IATA) Airline Sustainability Reporting Handbook, and the Sustainability Accounting Standards Board (SASB) framework in topic identification. Additionally, the Group reviewed the material topics of its industry peers and cross-referenced these findings with its internal priorities. The consolidated list then formed the foundation of the materiality assessment survey.

Sustainability Pillar	**2023 Material Topics**	**How this topic was reported in the 2022 Sustainability Report**
Growing as Juan Family (Social)	Safety, Quality and Security (SQS) and Occupational Health and Safety (OHS)	Occupational Health and Safety
	People Development and Training	Training/People and Development
	Employee Engagement	Employment and Workforce Management / Labor Practices
	Product and Service Innovation	Product and Service Innovation
	Customer Satisfaction	Customer Support & Complaints Management
	Customer Experience	Product Quality
	Corporate Social Responsibility	Partnership for Development *(reported under Building Juan Community)*
Caring for Juan Planet (Environment)	Decarbonization	Environmental Impact and Management
	Resource Management	Environmental Impact and Management
	Waste Management	Waste and Effluents
	Climate Strategy*	
Building Juan Community (Governance)	Financial and Economic Performance	Financial and Economic Performance
	Corporate Governance	Corporate Governance and Socioeconomic Compliance
	Supply Chain Management	Procurement Practices, Supplier and Contractor Management / Supply Chain Sustainability
	Customer Privacy	Customer Privacy
	Diversity, Equity, and Inclusion	Gender Equality & Discrimination
	Marketing and Labeling	Marketing and Labeling
	Cybersecurity*	

**New Topic*

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	2023 Amount	2022 Amount	Units
Direct economic value generated (revenue)	91,474,067,418	56,946,360,605	Php
Direct economic value distributed:	87,405,729,581	71,570,280,038	Php
a. Operating costs	17,464,900,772	14,686,338,601	Php
b. Employee wages and benefits	8,667,486,376	5,482,907,997	Php
c. Payments to suppliers, other operating costs	55,824,901,845	47,996,640,130	Php
d. Dividends given to stockholders and interest payments to loan providers	5,529,547,275	3,381,926,823	Php
e. Taxes given to the government	183,420,923	21,876,769	Php
f. Investments to the community (donations, CSR)	5,472,389	589,718	Php
Economic Value Retained	4,068,337,837	(14,623,919,433)	Php

IMPACT	Cebu Pacific continued to deliver safe, affordable, and reliable air travel to its customers in 2023. Posting significant growth in key operational metrics, the Group proved its resilience by overcoming pandemic-related challenges in the past three years and is consistently pushing towards achieving its pre-pandemic figures. The Group's financial performance in 2023 has also enabled valuable returns to its stakeholders in the form of competitive employee benefits and wages, timely payment to local suppliers, and tax remittances to the government.
STAKEHOLDERS	Customers, Employees, Suppliers, Government, Community, Investors
MANAGEMENT APPROACH	The Group ended the year 2023 with a fleet count of 88, specifically consisting of eighteen (18) A320neo, seven (7) A330neo, thirteen (13) A321neo, twenty-one (21) A320ceo, three (3) A330ceo, seven (7) A321ceo, fourteen (14) ATR 72-600, three (3) ATR72500 and two (2) freighters. Cebu Pacific's 2023 fleet count gained an additional 12 passenger aircraft from the previous year's figure of 76. With more aircraft to serve resurging travel demands, Cebu Pacific was able to increase its number of passengers flown by as much as 40%: the Group was able to fly over 20.8 million passengers in 2023 on 140,730 domestic and international flights from 14.8 million passengers in 2022. It was also able to transport 127,544 tonnes of cargo. The expansion of the Group's networks to 68 domestic routes (from 57 in 2022) and 36 international routes (from 22 in 2022), with an average of 385 flights per

	day, also contributed to the increased passenger volume attained in 2023. With its increase in fleet size and optimization of passenger experience through revised customer policies, improved engagement and communications, and the provision of more flexible travel and booking options, the Group obtained a domestic market share of 53%. The Group's positive operational growth resulted in a commendable performance. The Group recorded direct economic value generated (revenue) amounting to PHP 91.5 billion for the year ended December 31, 2023, 60% higher than the PHP 56.9 billion revenues earned in the same period last year. The 2023 revenue sets out as the highest figure achieved by the Group in 28 years. On the other hand, the operating expenses of the group also increased in 2023, driven mostly by the surge in flight operations and the weakening of the Philippine peso. The Group closed with an economic value retained of PHP 4.07 billion for the year ended December 31, 2023, a reversal from the PHP 14.6 billion loss incurred for the same period last year. Despite the inherent risks in the LCC market including the cost and availability of fuel, economic downturn, competition, and other risk factors, the Group ensures it has a lean and dynamic network plan, highly flexible operations, efficient processes, and a digital-first mindset. Cebu Pacific remains agile and adaptable to the ever-evolving demands of passengers and the wider LCC industry.
RISKS	The following are the major business risks that Cebu Pacific faces: 1. Cost and availability of fuel 2. Competition 3. Economic downturn 4. Availability of debt financing 5. Finance lease of aircraft 6. Foreign exchange and interest rate fluctuations 7. Airport and air traffic control infrastructure constraints 8. Reliance on third-party facilities, service providers, and sales outlets 9. Maintenance cost and performance of maintenance repair organizations 10. Reliance on information technology, automated systems, and the internet 11. Dependence on the efforts of executive officers and other key management 12. Retaining and attracting qualified personnel 13. Availability of experienced pilots 14. Availability of insurance 15. Unionization, work stoppages, slowdowns, and increased labor costs 16. Event of an accident or incident involving its aircraft 17. Any real or perceived problems with original equipment manufacturers (OEM), such as Airbus and ATR, including aircraft delivery delays 18. Requirements of the Philippine Constitution and other laws 19. The State may take over Cebu Pacific's business in the event of war, insurrection, domestic crisis, public calamity, or national emergency 20. Domestic concentration

	21. Geo-political events 22. Regulations 23. Outbreaks 24. Other events beyond the Group's control could have an adverse effect on the Group's business, financial condition and results of operation
OPPORTUNITIES	● Large and growing opportunity in the domestic market for a low-cost carrier ● Reopening of international markets ● Growing cargo demand in the region

Climate-Related Risks and Opportunities

The aviation industry is responsible for 2.4% of global CO_2 emissions and without action (business-as-usual), CO2 emissions from aviation are estimated to reach 22% of global emissions.[1]

To address greenhouse gas emissions (GHG) emissions impacts, a significant contributor to the warming of the planet and precursor to climate change, the global aviation sector, through the International Civil Aviation Organization (ICAO) and the International Air Transport Association (IATA), has adopted the long-term climate goal of achieving Net Zero Carbon by 2050. Cebu Pacific is aligned with this industry goal.

Likewise, Cebu Pacific acknowledges the threat of climate change to the planet, the people, the global economy, and its operations. Understanding these impacts can help the Group prepare for and mitigate potential risks, and use opportunities to its advantage to safeguard assets, support stakeholders, and contribute positively to communities.

GOVERNANCE

Enterprise-wide risk assessment and reporting in Cebu Pacific is delegated to three Management-level committees: the Data Privacy, Business Continuity, and Sustainability Board (DBSB), the Airline Safety Review Committee (ASRC), and the Treasury Risk Management Committee (TRM). The assessments and reports from these three Management level committees are also then reported to the Board level Board Risk Oversight Committee (BROC), which convenes twice a year.

Specifically, environmental risks and climate-related risks are monitored, addressed, and reported by Cebu Pacific's Corporate Strategy Office, which is headed by the Chief Strategy Officer and the Director for Corporate Strategy and Sustainability. Environmental performance in areas such as GHG emissions, carbon intensity, energy and water consumption, and waste generation, among others, are monitored and reported during the monthly DBSB meeting. The Corporate Sustainability Manager and Corporate Sustainability Analyst are responsible for the monitoring and reporting of said metrics.

STRATEGY

The following table presents the Group's climate-related risks and opportunities identified through the Climate Scenario Analysis conducted by Deloitte Philippines. It also entails the potential implications of the

[1] *Bloomberg NEF; Mission Possible Partnership, Making Net-Zero Aviation Possible, 2022*

identified physical risks, and opportunities, and the Group's anticipated adaptation and mitigation plans and actions.

Climate-related Risks

Risk Category	Climate Hazard	Potential Implication	Recommended Adaptation Plans and Actions
Physical Risks			
Acute	Tropical Cyclones (RCP 4.5 and RCP 8.5)	Increased flight rerouting, delays, and cancellations. The number of cancellations increases exponentially as the intensity of the cyclone increases Health and safety risks for workers and passengers Potential damage to critical infrastructure such as aircraft and ground service equipment (GSE) Stranded passengers	● Strengthen business continuity measures by including climate risks and meteorological forecasts in emergency plans, focusing on flight rerouting/diversion, passenger care during delays, and training personnel ● Analyze and re-evaluate flight routes and schedules considering the projected increase in intensity of intense tropical cyclones, with particular attention to September and October ● Enhance and implement protocols for relocating assets to safer areas based on weather forecasts ● Enhance customer support to provide proper assistance to inquiries and complaints (e.g., rebooking, refunding, cancellations) during peak hit months ● Ensure emergency planning measures to have adequate energy, food, and water supplies to care for stranded passengers ● Ensure regular preventive maintenance checks and inspections to confirm the aircraft's capability to endure extreme weather conditions ● Implement safety and health programs to account for changing intense tropical cyclones and their potential impacts on the workforce ● Improve technologies for gathering in-situ climatological (e.g., rainfall, wind speed, lightning strikes) and operational impact data (e.g. flight cancellations/ durations/ diversions, asset damage) to enhance adaptive decisions
Acute	Flooding (RCP 8.5 only)	Possible delays and cancellations due to flooding Inconvenience to passengers as access roads may become flooded preventing them from reaching the airport Inundated airport runways and taxiways, hindering aircraft mobility and ground service activities	● Consider investing in an early warning system and regularly inspect the drainage systems to ensure their effectiveness ● Assess the need for backup facilities and operations centers in less flood-prone locations ● Implement regular monitoring of the drainage system to ensure its efficient operation and collaborate with MIAA to assess flood drainages and ensure the availability of industrial water pumps capable of effectively siphoning

Risk Category	Climate Hazard	Potential Implication	Recommended Adaptation Plans and Actions
			floodwaters. ● Constantly assess and test the business continuity and emergency response for different flooding scenarios in runways, ramps, and passenger access ways and roads ● Continuously monitor and analyze weather data and climate trends to improve long-term planning for adapting to changing conditions ● Enhance existing weather and flood information by investing in weather data points (i.e., rainfall amount), data gathering methodologies, and predictive analysis to optimize decision-making and enhance overall insights
Long-term (2050)			
Chronic	Extreme temperatures and heat stress	Inconvenience on personnel, including flight crew, airline employees, and travelers (e.g., heightened risk of heat-related illnesses) Increased cooling requirements due to the elevated temperatures demand more efficient cooling systems Decreased payload capacity due to reduced engine performance and aerodynamic efficiency at higher temperatures, resulting in lower thrust and lift	● Install hydration stations, implement policies encouraging regular fluid intake for all ground personnel, and designate cooling stations or areas with shading to provide relief for employees and travelers during extreme heat events ● Continue investing in more fuel-efficient aircraft to counteract the potential increase in fuel consumption associated with higher take-off thrust ● Consider upgrading the air conditioning system to meet increased demand and ensure routine maintenance to maximize efficiency and prevent unnecessary energy consumption ● Consistently monitor and analyze weather data and climate trends to enhance long-term planning for adapting to changing conditions. This may involve the installation of monitoring devices to provide real-time data on temperature, humidity, and other relevant factors
Chronic	Sea Level Rise	Access roads might be inundated, which may also lead to passenger inconvenience	● For future flights, consider the potential sea level rise when operating in airports located near coastlines

Climate-related Opportunities

Opportunity Type	Climate-Related Opportunities	Potential Financial Impact
Short-term to Medium-term		
Resource Efficiency	Maintain the commitment to fleet modernization by consistently acquiring and integrating fuel-	● Reduced operating costs due to higher efficiency ● Increase in revenues and investments as more

Opportunity Type	Climate-Related Opportunities	Potential Financial Impact
Short-term to Medium-term		
	efficient aircraft	sustainable aircraft may attract environmentally conscious individuals and improve reputation
	Continue transitioning to electric transport vehicles and ground service equipment	
Products and services	Continue the implementation of a capital expenditure program aiming to replace older aircraft with fuel-efficient NEOs by 2028.	● Increase in revenues and investments due to higher demand for more sustainable services
	Explore sustainable air travel initiatives to enable customers to offset their carbon emissions by opting for environmentally friendly air travel.	
Resilience	Invest in weather information, including climatological data points, data gathering methodologies, and predictive analysis, to optimize decision-making, and enhance overall insights into climate trends	● Enhanced organizational reputation resulting in improved operational efficiency by utilizing accurate weather data information
		● Increase in revenue from fewer flight cancellations as a result of accurate weather data information
		● Improvement in stakeholder relationships as a result of accurate weather data information
Long-term		
Energy Source	Continue expanding the network of partners to increase the supply of Sustainable Aviation Fuel (SAF) for flight operations and renewable energy for ground operations	● Increase in revenues and investments due to higher demand for more sustainable services

RISK MANAGEMENT

The Enterprise Risk Management Group (ERMG) ensures that a sound Enterprise Risk Management (ERM) framework is in place to effectively identify, monitor, assess, and manage key business risks. This framework guides the Cebu Pacific Board of Directors in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. Climate-related risks are currently part of the Group-wide risk management process.

