




cebu pacific

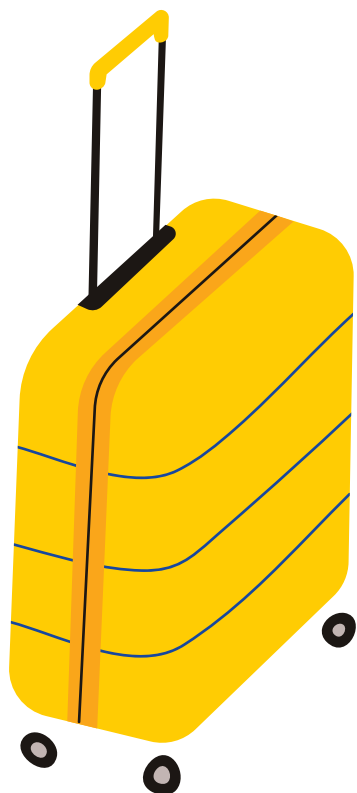
2023 ANNUAL REPORT







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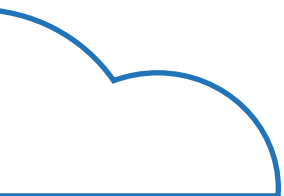
Who We Are

Our Vision

We envision stronger nations where cultures and communities are connected, meaningful relationships are built, and lives are enriched by opportunities and experiences we make possible.

Our Purpose

To move people, create opportunities, and broaden perspectives, enabling everyone to lead richer and fuller lives.





Our Values

Service

We put people at the heart of service.

Integrity

We do what is right.

Trust

We cultivate trust and commit to collaboration.

Best of Filipino Spirit

We live the best of Filipino spirit at all times.

Courage

We relentlessly pursue new ideas and better solutions.

Message to Shareholders



To our dear Shareholders,

We are delighted to share the progress Cebu Pacific made in 2023. Buoyed by robust travel demand coupled with the expansion of our fleet and network, CEB flew over 20.8 million passengers throughout the year, a 41% growth from 2022. We posted a 30% increase in flights year on year, and our seat load factor improving almost 9 points to 84%.

Domestically, we carried a total of 16 million passengers, marking a 19% increase from the previous year. This growth allowed us to capture a market share of 53%, solidifying our position as the leading domestic carrier. This achievement is attributed to several initiatives such as the resumption of routes connecting Manila to Laoag, Iloilo to Puerto Princesa, and Iloilo to Cagayan.

Further, the strategic relaunch of operations in Clark International Airport has expanded our network, establishing us as the largest airline servicing Northern and Central Luzon.

International operations also experienced a significant surge, with 4.8 million passengers flown, representing a 260% increase year on year. Adding more flights to popular destinations and reopening routes like Manila to Melbourne, Macau, and Shenzhen and from Cebu to Tokyo, Hong Kong, and Taipei drove this increase. Direct flights from Manila to Da Nang were also launched in December 2023 further enhancing our global network.

By year-end, Cebu Pacific boasted the largest network in the Philippines, operating in 60 destinations across 108 routes with over 2,700 weekly flights.



Lance Gokongwei
Chairman



Michael Szucs
Chief Executive Officer

Amidst this backdrop, we are pleased to report that Cebu Pacific generated P90.6 billion in total revenue, a 60% growth year on year. Passenger business led this steep recovery with P62.5 billion in revenue, 78% higher year-on-year. This was followed by Ancillary business generated over P24 billion in revenue, 66% higher year-on-year driven by various initiatives such as product bundling and baggage policy enhancement. Meanwhile, cargo business displayed a downward trend as it generated P4.0 billion, 43% lower year on year with stiff competition and lower widebody capacity.

With these, Cebu Pacific recorded an operating income of P8.6 billion and net income of P7.9 billion in 2023, a significant recovery from the P11.4 billion and P14 billion losses incurred in 2022, respectively.

2023 was not without its challenges. Like other airline operators, CEB was not exempted from global aviation industry issues related to supply chain disruptions, delays in new aircraft deliveries, and reliability issues related to Pratt & Whitney engines. These led to capacity constraints and operational difficulties for the airline. Despite this, we closed the year with a 71.4% on-time performance average, which is higher than 2022 and in the pre-pandemic year of 2019.

CEB enhanced its contingency plans to ensure its operational resiliency and reliability. We increased our spare aircraft and engine ratio, aligned network plans to consider potential aircraft on ground, and actively pursued opportunities to expand our fleet to maintain our growth trajectory. Our total fleet count by year-end was 85 as we took delivery of 18 aircraft and exited 5 aircraft.