The ERMG spearheads the implementation of a risk management framework that enables Cebu Pacific to manage fundamental risk issues. Departments are empowered to identify, assess, prioritize, and formulate responses to risks, which are then reported to the three main risk committees that meet monthly. To assist the Group in its Risk Assessment Process, the Risk Assessment Tool, which is a database-driven web application, was developed for departments to help in the assessment, monitoring, and management of risks.

Furthermore in 2022, Cebu Pacific committed to identifying and integrating physical and transition climate-related risks into its risk management processes. By 2023, significant progress was achieved as the Group conducted a comprehensive climate scenario analysis in partnership with Deloitte Philippines to identify climate-related risks and opportunities, marking the third step in its overall climate risk management strategy.

This involved:

- Component A: Baseline Assessment, evaluating Cebu Pacific against TCFD recommendations and industry peers, including current state assessment, peer benchmarking, and gap analysis.
- Component B: Risk Characterization, understanding Cebu Pacific's exposure to climate hazards, and prioritizing assets for further analysis.
- Component C: Detailed assessment of climate-related risks and opportunities, analyzing asset vulnerability based on asset design, and developing asset-specific risk mitigation strategies.

The climate scenario analysis focused on physical risks associated with Representative Concentration Pathways (RCPs) 4.5 and 8.5, projecting global warming and examining tropical cyclone frequency and flood impacts for worst-case scenarios.

To project future tropical cyclone frequency and assess associated risks such as wind strength and rainfall, the study used climate projection models for the period 2030-2060 and the Pseudo-Global Warming technique, respectively. Flood risk for the study site was assessed through the Projected (2060) Wet Season and Frequency Storm scenarios and historical rainfall data. To manage tropical cyclone risks, Cebu Pacific employs a weather forecasting system, which enables the flight crew to access reliable typhoon paths and make timely decisions to mitigate operational risks arising from inclement weather. Regarding flood hazards, the Group aims to enhance existing weather and flood information by investing in weather data points (i.e., rainfall amount), data gathering methodologies, and predictive analysis to optimize decision-making and enhance overall insights.

The leadership of Cebu Pacific's ERM Group, the utilization of risk management tools, and the integration of climate-related risks following an in-depth climate scenario analysis into the Group's risk management processes contribute to the overall readiness of the Group to manage its climate-related risks and leverage its climate-related opportunities.

METRICS AND TARGETS

Cebu Pacific employs various metrics to track progress toward its climate-related objectives to ensure effective management of risks and opportunities associated with climate change. The Group has developed a robust five-pillar decarbonization strategy: Fundamentals, Fleet, Fuel, Footprint, and Finance. Each pillar corresponds to specific goals that the Group actively implements and develops plans for. Additionally, Cebu Pacific aims to disclose Scope 3 emissions in future reporting following engagement with South Pole, which will also guide avoidance and removal credits needed to contribute to decarbonization efforts, if applicable.

The next table outlines the Group's climate-related objectives, metrics, and indicators used to track progress in the current reporting year, with plans to establish a baseline year and quantified metrics in the future, as well as progress against the previous year. Additionally, it highlights metrics that the Group aims to establish in its overall climate-related risk management to enhance its ability to accurately measure its progress.

Objectives	Metrics and/or indicators used to track progress in 2023	Progress in 2023 vs. 2022
GHG Emissions		
Reduction of Greenhouse Gas Emissions	• Scope 1 and 2 greenhouse gas (GHG) emissions • GHG emissions intensity	Cebu Pacific has partnered with a third-party climate advisory group, South Pole, to conduct a detailed inventory of its greenhouse gas emissions. The GHG accounting report will be the basis of the Group's near-term and long-term emission reduction pathways which will be aligned with global temperature targets
FUNDAMENTALS: Employee Awareness and Education	• Number of non-unique learners • Total number of learning hours	Sustainability 101 was conducted to increase employees' awareness of the many aspects of sustainability and how they can contribute, with 10 episodes produced in 2023 reaching 1,499 non-unique learners totaling 267 learning hours
FLEET: Fleet Modernization to NEO by 2028	• Number of New Engine Option (NEO) aircraft • Fuel efficiency *(pax-km/L)*	Cebu Pacific's young fleet in 2023 totaled 88 passenger aircraft, consisting of 69 Airbus planes and 19 ATR turboprops. With an average fleet age of just 5.9 years, it stands as one of the youngest fleets globally. Notably, 38 out of the 88 aircraft are the NEO from Airbus, renowned for its fuel efficiency compared to the Classic Engine Option (CEO), estimated to reduce fuel burn by at least 15%
FUEL: Utilize SAF Across Cebu Pacific's commercial network by 2030	• SAF consumption (*in Liters)* • Fuel efficiency *(pax-km/L)* • Number of delivery flights using SAF	In October 2023, as part of its long-term readiness program for SAF integration, CEB achieved a noteworthy milestone by operating Flight 5J 5055 from Narita to Manila with SAF, making it the first Philippine carrier to do so on a commercial flight from Japan. CEB remains dedicated to incorporating SAF in delivery flights, as demonstrated by its use during the delivery of the 1st Airbus A320neo from the Tianjin facility in June 2023
FUEL: Development of Supply Network	• SAF consumption (*in Liters)* • Number of delivery flights using SAF	In 2022, Cebu Pacific signed a memorandum of understanding with Shell Aviation for the supply of SAF beginning in 2026. Following this, in 2023, Cebu Pacific signed another memorandum of understanding with

Objectives	Metrics and/or indicators used to track progress in 2023	Progress in 2023 vs. 2022
		Neste to collaboratively work towards establishing future SAF supply.
FOOTPRINT: Shift to Renewable Energy	• Renewable energy %	Cebu Pacific is in the process of installing onsite renewable energy, connecting to offsite renewable energy, and certifying several main facilities as Green Buildings
FOOTPRINT: Nature-based Solutions	• Number of trees planted	The Group is expanding its nature-based initiatives to mitigate its environmental impacts by partnering with the Ramon Aboitiz Foundation Inc.'s (RAFI) One To Tree unit. The partnership is slated to run for three years (2023-2026) to support the conservation and restoration of mangroves in the municipality of Dumanjug in the province of Cebu and contribute to environmental preservation, disaster resilience, and community livelihood
FINANCE: Sustainable Financing	Metric is not under observation in 2023	Cebu Pacific aims to incorporate climate responsibility into business continuity and investments, including consideration of sustainability financing options to fund its long-term decarbonization strategy and overall sustainability vision.
Physical Risks		
Reduction of Exposure to High-Risk Areas	Metric is not under observation in 2023	The Group conducted a comprehensive climate scenario analysis in partnership with Deloitte Philippines to identify climate-related risks and opportunities
Minimize Flight Disruption	Metric is not under observation in 2023	• The Group conducted a comprehensive climate scenario analysis in partnership with Deloitte Philippines to identify climate-related risks and opportunities • The Group has invested in a weather forecasting system, which enables the flight crew to access reliable typhoon paths
Transition risks		
SAF price and availability	• SAF consumption (in Liters) • SAF volume specified in Memorandum of Understanding (MOU) partnerships	Cebu Pacific actively participates in discussions to aid in the development of government policies. The availability of feedstock and new technologies is essential to increase biofuel production

Objectives	Metrics and/or indicators used to track progress in 2023	Progress in 2023 vs. 2022
		and maintain competitive prices. However, the current challenge persists in the high prices and limited availability of SAF for mainstream use
Exposure to carbon pricing schemes	CORSIA eligible emission units	Cebu Pacific continues to address risks associated with carbon costs, specifically the ICAO's Carbon Offsetting and Reduction Scheme for International Emissions (CORSIA), through its decarbonization strategy. This strategy involves exploring carbon markets and nature-based solutions
Climate-related Opportunities		
Transition to Electric Vehicles (EV)	Number of electric vehicles	In 2023, Cebu Pacific took deliveries of electric passenger shuttles, employee shuttles, and baggage tractors
Capital Deployment	Metric is not under observation in 2023	Cebu Pacific considers sustainability financing options to fund its mitigation and adaptation plans for its climate-related risks and opportunities.
Internal Carbon Pricing	Metric is not under observation in 2023	The Group considers implementing internal carbon pricing to anticipate the financial impact of future regulations, taxes, or carbon pricing that may be imposed by the government or market

Procurement Practices

Proportion of spending on local suppliers *(for non-aircraft purchases)*

Disclosure	Quantity		Units
	2023	2022	
Percentage of procurement budget used for significant locations of operations spent on local suppliers	62	62	%

IMPACT	Cebu Pacific continues to support Filipino companies by purchasing from local suppliers, contributing to local economic growth and job creation. This results in faster delivery lead times, effective logistics and warehousing, reasonable pricing conditions, and advantageous after-sales service.
MANAGEMENT APPROACH	Cebu Pacific deals with both local and foreign suppliers for non-aircraft purchases. The data reported above covers non-aircraft-related purchases only. Cebu Pacific's accreditation process is handled internally and is based on the technical evaluation and recommendations of internal end-users on the potential product for purchase. To further streamline the accreditation process, the Group is in the final stages of updating the Supplier Accreditation Policy by integrating a vendor compliance document. This document aims to establish an acknowledgment

	process through signature and return. Additionally, this document has been included in the supplier communications update to inform all stakeholders. Furthermore, an ESG questionnaire was developed and incorporated into the Procurement Manual which is also undergoing finalization and routing. Top non-aircraft purchases include ground service parts and services, catering, IT software and hardware, and safety and security services. Most aircraft-related items and services are not available locally. These include the purchase of aircraft, aircraft parts, fuel, and support services at international stations where Cebu Pacific operates. Procurement involving foreign suppliers follows a specialized process.
RISKS	• The limited production capacity and reliance on specialized resources of local suppliers may result in higher costs compared to international suppliers • Longer lead times for overseas suppliers persist as they are challenged with ongoing labor shortages, resulting in production delays • Delivery delays may arise due to purchased goods shipped from overseas and prolonged processing of customs requirements
OPPORTUNITIES	• Cebu Pacific collaborates with local suppliers to produce non-aircraft items like catering, office supplies, and ground service parts, reducing reliance on overseas orders. This enables direct service without international shipping, minimizing supply chain disruption risks • Offshore suppliers often possess advanced technologies and processes, benefiting the Group through economies of scale and lower cost

Anti-Corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training*	100	%

**This is cumulative data. All Cebu Pacific employees received anti-corruption training as an integral part of the onboarding process.*

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were removed or disciplined for corruption	0	#
Number of incidents in which business partners were removed or disciplined for corruption	0	#

IMPACT	Communication and transparent anti-corruption policies across the organization facilitate a culture of trust. Furthermore, awareness of airline policies and sanctions is crucial for preventing incidents from happening.
STAKEHOLDERS	Employees, Directors, and Management
MANAGEMENT APPROACH	Cebu Pacific has a standing Anti-Bribery and Corruption Policy (ABC Policy). The policy states that the Group is committed to the highest standards of integrity as set out in the Group's core values. It is the duty of the employees of the Group to avoid acts that might reflect adversely upon the integrity and reputation of the Group and to act with honor in every undertaking with all its stakeholders, upholding the principle of always doing the right thing because it is the right thing to do, even when no one else is watching. To this end, the Group does not and will not tolerate any form of bribery or corruption. Furthermore, the policy was revised in 2023 to reinforce the Group's commitment and align with its whistleblowing policy. The whistleblowing policy includes, but is not limited to, complaints, reports, or disclosure of information for acts involving actual or suspected violations of the Group code of conduct (i.e., Offenses Subject to Disciplinary Actions - OSDA), policies, criminal or unlawful acts or omissions, and instances when an act or omission endangers the health and safety of the employees. The policy applies to all employees of the Group, employees of third-party service providers, on-the-job trainees, business partners, and other stakeholders of the Group, its subsidiaries, and affiliates. As part of the anti-corruption programs and initiatives of the Group, employees receive updates on anti-corruption policies and news through internal communications channels. The Group also conducts regular training on anti-corruption initiatives through the Human Resources Group for all employees. To date, every employee, including 945 new hires, has completed the anti-corruption training as an integral part of the onboarding process. Accredited suppliers and contractors undergo the Newly Accredited Suppliers Orientation Program (NASOP) to ensure they align with Cebu Pacific policies. Cebu Pacific released in January 2023 a Vendor Compliance Addendum document that requires its vendors to comply with all applicable laws and regulations concerning labor, health, safety, and welfare of its employees and the communities where it operates, and environmental laws, regulations, and standards.
RISKS	• Lack of awareness of the Group's policies may result in violations that could affect business transactions and operations • Incidents of corruption pose reputational risks for the Group
OPPORTUNITIES	• Anti-corruption training informs employees and management on what behavior is acceptable and not acceptable within the normal course of business

ENVIRONMENT

Resource Management – Energy

Energy Consumption within the organization

Disclosure	Quantity		Units
	2023	2022	
Energy consumption (sustainable aviation fuel)	34,541	27,905	liter
Energy consumption (jet fuel)	535,173	363,447	tonne
Energy consumption (gasoline)	98,283	94,830*	liter
Energy consumption (diesel)	2,766,247	1,963,269*	liter
Energy Consumption (electricity)	7,690	6,475*	MWh

**Restated*

Reduction of Energy Consumption

Disclosure	Quantity	Units
Energy reduction (jet fuel)	47.25% ↑ vs. 2022	%
Energy reduction (sustainable aviation fuel)	23.78% ↑ vs. 2022	%
Energy reduction (gasoline)	3.64 ↑ vs. 2022	%
Energy reduction (diesel)	40.90% ↑ vs. 2022	%
Energy reduction (electricity)	18.76% ↑ vs. 2022	%

IMPACT	Conserving and efficient use of energy helps reduce operational costs while reducing the adverse impact on the environment. However, as the Group's operations ramped up in 2023, overall energy consumption significantly increased vs. 2022. The increase in energy consumption can be attributed to the resumption of operations to pre-pandemic levels as the economy gradually recovered. Additionally, it is also important to note that starting in 2022, the Group has also accounted for electricity consumption in its outstations, further contributing to the overall increase in energy consumption.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	As a low-cost carrier, improving operational efficiencies is a priority for Cebu Pacific. This covers efficiency in jet fuel use, modernization of the aircraft fleet, the use of sustainable aviation fuels, and other energy efficiency initiatives. **1. Fuel-efficient Practices** In 2023, Cebu Pacific implemented fuel efficiency practices that resulted in 16.1 million kilograms of jet fuel savings. These practices included optimizing flight plans by reducing distance and implementing direct routing, as well as utilizing other best practices such as continuous descent approach, single-engine taxiing, reducing acceleration altitude, idle reverse thrust, reducing flaps at landing, and optimizing fuel load. Furthermore, the Group introduced direct routing on domestic routes instead of following traditional planned airways on the operational flight plan. This initiative

reduces flight distances, which aligns with the Group's overarching goal of reducing fuel consumption and consequent GHG emissions. Since its implementation, the Group has achieved total fuel savings of 245,429 kg. from June 2023 to December 2023. Complementing the Direct Routing initiative is the Flight Plan Optimization initiative which aims to reduce distances to alternate aerodromes, targeting reductions in fuel consumption and GHG emissions.

Furthermore, the Network Control and Operations Support Department led the Reduced Flap at Landing (RFLA) initiative, which revolves around landing with a clean flap configuration, representing an operational best practice designed to yield fuel, GHG emissions, and cost savings for Cebu Pacific. Through RFLA implementation, Cebu Pacific stands to achieve significant fuel savings, with potential savings per landing estimated as 7-10 kgs. of fuel for Airbus A320s, and 25 kgs. of fuel for Airbus A330s.

Additionally, the Group utilizes the SkyBreathe Fuel Efficiency Management System, which provides information that optimizes flight operations. Data from each flight is analyzed to develop fuel-saving plans that result in lower fuel consumption.

2. Modern Fleet

Cebu Pacific's modern fleet in 2023 totaled 88 passenger aircraft, consisting of 69 Airbus planes and 19 ATR turboprops. With an average fleet age of just 5.9 years, it stands as one of the youngest fleets globally. Notably, 38 out of the 88 aircraft are equipped with the NEO from Airbus, renowned for its fuel efficiency compared to the CEO, estimated to reduce fuel burn by at least 15%. These NEO aircraft also feature increased seating capacity, enabling Cebu Pacific to accommodate more passengers while reducing average emissions per passenger. In 2023, Cebu Pacific welcomes fifteen new Airbus NEOs, marking progress toward its goal of transitioning the entire fleet to NEOs by 2028.

3. Sustainable Aviation Fuel

In 2022, Cebu Pacific integrated SAF into its operations and became the first low-cost carrier in Southeast Asia to incorporate SAF. It is a "drop-in" replacement for fossil fuels made from agricultural feedstock, and waste materials, such as used cooking oil and animal fat. Using SAF results in up to 80% reduction in carbon emissions over the fuel's life cycle. The chemical and physical characteristics of SAF are identical to those of conventional jet fuel and can be safely mixed with regular jet fuel. SAF does not require any modification to the aircraft or engines and does not negatively impact performance or maintenance.

In October 2023, as part of its long-term readiness program for SAF integration, CEB achieved a noteworthy milestone by operating flight 5J5055 from Narita to Manila with SAF, making it the first Philippine carrier to do so on a commercial flight from Japan. CEB remains dedicated to incorporating SAF in delivery flights, as

	demonstrated by its use during the delivery of the 1st Airbus A320neo from the Tianjin facility in June 2023. **4. Electric Vehicle Transition Program** Part of Cebu Pacific's ongoing long-term decarbonization strategy is to transition to electric vehicles. The following projects in line with this are: • Juander Shuttle: Implementation started in April 2023 and currently serves 3 routes: Cavite, Paranaque, and Cubao • Electric Baggage Tractors: Trial run for electric baggage tractor and fast charging station in partnership with TLD Asia Limited • Electric Passenger Shuttle Bus: Pilot implementation of two (2) electric shuttle buses
RISKS	• Cebu Pacific is vulnerable to volatility in fuel and energy prices • The cost of SAF is prohibitive, and supply is insufficient to meet the industry's demand
OPPORTUNITIES	• Adapt new technological innovations with aircraft and engines to lower the carbon emissions of the airline • Maintain the commitment to fleet modernization by consistently acquiring and integrating fuel-efficient aircraft • Investments in additional SAF production capacity are ramping up • Availability of electric ground support equipment and vehicle alternatives • Availability of onsite or offsite energy alternatives for electricity

Water Consumption within the Organization

Disclosure	Quantity		Units
	2023	2022	
Water withdrawal	31,668	22,281	cubic meter
Water recycled and reused (estimated use based on capacity)	10,707	9,320	cubic meter
Water discharge	15,060	13,060	cubic meter
Water consumption	16,608	9,221*	cubic meter

**Restated to reflect the amount as the difference between water withdrawal and water discharge. The previous year equated water consumption to water withdrawal.*

IMPACT	Conserving and using water more efficiently reduces utility costs. Effectively treating and reusing water also contributes to the efficient use of this resource, which impacts the water supply of communities adjacent to where Cebu Pacific operates.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific invested in a wastewater treatment system with a capacity to process 80 cubic meters (m^3) of wastewater per day, recycling up to 40 m^3 of water per day for reuse for non-potable purposes. Additionally, the Engine Core Wash/Cyclean Program, introduced in 2023, efficiently gathers maintenance wastewater. This process collects wastewater in a 40-liter

	container positioned at the center of the engine water drain catch. It complies with NAIA Terminal 3 policies, ensuring zero spillage. With 100% wastewater collection, the program eliminates potential environmental impacts on airport water systems. The Group also enhanced its water disclosure monitoring and reporting by incorporating data on water usage from outstations, consequently increasing the amount of water withdrawn for this reporting year.
RISKS	Lack of access to water may impact ground support operations, such as maintenance and aircraft servicing
OPPORTUNITIES	Installation of a water meter in the alternate water tanks will allow Cebu Pacific to better measure and monitor water use.

Environmental Impact Assessment

Air Emissions

GHG Emissions

Disclosure	Quantity		Units
	2023	2022	
Direct (Scope 1) GHG Emissions – Flights	1,691,165	1,148,493	tonne CO2e
Direct (Scope 1) GHG Emissions – Company-owned vehicles and Ground Support Equipment (GSE)	7,589	11,831	tonne CO2e
Energy Indirect (Scope 2) GHG Emissions*	5,482	4,695	tonne CO2e
Emissions of Ozone Depleting Substances (ODS)	0	0	kilogram

**Including Scope 2 emissions from the Visayas and Mindanao offices/stations*

Air Pollutants (data from flight only)

Disclosure	Quantity		Units
	2023	2022	
NOx	1,155	968	tonne NOx
SOx	85	72	tonne SOx

IMPACT	Aircraft emissions, primarily due to jet fuel use, constitute the bulk of Cebu Pacific's GHG emissions. As such, the Group's foremost priority is to manage and reduce these emissions. In 2023, the Group continued implementing strategies that address Scope 1 emissions and likewise has started developing additional strategies to address Scope 1 emissions from other sources, and Scope 2 emissions.
STAKEHOLDERS	Employees, Management, Customers
MANAGEMENT APPROACH	As mentioned above, Cebu Pacific's sustainability goal aligns with global aviation's commitment to achieving net-zero carbon emissions by 2050. The Group is implementing a decarbonization strategy based on five pillars – Fundamentals, Fleet, Fuel, Footprint, and Finance. **Fundamentals** This is the foundation of the Group's key initiatives, focusing on awareness and education within the Group, instilling a sustainability mindset in all departments. Cebu Pacific has also partnered with a third-party climate advisory group to conduct a detailed inventory of its greenhouse gas emissions. The GHG accounting report will

be the basis of the Group's near-term and long-term emission reduction pathways, which will be aligned with global temperature targets.

Fleet

Cebu Pacific made good progress in fleet modernization through its next-gen Airbus NEO investments and an electrification program for service vehicles and GSEs. 43% of Cebu Pacific's fleet is NEO, with the goal of modernizing to an all-NEO fleet by 2028. In 2023, 15 NEO aircraft were added to its fleet, which today has a strong base of 88 aircraft. The Group is also progressing with an ongoing program to transition its ground transport and GSE to an electric, zero-emission fleet. In the same year, the Group introduced passenger shuttles, employee shuttles, and baggage tractors that are all fully electric.

Fuel

Cebu Pacific implements industry-leading practices, with a focus on fuel-efficiency practices and the use of SAF. These practices include continuous descent approach, single-engine taxiing, reducing acceleration altitude, idle reverse thrust, and optimized fuel load. As a result, the Group saved a total of 7.6 million kg of jet fuel, avoiding 24,000, tonnes of CO_2 emissions. In addition, Cebu Pacific is also implementing flight plan optimization initiatives, such as direct routing for key routes, saving 8.33 million kg of jet fuel and avoiding another 26,300 tonnes of CO_2 emissions.

The Group is also working towards establishing the future supply of SAF by expanding its network of strategic partners. Further progress was made in 2023as Cebu Pacific signed a memorandum of understanding with Neste to collaboratively work towards establishing future SAF supply, building on an earlier agreement with Shell Aviation signed in 2022.

Footprint

The Footprint pillar of Cebu Pacific's decarbonization strategy includes the following:

Green Building: The Group is participating in the International Finance Corporation's Excellence in Design for Greater Efficiencies (EDGE) certification system. EDGE green building certification means that the Group's facilities meet energy, water, and material efficiency standards.

Route Optimization: Cebu Pacific's successful route optimization strategy, aligned with its LCC business model, also contributes to emissions reduction. This entailed operating bigger capacity A330s and A321s for high-density and thicker routes, deploying the correct aircraft to match demand. Additionally, the Group's high-density aircraft configuration reduces emissions per passenger, with the A330neo offering the lowest carbon footprint per passenger per kilometer in the industry.

Nature-based Solution: The Group is also expanding its nature-based initiatives to mitigate its environmental impacts by partnering with the Ramon Aboitiz Foundation Inc.'s (RAFI) One To Tree unit. The partnership is slated to run for three years (2023-2026) to support the conservation and restoration of mangroves in the municipality of Dumanjug in the province of Cebu and contribute to environmental

	preservation, disaster resilience, and community livelihood. **Finance** Cebu Pacific aims to incorporate climate responsibility into business continuity and investments, including consideration of sustainability financing options to fund its long-term decarbonization strategy and overall sustainability vision.
RISKS	• Aside from environmental impacts, GHG emissions likewise pose financial risks to Cebu Pacific. Carbon offsetting requirements, as well as potential carbon taxation, will have financial implications for Cebu Pacific and the airline industry • For SAF, there are several technological pathways and feedstocks that are being developed. The Group will need to evaluate and select the most viable and cost-efficient option • For alternative propulsion, there are various technologies under consideration that would require significant investments and a potential redesign of the current business model and operations
OPPORTUNITIES	• Cebu Pacific constantly monitors developments in new propulsion technology, regulations, guidance on the voluntary carbon market and carbon offsetting (i.e., CORSIA), and best practices in the industry, among others

Solid and Hazardous Waste

Solid Waste

Disclosure	Quantity		Units
	2023	2022	
Total solid waste generated	847,954	112,714*	kilogram
Residuals/ Landfilled	723,549	52,815	kilogram
Recyclable waste	124,405	55,189	kilogram

**Restated*

Hazardous Waste

Disclosure	Quantity		Units
	2023	2022	
Total weight of hazardous waste generated and transported	727	4,700*	kilogram

**Restated*

IMPACT	The increase in onsite activities, coupled with the rise in operational flights, has significantly contributed to increased waste generation. A huge fraction of waste comes from operational activities i.e. cargo, ramp, catering, and cabin. In addition, improper handling of hazardous waste has significant financial, occupational, health, and community health risks.
STAKEHOLDERS	Employees, Management

MANAGEMENT APPROACH	Cebu Pacific operates a Materials Recovery Facility (MRF) at its head office for managing its solid waste, including gathering recyclable materials. These recyclables are then sold to third-party buyers. The solid waste generated in 2023 is not directly comparable to that of 2022. Starting in June 2023, the Group partnered with New Leaf, a waste hauler company, for cargo, ramp, and catering waste management, including cabin waste. This partnership contributes to the better monitoring of waste across the Group's operations. The implementation of a more robust waste collection and monitoring process is evident in the observed increase in waste compared to previous years. Furthermore, the "On-Board Plastic Bottle Segregation" Program, an initiative postponed in 2022 due to the pandemic, was finally launched in September 2023. This applies to 5J regional and domestic flights departing Manila. Since its launch, a total of 28,000 kg of PET bottles have been segregated and collected, amounting to a daily average of 234 kg. To manage hazardous waste, the Admin and Facilities Department contracts with accredited Treatment, Storage, and Disposal (TSD) facilities for proper waste treatment before disposal. The Pollution Control Officer oversees these processes. Cebu Pacific, as a part of the Gokongwei Group collective, complies with the Extended Producer Responsibility (EPR) Act of 2022. The Corporate Sustainability Manager is the designated officer for Cebu Pacific's EPR compliance. In 2023, Cebu Pacific's plastic packaging footprint totaled 1,398 kg.
RISKS	• Leakage of hazardous waste poses serious health and safety risks and will impact the reputation and operations of Cebu Pacific • Unlawful discharge by 3rd party contractors may result in environmental penalties
OPPORTUNITIES	• The disclosure covers waste from the Head Office, cargo, ramp, catering, and cabin. Operations in outstations are covered by third-party contractors. Cebu Pacific is continuously improving the system to effectively track and monitor solid waste and hazardous waste records across the organization

Effluents

Disclosure	Quantity		Units
	2023	2022	
Total volume of water discharges	15,060	13,060	cubic meter
Total volume of wastewater recycled	10,707	9,320	cubic meter

IMPACT	Excessive water consumption has cost and resource availability implications.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific has three sources of water, namely: private concessionaires, rainwater recovery, and recycled water from wastewater treatment systems. The wastewater treatment system efficiently processes 80 cubic meters (m3) of wastewater daily, ensuring strict adherence to water discharge standards. In

	addition, the AOC head office features a rainwater collection system, utilizing collected rainwater for various non-potable purposes. The Group conducts quarterly sampling of wastewater at the AOC Head Office in partnership with Intertek, in compliance with wastewater standards DAO 2019-21 set by DENR-EMB / LLDA. The tests include PH 6.5-9, BOD5 50, COD 100, TSS 100, Color150, Oil and Grease 5, Coliform count 10000.
RISKS	• Water is closely monitored to avoid contamination, as most of the Group's water is sourced from Maynilad • Drought and water shortages may heavily impact day-to-day operations
OPPORTUNITIES	• Installation of a water meter for rainwater recovery and recycled water tanks for Cebu Pacific can precisely record water consumption from such sources

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and regulations	0	#
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

IMPACT	Non-compliance with environmental standards and regulations may lead to damage to the environment, as well as sanctions and penalties to Cebu Pacific and reputational damage to the Group.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific's environmental performance and compliance are monitored monthly through the DBSB. All identified issues are being reported to the Board Risk Oversight Committee (BROC) on a semi-annual basis. Cebu Pacific takes matters of environmental compliance seriously and is committed to complying with government laws and regulations. Any allegation presented is sufficiently investigated and negotiated.
RISKS	Overlooking renewal of environmental permits and non-compliance to environmental regulations may lead to sanctions, penalties, and damage to the environment and to the Group's reputation.
OPPORTUNITIES	• Conducting regular in-house checks to ensure compliance • Alignment with best practices in environmental management

SOCIAL

Employee Management
Employee Hiring Benefits
Employee Data

Disclosure	Quantity		Units
	2023	2022	
Total number of employees	4,374	3,786	#
Number of Male employees	2,070	2,057	#
Number of Female employees	2,304	1,729	#
Attrition rate	7.66	13.12	%

Employee Benefits

List of Benefits	Y/N	% of female employees who availed for the year	% of male employees who availed for the year
SSS	Yes	12.78%	12.78%
PhilHealth	Yes	4.58%	2%
Pag-ibig	Yes	5.84%	3%
Maternity leave	Yes	5.10%	n/a
Paternity leave	Yes	n/a	2.72%
Parental leave - Solo parent	Yes	0.17%	None
Parental leave	Yes	5.28%	2.72%
Vacation leaves	Yes	88.57%	81.70%
Sick leaves	Yes	78.85%	64.85%
Medical benefit (HMO)	Yes	94.03%	88.88%
Retirement (aside from SSS)	Yes	1.00%	1.31%
Further education support	Yes	1.35%	2.28%
Company stock options	Yes	0.00%	0.00%
Telecommuting or Work from Home	Yes	38%	35%
Flexible working hours	Yes	28.39%	18.50%

List of Benefits	Y/N	Number of female employees who availed for the year	Number of male employees who availed for the year
Life insurance	Yes	2,060	1742
Rice subsidy and medical allowance	Yes	1,777	2,090
Christmas allowance	Yes	1,929	2,200
Free flights (employees and dependents)	Yes	Employee: 58,847 Dependent: 52,951	
Travel insurance	Yes	1477	1197

IMPACT	Competitive wages and benefits help Cebu Pacific attract good talent, which directly impacts business outputs.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific adopts policies to ensure a market-competitive remuneration package tailored to match the skills and competencies of employees and potential candidates. This includes conducting job laddering and salary structure reviews to consistently attract external talents, especially those with specialized skills. Moreover, the Group conducts regular Performance Appraisals (PA) and utilizes feedback mechanisms. In performance appraisals, employees are measured using the 80-20 model, with 80% of the total score based on the achievement of performance goals highlighted in the Balanced Scorecard, and 20% based on the core values of CEB. This makes the PA process holistic as it covers both performance and behavior. The Group's business model requires highly skilled, dedicated, and efficient pilots, engineers, and other personnel. Its growth plans will require the Group to hire, train, and retain a significant number of new employees in the future. Furthermore, the Group acknowledges dependencies on the availability and adequate supply of experienced pilots.
RISKS	• The Group is dependent on the availability of an adequate supply of experienced pilots
OPPORTUNITIES	• The Group's business model requires it to have highly skilled, dedicated, and efficient pilots, engineers, and other personnel • Its growth plans will require the Group to hire, train, and retain a significant number of new employees in the future • The Group continues to evaluate its compensation strategy to respond to dynamics in the industry

Employee Training and Development

Disclosure	Quantity		Units
	2023	2022	
Total Training Hours provided to employees	29,522	9,289	hour
Female Employees	19,909	5,440	hour
Male Employees	9,613	3,849	hour
Average Training hours provided to employees	6.7	2.5	hour/employee
Female Employees	8.6	2.6	hour/employee
Male Employees	4.6	2.2	hour/employee

IMPACT	Cebu Pacific offers training programs to empower individuals and place them in the driver's seat of their own development. It equips Cebu Pacific employees with the essential skills for their current and future roles and introduces new skills to help the organization thrive and endure. Aside from increased employee engagement and individual performance, well-trained employees also contribute to innovation, operational efficiency, and customer service, which positively impact the Group's profitability.
STAKEHOLDERS	Employees, Management

MANAGEMENT APPROACH	Cebu Pacific is committed to developing its employees' personal and professional development. The training programs provided to employees are customized and aligned to emerging skills and are anchored to the organization's goals while incorporating the Group's culture and values.
	
	The Group's People Department oversees basic courses, people engagement training programs, and management and leadership programs, which include:
	
	• Learning Management System (LMS) – an e-learning platform that hosts various training programs
	• Cebu Pacific University (CEB U) – launched in 2018, CEB U is a corporate university established to provide continuous learning opportunities for employees across all levels in the organization, partnering with schools, consulting firms, and other industry experts to deliver learning programs. Successful initiatives in 2023 are as follows:
	    o Sustainability 101 – This program was conducted to increase employees' awareness of the many aspects of sustainability and how they can contribute to the Group's sustainability goals.
	    o 2023 Accelerated Program – This is a leadership training program that aims to accelerate the leadership readiness of CEB's successors and critical talents. It is a combination of lectures and Harvard business cases that participants had to work on together with their teams. The initiative focused on the top identified development areas for the leader participants: Leading and Managing Change, Influencing Partnerships, Leading Team Success, Executing Strategy, and Making High-Quality Decisions.

CEB U was relaunched last February 2024, widening the scope of coverage to eight schools with topics on Diversity & Inclusion, Digital Transformation, Customer Centricity, and more. These schools will be led by school deans from the ManCom leadership team.

- SKY C.A.M.P. (Career in Aviation Made Possible) – This is Cebu Pacific's apprenticeship program, for internal talents and external applicants designed to build a steady pool of talents across critical aviation functions such as engineering, flight operations, and cabin services. It offers a comprehensive journey ranging from 6-12 months, which includes formal learning, peer coaching, and on-the-job experience. Currently, there are three (3) ongoing SkyCAMP programs – one for pilots, one for engineers, and one for cabin services. Notably, the engineering and cabin services are now in Batch 2 of SkyCAMP, with the first batch completing all of the requirements.
- CEBTalk: Learnings Worth Sharing – This is a blended learning initiative intended to strengthen our employees' knowledge on airline operations, with 10 episodes produced in 2023 reaching 1,499 non-unique learners totaling 267 learning hours.

RISKS	• Employees may leave the Group for better opportunities after getting sufficient training
OPPORTUNITIES	• Cebu Pacific provides diverse learning opportunities through internal (CEB University, on-the-job training) and external (IATA, ICAO programs) sources • Training programs contribute to organizational sustainability by future-proofing talents and grooming high-potential employees for succession

Labor Management Relations

Disclosure	*Quantity*	*Units*
% of employees with Collective Bargaining Agreements*	32.10	*%*
Number of consultations conducted with employees concerning employee-related policies	5	*#*

IMPACT	A Collective Bargaining Agreement (CBA) ensures that the interests of employees are heard and addressed by the Group. Constant and open communication between management and employees enables the organization to address issues as they arise.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific has an equitable wages and benefits system and offers additional benefits above the minimum standards fixed by law, such as free travel for employees and family members. Cabin crew members belong to a union and account for 32% of Cebu Pacific's total employees. Despite this, the Group has not experienced any labor strikes or work stoppages in the past three years. It fosters collaborative interaction and communication between management and its employees. Management is also accessible, and employees are encouraged to reach out and bring up any issues to them directly.

		In 2023, the Group did not incur work disruptions caused by labor issues among its flying crew. Its pulse engagement score from Cabin Service and Flight Operations – departments that were heavily impacted by the effects of the pandemic in 2020-2021 – remained high at 85%. The Group's strategy for maintaining good relationships and interactions with its employees is based on its 5C approach: Credibility, Cadence, Communication, Clarity, and Compassion. Currently, Cebu Pacific has a union group which is the Juan Wing Association of the Philippines (JWAP), a cabin crew union formed in 2019. In addition, the Cebu Pacific Airline Pilots' Association (CPAPA), serves as Cebu Pacific's pilot group.
RISKS		• A failure in CBA negotiations may lead to disruptions in operations • Issues that are communicated but not addressed effectively may cause employee dissatisfaction
OPPORTUNITIES		• Cebu Pacific continues to provide various platforms that foster an open and constructive dialogue between management and employees

Diversity and Equal Opportunity

Disclosure	Quantity		Units
	2023	2022	
% of Female Employees	53	54	%
% of Male Employees	47	46	%
Number of employees from indigenous communities or vulnerable sector	N/A	N/A	#

IMPACT	Workplace diversity brings together people from different backgrounds who contribute their strengths and talents to the organization, regardless of race, gender, and ethnicity.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific strongly believes that equity, diversity, and inclusion (EDI) are essential to fulfilling its organizational mission, backed by an existing Diversity and Inclusion Policy that formalizes this commitment. In 2023, the Group launched IncluCEB Space, serving as the umbrella program for all EDI activities and a platform to nurture a culture of acceptance, empower underrepresented groups, and drive positive change within the organization. Below are the projects and activities done under IncluCEB Space: • Established partnerships with organizations involved in women's empowerment, LGBT+, and creating new opportunities for persons with disabilities (PWDs) • Gender and Equality Assessment Review (GEARS) with the Philippine Business Coalition for Women Empowerment (PBCWE) • Equity, Diversity, and Inclusion Policy Review with PBCWE

	• Self-Identification Survey (June 2023) • Embracing Equity Training (June 2023) • Sexual Orientation, Gender Identity, and Expression (SOGIE) 101 Training (December 2023) • Featured Women Value Awardees for Women's Month Celebration • Operated a PRIDE flight with an all-LGBT+ crew, and painted the CEB Crosswalk with rainbow colors to commemorate Pride Month The Group does not discriminate based on sexual orientation, gender identity, and expression (SOGIE); and works for the promotion and fulfillment of gender equality. It ensures decent work standards in conditions of freedom, equity, security, and human dignity, including the following areas. a. Employment, Training, and Development b. Employee Records and Company Database c. Health and Support Services d. Facilities, Uniform, and Employee Identification The Group also acknowledges the importance of leadership involvement in its EDI initiatives. When leaders actively champion EDI initiatives, it sends a powerful message about the importance of these values, allowing the rest of the organization to emulate them.
RISKS	• Mismanaging diversity can be detrimental to the organization and may lead to misunderstanding and conflict among employees
OPPORTUNITIES	• Cebu Pacific shall review and, when necessary, amend and/or repeal existing company rules, regulations, and policies that may be found to be misaligned with the Group's Diversity and Inclusion Policy • The Group also aims to expand partnerships with business network groups, such as the Philippine Business Coalition for Women Empowerment (PBCWE) for women empowerment, the Philippine Financial and Inter-pride Network (PFIP) for LGBTQIA+ members, and the Philippine Business Disability Network (PBDN) for persons with disabilities

<u>Workplace Conditions, Labor Standards and Human Rights</u>

<u>Occupation, Health and Safety</u>

Disclosure	Quantity		Units
	2023	2022	
Safe Man-hours	7,955,480	6,363,360	hour
No. of work-related injuries	28	22	# of cases reported
No. of work-related fatalities	0	0	# of cases reported
No. of work-related ill-health	0	0	# of cases reported
No. of safety drills	2	1	event

IMPACT	Awareness on safety issues and planned response impacts business continuity and emergency preparedness.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Cebu Pacific has an existing Occupational Safety and Health Policy[2] aimed at protecting every employee against the dangers of injury, sickness or death through safe working conditions and health and wellness programs, thereby assuring the conservation of valuable manpower resources and the prevention of loss or damage to lives and properties, consistent with national development goals and with the State's commitment for the total development of every worker as a complete human being. In compliance with the Occupational Health and Safety Standards set by the Department of Labor and Employment (DOLE) – Bureau of Working Conditions, Cebu Pacific is also mandated to submit a monthly Occupational Health and Safety Performance Report to its parent company, JGSHI. To monitor hazards, incidents, and accidents from employees and some third-party service providers Cebu Pacific utilizes Intelex's Safety Management Software. This encourages the Group to practice safety reporting and prompt follow-through of reports of unsafe conditions, thus mitigating risks before they lead to injury or illness. Furthermore, Cebu Pacific also initiated Safety Walks, during the Group's Safety Week in July 2023. The initiative aims to increase the visibility of department heads, line managers, supervisors, and officers across different operational areas and facilitate proactive identification and mitigation of potential hazards on the ground. Observations from the activity are reported to higher management (ASRC, Management Committee). Additionally, Cebu Pacific adopted a proactive hazard identification process to manage crew members' fatigue-related risks through the implementation of the Fatigue Risk Management System (FRMS). The system analyzes crew schedules and known fatigue factors to pre-emptively mitigate these risks, reduce exposure to them, and enhance overall operational safety. All employees regularly undergo safety training across various areas of operations. The Safety Team conducts a quarterly virtual Safety Cascade for cabin crews, with a focus on discussing key performance indicators (KPIs) on workplace safety, safety reports, and current safety issues. To ensure the readiness of the Cebu Pacific Emergency Management Team (CEBEMT) and operations staff during emergency situations, the Group conducts an annual simulation of potential emergency responses. Safety, quality, and security[3] are paramount in Cebu Pacific's operations. Led by the CEO and Accountable Manager, every team member is committed to these values. With a focus on being a high-quality low-cost carrier, the airline dedicates

[2] Annex A - Occupational Safety and Health Policy

[3] Annex B - Safety, Quality and Security Policy

	resources to ensure the highest standards for its customers and employees. Senior executives set the direction for safety and quality management systems, while regular reviews and open reporting cultivate a culture of safety and security throughout the organization. Compliance with laws and procedures is everyone's responsibility, with the policy subject to periodic review to ensure ongoing suitability. These policies and initiatives show Cebu Pacific's firm commitment to the safety and well-being of its employees, ensuring a secure and healthy work environment.
RISKS	• Lack of emergency preparedness and communication across the Group puts the operations at risk in the event of an emergency
OPPORTUNITIES	• Increase the number of safety drills to ensure employee preparedness

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Policies

Topic	Y/N	Reference
Forced Labor	N	
Child Labor	N	
Human Rights	Y	Sexual Harassment Policy[4] Solo Parent Leave (SPL) Magna Carta Special Leave for Women

IMPACT	Policies on forced labor, child labor, and human rights serve as protection of basic and universal rights.
STAKEHOLDERS	Employees, Management
MANAGEMENT APPROACH	Although there are no policies specific to forced labor and child labor, Cebu Pacific adheres to the standards and regulations set forth by the Department of Labor and Employment. Furthermore, given that Cebu Pacific outsources substantial products, services, and business processes, there is a compelling need to establish strategies to manage associated reputational and operational risks. To mitigate potential risks that have an impact on supply chain management, Cebu Pacific released a Vendor Compliance document in January 2023 that warrants its vendors to comply with all applicable laws and regulations in relation to labor, health, safety, and welfare of employees and the communities where it operates, as well as environmental laws, regulations, and standards.
RISKS	• Violations of labor laws and human rights may lead to legal action and have implications on employee retention and the Group's operations and reputation
OPPORTUNITIES	• Review of the Group's policies to identify other material areas

[4] Annex C - Updated Sexual Harassment Policy

Supply Chain Management

Supplier Accreditation Policy

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	Reference
Environmental Performance	Y	Vendor Compliance Addendum
Forced Labor	Y	Vendor Compliance Addendum
Child Labor	Y	Vendor Compliance Addendum
Human Rights	Y	Vendor Compliance Addendum
Bribery and Corruption	Y	Vendor Compliance Addendum

IMPACT	Inadequate supplier selection criteria may impact the quality of goods procured and delivery schedules. Any sustainability issue affecting suppliers will also affect the fulfillment of service contracts/ deliverables.
STAKEHOLDERS	Employees, Management, Suppliers
MANAGEMENT APPROACH	Cebu Pacific's accreditation process for local suppliers is governed by the Corporate Supplier Accreditation Team (CORPSTAT) of its parent, JGSHI. The accreditation criteria cover quality and reliability, timeliness, rapport, price competitiveness, the ability to provide prototypes, samples/ proof before ordering, ability to replace rejects, and product inventory. The procurement team is also trained in Purchasing, Ethics, Strategic Purchasing, and Supplier Relationship Management to enable sound purchasing decisions. Accredited suppliers and contractors undergo the Newly Accredited Suppliers Orientation Program (NASOP) to make sure that they align with Cebu Pacific policies. To ensure that suppliers remain compliant to company policies, random on-site visits and performance evaluations are performed periodically. Cebu Pacific released in January 2023 a Vendor Compliance Addendum document that warrants its vendors to comply with all applicable laws and regulations in relation to labor, health, safety, and welfare of its employees and the communities where it operates, and environmental laws, regulations, and standards.
RISKS	• Lax accreditation processes may lead to unfulfilled contracts or quality issues. Furthermore, this may lead to potentially working with sub-par vendors which are not compliant with business requirements
OPPORTUNITIES	• Adoption of green procurement practices to incorporate sustainability framework, strategy, and programs in the supply chain

Relationship with the Community
Significant Impacts on Local Communities

1. Discounted airfare and cargo rates
Cebu Pacific provided discounted airfares to a total of 671,799 passengers, including senior citizens (422,084 passengers), persons with disability (75,797 passengers), students and athletes (262 passengers), and children (173,656 passengers). In 2023, the Group airlifted more than 258 metric tons of humanitarian cargo, showcasing the airline's unwavering dedication to supporting communities in times of crisis. **Location:** Across Cebu Pacific domestic destinations **Vulnerable groups:** Senior citizens and persons with disability **Impact on Indigenous peoples:** Yes **Community rights and concerns of communities:** Access to affordable air travel **Mitigating Measures:** No negative impact.

2. Environment-Focused Community Initiative
To support the conservation and restoration of mangroves in Cebu and to contribute to environmental preservation, disaster resilience, and community livelihood, Cebu Pacific partnered with the Ramon Aboitiz Foundation, Inc. One to Tree program (RAFI-OTT) and the Tapon Fisherfolk Association planted 10,000 mangrove seedlings in 2023. **Location:** Barangay Tapon, Dumanjug, Cebu **Vulnerable groups:** Tapon Fisherfolk Association **Impact on Indigenous peoples:** No **Community rights and concerns of communities:** ● Environmental Impact: Mitigation of carbon emissions through the enhancement of mangrove areas ● Community Resilience: Improved disaster resilience for coastal communities like Dumanjug ● Livelihood Support: The initiative supports the livelihoods of the Dumanjug community, particularly through the involvement of the Tapon Fisherfolks Association **Mitigating Measures:** No negative impact

3. Social-Focused Community Initiative
Cebu Pacific partnered with five different organizations to be able to give support to various social-related projects focused on empowering children, special needs kids, and Overseas Filipino Workers (OFWs). The Group's partnerships included the following: 1. Change for Good - a collaboration with United Nations International Children's Emergency Fund (UNICEF), which aims to promote and protect children's rights; 2. Airlink Partnership for Disaster Resilience -Together with other non-government organizations, Cebu Pacific created quick response solutions during disaster and emergencies; 3. Autism Angels Take Flight - a collaboration with Autism Society of the Philippines (ASP) wherein children with autism are immersed in different airport travel procedures, giving them insights into navigating an airport, and contributing to their understanding of air travel; 4. Fun For Little Juans (FFLJ) and Brigada Eskwela - Promoting the values of volunteerism, Cebu Pacific employees joined in packing 300 school kits and painting murals at a local public elementary school. The Group also hosted a Manila Ocean Park trip for 181 children and 139 guardians from Better World Tondo; 5. United Filipino Global (UFG) - The partnership aims to establish long-term collaboration with Filipino OFWs and provide them and their families with essential support and opportunities. **Location:** Metro Manila **Vulnerable groups:** School children, children with special needs, OFWs **Impact on Indigenous peoples:** Not applicable **Mitigating Measures:** No negative impact

Disclosure on Benefits for Vulnerable Groups

Disclosure	Quantity		Units
	2023	2022	
Discounted flights for Senior Citizens	422,084	268,512	#
Discounted flights for Persons with Disabilities	75,797	38,296	#
Student and athlete's discount	262	115	#

IMPACT	Cebu Pacific provides sale, affordable, and reliable access to passenger air travel and air cargo transport services.
MANAGEMENT APPROACH	Cebu Pacific supports government initiatives that require air transport services during emergencies, disaster, and humanitarian situations. The Group honors entitlements (i.e., discounts) accorded to vulnerable groups as mandated by law and provides special freight rates for cargo shipments for humanitarian purposes.
RISKS	None

OPPORTUNITIES	Cebu Pacific continuously evaluates opportunities to partner with stakeholders to contribute to government and civic programs and initiatives that require air transport services.

Customer Management

Customer Satisfaction

Disclosure	Quantity		Units
	2023	2022	
Customer Satisfaction – Net Promoter Score (Post-Flight)	+14	+19	#
CSAT tracked full year (Post-Flight) Rating scale of 1-5, with 5 as the highest			**#**
Value for Money	3.52	3.60	#
Bag Drop and Check-In Queuing Time	3.73	3.78	#
Boarding Experience	3.66	3.74	#
Bag Delivery Speed	3.69	3.69	#
Agent Service	3.76	3.79	#
Cabin Crew Score	4.05	4.09	#
Inflight Announcements	4.02	4.05	#
Cabin Interiors	3.81	3.93	#
Pre-Ordered Meals	3.49	3.42	#

IMPACT	Regular measurement of customer satisfaction allows Cebu Pacific to continuously improve its services to passengers.
STAKEHOLDERS	Customers, Employees, Management
MANAGEMENT APPROACH	Cebu Pacific uses a combination of digital and traditional channels to communicate with customers. These tools are used to listen to customers' feedback and concerns, resolve their complaints, and identify pain points in the whole customer experience. Notably, Cebu Pacific is among the first airline companies in Asia to invest in an integrated facility with technology for social intelligence and customer engagement. Using the power of technology, AI, Customer Experience (CX), Customer Care, and IT, teams collaborated to develop solutions to aid customers with their questions, resulting in the launch of the CEB Help Center and a new virtual assistant named Charlie, employing multiple ways to address concerns. In addition, Cebu Pacific conducts and administers customer satisfaction (CSAT) surveys regarding all customer touchpoints. Other surveys include Call Center Booking Survey, Customer Care, Ticketing Office Booking Survey, Web Booking Survey, Mobile App Booking Survey, Mobile App Check-in Survey. With many organizational needs, the Group prioritizes items to resolve customer pain points based on the biggest noise and impact.

	Cebu Pacific also established its Customer Journey Management Team in July 2023 to ensure customer well-being and minimize inconvenience by providing proper assistance, felt support, and real-time updates to passengers. The Customer Journey Management Team ensures three (3) key points: • **Define disruption handling** – to ensure that no disrupted guest will leave the airport without being recovered by the provision of caring and efficient service • **Spearhead the Efficient Service Culture** – to establish one service language across all personal touchpoints, especially during disruptions and service recovery • **Transform the communication culture during disruptions** – to streamline available communication channels to empower frontline teams in delivering intentional communication to passengers Through the effective management of network-wide minor to major disruptions of the team, Cebu Pacific recovered its NPS and CSAT scores starting September 2023, while receiving decreased social media noise, and having zero unmanageable queues at the ticketing office during cancellations. The Group has also continued to enhance its digital self-service channels (Website and Mobile App) by providing more features, improving ease of use, and increasing digital adoption. In 2023, several initiatives were launched including a website and mobile application with multilingual support, improved payment experiences, simplified MyCebuPacific account management, and enhanced baggage product options. The Group remains committed to continuously improving its overall customer experience and leveraging innovation and data to maintain its position as an industry leader.
RISKS	Delayed response time and the inability to address concerns may lead to customer dissatisfaction.
OPPORTUNITIES	Getting feedback from customers and passengers is an area for improvement in product and service delivery and in customer journey

Health and Safety

Disclosure	Quantity		Units
	2023	2022	
No. of substantiated complaints on product or service health and safety	2	13	#
No. of complaints addressed	2	13	#

IMPACT	All product and service-related health and safety concerns were addressed and closed.
STAKEHOLDERS	Customers, Employees

MANAGEMENT APPROACH	Passenger safety remains the priority of Cebu Pacific. The Group continues to implement strict safety measures designed to reassure travelers and protect the public from unnecessary dangers related to the pandemic. Cebu Pacific has maintained air safety certification by IATA through the Operational Safety Audit (IOSA) program. The Group's operations are subject to continuous audits and surveillance programs by civil aviation authorities.
RISKS	• Complaints on health and safety may lead to customers not availing of Cebu Pacific products and services
OPPORTUNITIES	• Established health and safety protocols will bring comfort and a sense of security as passengers resume air travel

Marketing and Labeling

Disclosure	Quantity		Units
	2023	2022	
No. of substantiated complaints on marketing and labeling	0	13	#
No. of complaints addressed	0	13	#

IMPACT	All marketing and labeling related concerns were addressed and closed.
STAKEHOLDERS	Customers, Employees, Management
MANAGEMENT APPROACH	Cebu Pacific continues to proactively address the needs of its customers through appropriate marketing communications. It also adheres to the Ad Standards Council (ASC) and Department of Trade and Industry (DTI) regulations in the Philippines to ensure commitment to advertising responsibly and upholding the highest standards of ethics.
RISKS	• Complaints about marketing and labeling may lead to customers not availing of Cebu Pacific products and services
OPPORTUNITIES	• Appropriate marketing communications and product labeling may attract new customers and encourage existing Data Privacy, Business Continuity, and Sustainability Board customers to purchase more Cebu Pacific products and services

Customer Privacy

Disclosure	Quantity		Units
	2023	2022	
No. of substantiated complaints on customer privacy	0	1	#
No. of complaints addressed	0	1	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	0	#

IMPACT	Cebu Pacific handles sensitive information while doing business. Any misuse can lead to regulatory and reputational risks.
STAKEHOLDERS	Customers, Employees, Management

MANAGEMENT APPROACH	Cebu Pacific's Data Privacy Management Office (DPMO) and Data Protection Officer handle data privacy issues and complaints. In October 2023, the DPMO codified a clear policy on retention and disposal in its Data Privacy (DP) Manual. Additionally, it updated its Privacy Management Program (PMP). Each is described below: ● DP Manual: The DP Manual standardizes how the Group implements organizational, physical, and technical measures that will protect the Personal Information (PI) of its data subjects, including employees, and passengers, in the course of its business operations and processes. It also shows the compliance of the Group with the Data Privacy Act. It covers the policies, procedures, and protection measures of the Group from the collection of the PI, going through their use, storage, and transfer, up to whether retaining them or disposing of them securely. ● PMP: The PMP documents how the Group embeds privacy and data protection in its strategic framework and daily operations and maintains it through organizational commitment and oversight of coordinated projects and activities. It includes Vision/Mission/Purpose, Management Buy-In, risk management via privacy impact assessments (PIA), program oversight, capacity building through training, and DPA compliance such as registering the Data Protection Officer (DPO) and Data Processing Systems (DPS). Furthermore, customer privacy complaints and inquiries addressed to Cebu Pacific are sent to DPO@cebupacificair.com and are managed by the DPMO. Complaints are resolved in accordance with the Group's policies and procedures.
RISKS	• Cebu Pacific protects the data privacy of its data subjects (employees, passengers, and partners). Mishandling of customer data may lead to reputational risks, and non-compliance with regulations, and sanctions
OPPORTUNITIES	• Cebu Pacific's DPMO conducts an annual review of its Data Privacy Manual to ensure that the process of handling data subject complaints remains effective and efficient

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	#

IMPACT	Data breaches compromise the privacy of customers and sensitive business information.
STAKEHOLDERS	Customers, Employees, Management

MANAGEMENT APPROACH	In 2022, Cebu Pacific enhanced its Information Security practices by adhering to the Information Security Management Systems (ISMS) and relevant standards and frameworks. This forms part of the Conglomerate's enterprise risk management, protects the Group's information assets, maintains CEB's reputation, and complies with applicable and relevant laws and regulations. Moreover, the Group consistently monitors cyber threats and evaluates all aspects of the cyber landscape, including people, processes, and technology. Emerging risks including critical and high-security risks, along with data privacy risks are promptly identified and addressed to mitigate potential impacts on both the business and customers. These risks are reported monthly to the Data Security, Data Privacy, Sustainability Board (DBSB), and semi-annually to the Board Risk Oversight Committee (BROC). This is complemented by the regular updating of its IT and Cybersecurity Policies and Procedures Manual, ensuring adequacy and responsiveness to emerging threats. Incident Response Procedures are also in place to guide unwanted events. Additionally, to enhance the capability of all employees against social engineering attacks, an Information Security Awareness Training Policy is implemented. The Group maintains other relevant policies and procedures in collaboration with internal and external stakeholders, to further strengthen its cybersecurity posture.
RISKS	• Use of technology for operational efficiencies across the business increases the risks of cyber threats and vulnerabilities • Weak cybersecurity measures may lead to data infiltration, compromising both business and customer data
OPPORTUNITIES	• Cebu Pacific consistently invests in security solutions, conducting regular assessments of emerging risks through vulnerability management and penetration testing, and effectively mitigating identified threats • The Group actively engages in internal and external audits to ensure compliance with standards, laws, and regulations, while also monitoring the organization's risk posture and cybersecurity maturity level

CORE BUSINESS CONTRIBUTIONS
TO THE U.N. SUSTAINABLE DEVELOPMENT GOALS

Goal 2: ZERO HUNGER - End hunger, achieve food security and improved nutrition, and promote sustainable agriculture

Target 2.1: By 2030, end hunger and ensure access by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round

Key Products and Services
Provider of air cargo services (CEB Cargo)

Societal Value/Contribution to UN SDGs
Aviation allows the movement of essential supplies over vast distances quickly. Cebu Pacific transports perishable agriculture products and supports the transport of humanitarian aid during natural disasters or war.

In 2023, Cebu Pacific cargo transported 40.6 million kilograms of food and agriculture items across its domestic and international network.

Potential Negative Impact of Contribution
Transmission of agricultural pests and disease

Management Approach to Negative Impact
Cebu Pacific cargo services practices standard safety, segregation, and handling guidelines to ensure that cargo is stored and transported safely.

Goal 7: AFFORDABLE AND CLEAN ENERGY – Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.a: By 2030, enhance international cooperation to facilitate access to clean energy research and technology, including renewable energy, energy efficiency and advanced water and cleaner fossil-fuel technology, and promote investment in energy infrastructure and clean energy technology

Key Products and Services
Integration of SAF in operations

Societal Value/Contribution to UN SDGs
Cebu Pacific integrated the use of SAF in its operations starting in 2022 and became the first low-cost carrier in Southeast Asia to incorporate SAF into its operations. The use of SAF results in up to 80% reduction in carbon emissions compared to traditional fossil fuel-based jet fuel.

In October 2023, as part of its long-term readiness program for SAF integration, CEB achieved a noteworthy milestone by operating Flight 5J 5055 from Narita to Manila with SAF, making it the first Philippine carrier to do so on a commercial flight from Japan. CEB remains dedicated to incorporating SAF in delivery flights, as demonstrated by its use during the delivery of the 1st Airbus A320neo from the Tianjin facility in June 2023.

Potential Negative Impact of Contribution
Cost of SAF is highly prohibitive and will have a significant impact on the Group's costs.

Management Approach to Negative Impact
Continuing discussions to develop strategic partnerships supply network

(Note: Cebu Pacific's use of SAF also contributes to ***Goal 12: RESPONSIBLE CONSUMPTION AND PRODUCTION – Ensure sustainable consumption and production patterns****.)*

Goal 8: DECENT WORK AND ECONOMIC GROWTH – Promote sustained, inclusive, and sustainable economic growth, full and productive employment and decent work for all

Target 8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Key Products and Services
Support to Local Economy

Societal Value/Contribution to UN SDGs
Cebu Pacific empowers local suppliers by creating opportunities for small and medium enterprises to be part of its inflight catering services. In 2023, 62% of the Group's non-aircraft-related procurement spend was spent on local suppliers.

Potential Negative Impact of Contribution
Local suppliers not able to meet CEB standards

Management Approach to Negative Impact
Cebu Pacific has a stringent supplier accreditation process and works with partners to make sure that they continuously improve and deliver quality products that meet the Group's standards.

Target 8.6: By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal

Key Products and Services
Job creation

Societal Value/Contribution to UN SDGs
Cebu Pacific's workforce in 2023 is composed of 4,374 employees, 53% of which are women. The Group assures employees stable employment and security of tenure. The majority of its workforce are under full- time employment contract.

Jobs in aviation have a multiplier effect. Based on the International Air Transport Association (IATA), every job in aviation creates 29 jobs for the tourism sector.

Potential Negative Impact of Contribution
Unsatisfied workforce, high attrition rate

Management Approach to Negative Impact
Cebu Pacific offers competitive wages and benefits, good working conditions to ensure that employees remain happy, engaged, motivated, and productive.

Goal 9: INDUSTRY, INNOVATION AND INFRASTRUCTURE – Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in according with their respective capabilities

Key Products and Services
Fleet modernization through next-gen Airbus NEOs

Societal Value/Contribution to UN SDGs
Out of 88 aircraft making Cebu Pacific's fleet as of the end of 2023, 38 are of the New Engine Option (NEO) variant from Airbus, which is among the most fuel-efficient in its category. Airbus NEOs are the new generation aircraft estimated to reduce fuel burn between 15% and 27% compared to their Classic Engine Option (CEO) counterparts. Cebu Pacific's NEO aircraft are also fitted with more seats, allowing Cebu Pacific to serve more customers and reduce average emissions on a per-passenger basis.

Cebu Pacific added 15 Airbus NEOs in 2023 and is targeted to complete the transition of its entire fleet to all NEOs by 2028.

Potential Negative Impact of Contribution
Remaining GHG emissions

Management Approach to Negative Impact
The Group aims to put together in 2023 its emissions reduction roadmap.

Key Products and Services
Enhancement of fuel-efficient practices in operations and engineering

Societal Value/Contribution to UN SDGs
Cebu Pacific employs industry best practices for fuel efficiency and flight plan optimization initiatives, which yielded 16.1 million kilograms in jet fuel saved in 2023. The Group's SkyBreathe Fuel Efficiency Management System provides information that helps optimize flight operations and analyzes data from each flight, enabling the crafting of fuel-saving plans that result in lower fuel consumption.

Potential Negative Impact of Contribution
Remaining GHG emissions

Management Approach to Negative Impact
The Group aims to put together in 2024 its emissions reduction roadmap.

Goal 10: SUSTAINABLE CITIES AND COMMUNITIES – Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.2: By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons

Key Products and Services
Provider of low-cost air transport

Societal Value/Contribution to UN SDGs
Air travel is an economic enabler and equalizer. The low-cost carrier business model has made travel more accessible to more people. In 2023, Cebu Pacific had flown over 20.8 million passengers through 140,730 flights to domestic and international destinations. The Group ended 2023 with 35 destinations and 68 routes in the domestic market, and 25 destinations and 36 routes in the international market. In 2023 the following destinations and routes were added:

- New destination: Da Nang, Laoag
- New routes: Cebu-Taipei, Cebu-Naga, Clark-Bangkok, Clark-Cagayan de Oro, Clark-GenSan, Clark-Incheon,
- Resumption: Cebu-Hong Kong, Cebu-Narita, Clark-Bacolod, Clark-Davao, Clark-Hong Kong, Clark-Iloilo, Clark-Macau, Clark-Boracay, Clark-Narita, Clark-Puerto Princesa, Clark-Singapore, Clark-Taipei, Iloilo-Cagayan de Oro, Iloilo-Puerto Princesa, Manila-Melbourne, Manila-Macau, Manila-Shanghai, Manila-Xiamen

Cebu Pacific continues to provide the lowest airfares in the market with its Piso Fares to enable everyJuan to fly.

Potential Negative Impact of Contribution
Increased GHG emissions from flights

Management Approach to Negative Impact
(See Management Approach on GHG emission section, p. 21)

Goal 12: RESPONSIBLE CONSUMPTION AND PRODUCTION - Ensure sustainable consumption and production patterns

Target 12.5: By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse

Key Products and Services
Availability of food and drink for purchase inflight

Societal Value/Contribution to UN SDGs
All Cebu Pacific flights have been using more sustainable alternatives to replace plastic spoons, forks, stirrers, and cups on all domestic and international flights. Notably, the "On-Board Plastic Bottle Segregation" Program, an initiative postponed in 2022 due to the pandemic, was finally launched in September 2023. This applies to 5J regional and domestic flights departing Manila, with current

exclusions for DG flights, long-haul flights, and CRK and CEB flights. Since its launch, a total of 28,000 kg of PET bottles have been segregated and collected, amounting to a daily average of 234 kg.

Cebu Pacific has also shifted the use of single-use plastic inflight utensils, cups, and packaging to biodegradable materials totaling around 10,103,750 units in 2023.

Potential Negative Impact of Contribution
Plastic packaging is still present.

Management Approach to Negative Impact
Inflight waste segregation

Target 12.b: Develop and implement tools to monitor sustainable development impacts for sustainable tourism that creates jobs and promotes local culture and products

Key Products and Services
Provider of low-cost air transport enabling more people to fly and travel

Societal Value/Contribution to UN SDGs
Cebu Pacific advocates for sustainable tourism via our Juan Effect program. Juan Effect is a sustainable tourism program of Cebu Pacific, done in partnership with the Department of Tourism, the Department of Environment and Natural Resources, and the Department of Interior and Local Government. The campaign aims to help mitigate the tourism sector's impact on the environment through various interventions geared towards educating tourists. It engages the local community, the government, and tourism stakeholders in educating travelers about their responsibilities as tourists. The Juan Effect advocacy was previously launched in Boracay, Siargao, and Bohol.

Potential Negative Impact of Contribution
High volume of tourists in local areas may have detrimental effects on the environment and society.

Management Approach to Negative Impact
Close partnership and cooperation with stakeholders

<u>Annexes</u>

Annex A
Occupation Safety and Health Policy

cebu pacific	**Occupational Safety and Health**	Page **1** of **4**

GUIDELINES

The objective of this policy is to protect every employee against the dangers of injury, sickness or death through safe working conditions and health and wellness programs, thereby assuring the conservation of valuable manpower resources and the prevention of loss or damage to lives and properties, consistent with national development goals and with the State's commitment for the total development of every worker as a complete human being.

DUTIES OF EMPLOYERS, WORKERS AND OTHER PERSONS

1. Each employer covered by the provisions of this policy shall:
   a. furnish his workers a place of employment free from hazardous conditions that are causing or are likely to cause death, illness or physical harm to his workers;
   b. give complete job safety instructions to all his workers, especially to those entering the job for the first time, including those relating to the familiarization with their work environment, hazards to which the workers are exposed to and steps taken in case of emergency;
   c. comply with the requirements of company policy and standards; and
   d. use only approved devices and equipment in his workplace.

2. Every worker shall cooperate with the employer in carrying out the provisions of this policy. He shall report to his supervisor any work hazard that may be discovered in his workplace. Employee is also encouraged to document any health and safety report in Safety Reporting Platform defined by the company.

3. Every worker shall make proper use of all safeguards and safety devices furnished in accordance with the provisions of this policy for his protection and that of others, and shall follow all instructions given by the employer in compliance with the provisions of this policy.

4. It shall be the duty of any employee, including any guest, contractor, or enforcement agent, who visits, builds, renovates, or installs devices, or conducts business in any establishment or workplace, to comply with the provisions of this policy.

OCCUPATIONAL SAFETY AND HEALTH (OSH) COMMITTEE

A. Composition of OSH Committee

OSH Chairman

OSH Core team

The OSH CORE team is comprised of representatives from the following departments: People Department, Safety, Quality & Security, Administration and Facilities, and representatives from Operation and Support group.

Their main responsibilities are to:

a. Promote the environment, health and safety program of the company.
b. Ensure all EHS related incidents are reported, documented and addressed.
c. Comply with government regulations on Environment, Health and Safety.
d. Conduct investigations on workplace accidents and incidents.
e. Conduct a monthly meeting to review any environment, health and safety related issues.
f. Educate workers on safety risks and procedures.
g. Report directly to OSH Chairman all environment, health and safety related issues.
h. Secure the company premises and properties during evacuation.

B. Framework

The framework provided below shall represent the structure of the committee and the action items under each category. This also serves as a guideline for the committee in the development of programs by the committee and avenue of influence for a healthy workplace which aim to protect, promote, and support complete physical, mental, and social well-being of workers while performing duties in the company.

C. Duties of the OSH Chairman

The Chief Human Resources Officer is the Occupational Safety and Health (OSH) Chairman of the company. He is responsible for:

1. Representing Occupational Safety and Health (OSH) and Environment issues to CEB Airline Safety Review Committee and Executive Safety Review Committee;
2. Compliance to the Department of Labor and Employment, Bureau of Fire and other Government Agencies;
3. Implementing preventive measures in relation to Environment, Health and Safety Risks in the workplace;
4. Ensuring the readiness and availability of the Emergency Responders;
5. Planning, promoting and implementing the environment, health and safety program of the company.

D. Duties of the OSH Committee

The Health and Safety Committee is the planning and policymaking group in all matters pertaining to safety and health. The principal duties of the Health and Safety Committee are:

1. Plans and develops accident prevention programs for the company.
2. Directs the accident prevention efforts of the company in accordance with the safety programs, safety performance, and government regulations in order to prevent accidents from occurring in the workplace.
3. Conducts safety meetings at least once a month.
4. Reviews reports of inspection and implementation of program.
5. Conduct accident investigations in the workplace.
6. Submits reports to the manager on its meetings and activities.
7. Provides necessary assistance to government inspecting authorities in the proper conduct of their activities such as the enforcement of the provisions of this policy.
8. Initiates and supervises safety training for employees.
9. Determines and recommend appropriate Personal Protective Equipment (PPE) to personnel.
10. Develop and maintain a disaster contingency plan.

E. *Duties of the Workers*

1. Works in accordance with accepted safety practices and standards established by the company in compliance with the provisions of this policy.
2. Reports unsafe conditions and practices to the immediate superior by making suggestions for correction or removal of accident hazards.
3. Serves as members of the Health and Safety Committee.
4. Cooperates actively with the Health and Safety Committee.

Assists government agencies in the conduct of health and safety inspection or other

EFFECTIVITY

All concerned shall comply with all the provisions of this company policy effective immediately.

Annex B
Safety, Quality and Security Policy

cebu pacific	**Safety, Quality and Security Policy**	Page **1** of **1**

In the conduct of our business and daily airline operations, safety, quality, and security are the guiding values and principles, not only for me as your Chief Executive Officer and Accountable Manager but also for each CEB Team member.

Our business model is clear – a high-quality low-cost carrier – which places the highest regard for safety, quality and security standards.

Cebu Pacific shall dedicate necessary resources to providing the highest quality of safety, security, care and service to our guests and employees, which consistently meets or exceeds their needs and expectations.

Our senior executives are required to set the Safety, Quality and Security directions for the company through the Safety, Quality and Security Management Systems. In order to further promote a safety, quality and security culture at Cebu Pacific, a regular review of performance-based indicators, analysis of malfunctions or undesirable operational results, follow-up of corrective actions and their effectiveness in improving operational performance shall be conducted.

To prevent aviation accidents and incidents, our organization will maintain active Safety, Quality and Security Management Systems. I support the open sharing of information on all safety and security issues and encourage all employees to report significant errors, safety and security hazards or concerns. I will ensure that no disciplinary action will be taken against any employee who reports deficiencies, exposes hazards, and discloses safety concerns through the safety reporting system except if such disclosure indicates an illegal act, gross negligence or a deliberate or willful disregard of regulations, standards, policies, and procedures. I pledge that no staff member will be asked to compromise our safety, quality, and security standards to "get the job done".

Our overall safety, quality and security objective is the proactive management of identifiable hazards and their associated risks with the intent to eliminate their potential for affecting aviation safety and security, and for injury to people and damage to equipment or the environment. To that end, we will continuously examine our operation for these hazards and find ways to minimize them. We will encourage hazards and incident reporting, train staff on quality and safety management, document our findings and mitigation actions and strive for continuous improvement.

Ultimate responsibility for corporate safety, quality, and security in the company rests with me as the Chief Executive Officer and Accountable Manager. Responsibility for making our operations safer for everyone lies with each one of us – from managers to front-line employees. Each manager is responsible for implementing the Safety, Quality and Security Management Systems in his area of responsibility and will be held accountable to ensure that all reasonable steps are taken. Compliance with applicable laws, regulations, and procedures in all locations where operations are conducted shall be the responsibility of all employees.

The Safety, Quality and Security Policy shall be reviewed periodically to ensure its continuing suitability and relevance to Cebu Pacific.

V.2023

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Annex C
Updated Sexual Harrassment Policy

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POLICY STATEMENT

Cebu Pacific values the dignity of its employees, respects the rights of its workers, and is committed to providing a safe environment for all its employees free from discrimination on any ground and from harassment at work. The Company is duty-bound to deter the commission of and resolve acts of sexual harassment defined herein.

SCOPE AND COVERAGE

A. This policy shall apply to all employees, regardless of employment status, of Cebu Pacific and Cebgo.

B. This policy shall only be applicable to the sexual harassment as defined herein.

DEFINITION OF TERMS

A. Sexual Harassment:

(a) an act or series of acts involving any unwelcome sexual advances, requests or demands for sexual favors or any act of sexual nature, whether done verbally, physically, or through the use of technology such as text messaging, electronic mail, social media platform or through any other forms of information and communication systems, that has or could have a detrimental effect on the conditions of an individual's employment, education, job performance or opportunities; or

(b) conduct of sexual nature and other conduct-based on sex affecting the dignity of the person which is unwelcome, unreasonable and offensive to the recipient, whether done verbally, physically, or through the use of technology such as text messaging or electronic mail, social media platform or through any other forms of information and communication systems; or

(c) conduct that is unwelcome and pervasive and creates an intimidating, hostile or humiliating environment for the recipient.

In either of the definitions above, no moral ascendency, influence or authority is needed for an act to constitute as sexual harassment. The act may be committed between peers; or committed against a superior officer by a subordinate. Position/hierarchy/seniority is not an element.

B. Sexual Favour – a condition made on account of hiring or in the employment, re-employment, or continued employment of said individual favourable compensation, terms, conditions, promotions or privileges; or refusal to grant the sexual favour resulting in limiting, segregating or classifying the employee

C. Complainant – may refer to any employer, manager, supervisor, agent of an employer, or employee, whether or not they are subject to the authority, influence or moral ascendancy of another in work, on whom any act of sexual harassment or sexual favour is directed to.

The term "Complainant" may also refer to job applicants, clients, prospective clients or guests, employees and/or representatives of clients or prospective clients, employees and/or representatives of third-party agencies providing or seeking to provide services to Cebu Pacific or Cebgo on whom any act of sexual harassment or sexual favour is directed to, and/or any person who may have witnessed and has personal knowledge of such acts of sexual harassment or sexual favour who finds the behaviour offensive and unacceptable in a workplace environment.

D. Third Party Involvement – an employee who directs or induces another to commit any act of sexual harassment, or who cooperates in its commission by another without which it would not have been committed shall also be liable under this policy.

E. Workplace – All sites, locations, spaces, where work is being undertaken by an employee, within or outside the premises of the usual place of business of the employer.

Commission of sexual harassment shall not be limited to the workplace as it can be through telephone, cellphone, fax machine, electronic mail, virtual/online interactions/meetings, and/or any other similar means.

For purposes of definition, workplace can also be referred to any of the following:

- At office-related functions
- While doing official business outside the office or during work-related travel,
- At work-related conferences or training sessions
- At other similar work-related occasions

GENERAL POLICIES

Committee on Decorum and Investigation (CODI)

A. Membership

All complaints of sexual harassment will be taken seriously and treated with respect and in confidence through the Committee on Decorum and Investigation (CODI). CODI shall be composed of:

1. Female Management Representative who shall act as a Chairperson
2. People Department Representative
3. Immediate Superior of the Respondent
4. Employee Representative
5. Union / Employees Association Representative
6. A Legal Counsel from General Counsel Group who shall act as CODI's adviser especially on matters requiring full administrative investigation

- Membership in CODI must be headed by a woman and, except for the Immediate Superior of respondent and Union/Employee Association Representative (who can be either male or female), half of the remainder of the members as representatives shall be women.
- The Company's Chief Executive Officer shall appoint the members of CODI, except for the Chairperson, Immediate Superior of the Respondent and Union/Employees' Association Representative.

- CODI members should adequately represent the Management, Supervisory Employees, Rank and File and Union/Employee Association (if any). A sufficient number of people who may immediately replace any member of the CODI as substitutes must also be made available in case.
- CODI shall be composed of members who should be impartial and not connected or related to both parties within the fourth degree of consanguinity or affinity and have no prior record of involvement to the respondent in any case of whatever nature of sexual harassment. Further, in case of relation by consanguinity or affinity to either complainant or respondent, the CODI member shall inhibit from participating in any part of the proceeding or be substituted by another.
- The complainant or respondent may request a member of the CODI to inhibit, or the CODI member may, on his/her initiative, cause the inhibition based on conflict of interest, manifest partiality, and other reasonable grounds. Upon such grant of inhibition, the member shall be immediately replaced so as not to cause a delay in the proceedings.

B. Roles and Responsibilities

CODI shall be responsible for:

1. Investigating the complaints within ten (10) days or less upon receipt of the Complaint.
2. Observing due process (i.e. twin notice rule, hearing, as needed.
3. Protecting the complainant and witnesses from retaliation.
4. Guaranteeing confidentiality to the greatest extent possible.
5. Deciding on complaints within ten (10) days or less upon submitting the case for resolution.
6. Undergoing continuing training on gender sensitivity, gender-based violence, sexual orientation, gender identity and expression and other gender and development topics.

C. Procedure and Process

1. When an act of sexual harassment is committed, the Complainant is instructed to immediately submit a written report to any company officer or to CODI. Such complaint shall contain the specific act/s allegedly committed by the respondent as defined herein as well as the following details:
   a. Date
   b. Time
   c. Place
   d. Full name and address of the Complainant
   e. Full name, address, and position of the Respondent
   f. Brief statement of the relevant facts
   g. Witnesses, if any
   h. Evidence in support of the complaint, if any

   Reports may be made by any person to the employer or agent of the employer, or directly to CODI.

A report may be anonymous but shall not constitute a formal complaint. But anonymous reports shall constitute sufficient notice to the employer, who shall thereafter verify and refer the matter to CODI.

2. CODI shall not accept any complaint with incomplete requirements from the Complainant.

3. CODI may require the Complainant to have his/her complaint sworn under oath.

4. If the complaint report is coursed through the concerned company officer, he/she shall transmit the complaint report to CODI Chairperson immediately upon its receipt. Concerned company officer shall be held administratively liable for non-compliance of this provision.

5. Upon receipt of the Complaint, the CODI Chairperson shall send a Notice to Explain to the Respondent containing the allegations committed in relation to the guidelines referred herein with the complaint letter attached and requiring the Respondent to answer in writing the charges against him/her within five (5) calendar days from receipt of said notice.

6. If CODI determines that the allegations in the complaint do not constitute sexual harassment but that of another offense punishable under the offenses Subject to Disciplinary Action (OSDA), the complaint shall be referred to the appropriate Disciplining Authority.

7. CODI shall, at all times, observe due process and investigate on complaints within ten (10) working days or less upon receipt thereof. It shall ensure the protection of the complainant from retaliation and guarantee confidentiality to the greatest extent possible. CODI shall decide on the case within ten (10) working days upon submitting the case for resolution. This ten (10) working day period will not include the period of appeal which shall be available to both parties.

8. CODI, in accordance with the Company's Code of Business Conduct and Ethics, shall ensure that the respondent is given the opportunity to be properly notified and respond to the charge/s and that parties are given information on the hearings and outcomes.

9. If the Respondent fails or refuses to file his/her answer to the Notice to Explain (NTE), he/she shall be considered to have waived his/her right thereto and formal investigation may commence or the case may be decided based on the evidence at hand.

10. Upon submission of the appropriate documents by the parties, as may be required, the CODI Chairperson shall convene CODI to hear the complaint and conduct the investigation.

11. CODI may require the Complainant to submit his/her reply to the answer upon receipt thereof, if it deems necessary.

12. CODI shall not entertain requests for postponement, clarification, bills of particulars or motions to dismiss which are designed to delay the administrative proceeding. The filing of these dilatory motions shall not stop the running of the period within which the Respondent is required to submit his or her written explanation.

13. The findings and resolution of CODI shall be submitted to the Respondent's Department Head for implementation.

14. The entire proceedings, from the time the complaint was filed until a decision was approved, shall be treated by the concerned parties with utmost confidentiality.

15. The investigation shall not be bound by the strict application of the Rules of Court. CODI may conduct its investigation in the manner that it may deem fit, taking only into consideration the right of the parties to due process and fair play.

16. An investigation shall be conducted by CODI if it deems that such investigation is necessary to decide the case judiciously.

17. At the commencement of the investigation, CODI may conduct a pre-hearing conference for the parties to appear, consider and agree on stipulation of facts, simplification of issues, limiting the number of witnesses, and their names, dates of hearings and such other matters that will facilitate the prompt resolution of the case.

18. The parties may be required to submit position papers/memoranda in lieu of administrative hearing if based on the result of the pre-hearing conference; the case can be resolved without any need for further hearing.

19. Hearings shall be conducted on the hearing dates set by CODI as agreed upon during the pre-hearing conference. Postponements will not be entertained unless based on highly meritorious grounds.

20. If the Respondent fails to appear during the scheduled hearings despite due notice, the investigation shall proceed ex-parte and the Respondent shall be deemed to have waived his/her right to be present and to submit evidence in his/her favour during those hearings.

21. CODI shall accept all evidence deemed material and relevant to the case. In case of doubt, CODI shall allow the admission of evidence subject to the objection interposed against its admission.

22. An Investigation Report containing a narration of material facts established during the investigation, the findings, and the evidence supporting said findings, as well as the resolution, shall be prepared by the CODI.

23. The Department Head/Immediate Superior of the Respondent shall serve/issue the Notice of Result/Notice of Disciplinary Action.

24. The decision rendered shall be in writing and shall be immediately furnished to the parties.

25. Appeal Process
    Upon receipt of the Notice of Result/Notice of Disciplinary Action, both the complainant and respondent may submit an appeal letter addressed to the CODI Chairperson not more than five (5) days from receipt thereof.

    The CODI Chairperson shall reconvene the committee and shall issue a Notice of Resolution within five (5) days from receipt of the appeal.

D. Consequences of Policy Violations

1. An employee found violating the provisions of this policy shall be subject to appropriate disciplinary action, which shall range from reprimand to dismissal depending on the degree of violation proven.

2. On the other hand, the Complainant or victim shall not be precluded from instituting a separate and independent civil/criminal action and/or other affirmative relief as may be provided by law.

E. Retaliation

The Company will not permit any kind of employment retaliation against anyone who brings a complaint of sexual harassment or who speaks as a witness in the investigation of a complaint for sexual harassment.

The principles in this Policy apply to the full range of the Company's business activities and shall be read in conjunction with the Company's Whistleblowing Policy.

F. Effectivity Clause

This policy shall take effect upon approval and shall continue to be in full force unless superseded by new policies and guidelines.