In addition, CEB has established its new Customer Journey Management Team. We provided our frontline teams with training to enhance their communication, customer service, and conflict resolution skills. To ensure seamless passenger experience, we standardized disruption handling across stations and allowed passengers

to independently check in their bags and generate their own boarding passes. Gate locators were placed at the airport to help our passengers find their way to their assigned gate easily. This was supplemented by notifying our passengers via text regarding any last-minute changes to their boarding gates. Finally, we've enhanced our online customer support as we introduced an updated version of Charlie, Cebu Pacific's virtual assistant. The new and improved Charlie offers customers the fastest way to get answers to their concerns as she links them to CEB Help Center's live agents. We are happy to report that with our new and enhanced customer first initiatives, our customer sentiment has improved as we ended the year with an average Net Promoter Score of +30 for the fourth quarter. We remain committed to further enhancing Cebu Pacific's customer experience amidst the dynamic air travel landscape.

Along with our focus on financial performance, expanding network, and improving customer experience, we also take pride in our efforts to operate sustainably.

Cebu Pacific's commitment to sustainable aviation has earned the airline a gold rating from the Centre for Asia Pacific Aviation, making Cebu Pacific the top-rated sustainable airline in the Philippines and one of only two recognized low-cost carriers in Southeast Asia. We are also proud to report that our sustainability efforts have been fruitful, as shown by our improved Environmental, Social, and Governance (ESG) score from 38 in 2022 to 41 in 2023. This achievement places us in among the top performing airlines assessed by S&P Global. Further, MSCI upgraded our ESG rating in 2023 from BBB to A - one of the highest among Philippine corporations.

Such achievements were made possible through strategic initiatives like our integration of 15 New Engine Option (NEO) aircraft into our network, transitioning to electric ground vehicles and support equipment, and using Sustainable Aviation Fuel (SAF) for aircraft deliveries.



Our dedication to corporate governance and industry standards likewise remains unwavering. Cebu Pacific's adherence to the Code of Corporate Governance and Securities and Exchange Commission regulations has earned us accolades at the Golden Arrow Awards. These achievements reflect our commitment to transparency and ethical business practices.

Before 2023 ended, Cebu Pacific also received an award of appreciation from the Department of Social Work and Development for its significant contribution in providing logistical support during calamities and disasters.

We would also like to share the milestones and recognitions received in the past year. We are proud to be recognized as one of the Philippines' strongest and most valuable brands, reflecting the trust and confidence our passengers have in us. Our commitment to excellence has also earned us titles such as the Best Low-Cost Airline Brand and the Most Sustainable Low-Cost Carrier in the country. Further, our dedication to safety has placed us among the top 20 safest low-cost airlines worldwide.

These accolades reflect our unwavering focus on delivering exceptional service and ensuring the safety of our passengers. Building on this solid foundation, CEB is now taking initiatives to usher in the next stage of its expansion, underpinned by long-term prospects of the Philippine aviation sector including its infrastructure developments to alleviate airport congestion and increase connectivity. The optimistic economic growth outlook for Southeast Asia positions the Philippines at the forefront, further supporting the airline's forward momentum.

With all these, CEB issued a narrowbody jet Request for Proposals (RFP) to both Airbus and Boeing to secure our growth through the end of this decade and into the next. This expansion is not just about adding more planes; it's about creating more opportunities, and more connections.

None of these would have been possible without the unwavering support and confidence of our shareholders and the members of the Board of Directors. We also thank our management team and our employees for their unwavering passion and dedication to Cebu Pacific. We faced a tough year, but your invaluable contributions helped us in weathering challenges and propelled us to success. Lastly, our deep gratitude goes to all our loyal passengers who choose to fly with us throughout these years and to our future patrons who motivate us to keep improving.

We look forward to connecting more cities, communities, and people. Our purpose remains the same – "Let's fly every Juan."

**Once again,
maraming salamat po.**

Michael Szucs
Chief Executive Officer

Lance Gokongwei
Chairman of the Board

Board of Directors

Lance Y. Gokongwei
Chairman



David Gulliver G. Go
Director



Brian H. Franke
Director

Jose F. Buenaventura
Director



Alexander G. Lao

President & Chief Commercial Officer



Robina Gokongwei Pe

Director



Bernadine T. Siy

Independent Director

Richard Raymond B. Tantoco

Independent Director



Brian Mathew P. Cu

Independent Director



Michael Szucs
Chief Executive Officer



Alexander G. Lao
President and
Chief Commercial Officer



Michael Ivan S. Shau
Chief Corporate
Affairs Officer

Senior Management & Consultants



Samuel S. Avila, II
Vice President for
Flight Operations



Lei Apostol
Vice President for Customer
Service Operations



Atty. Anne Romadine Tieng
General Counsel
and Corporate Secretary



Jose Alejandro B. Reyes
Chief Strategy Officer



Mark Julius V. Cezar
Chief Financial Officer and
Compliance Officer



Laureen M. Cansana
Chief Information Officer



Javier Massot
Chief Operations Officer



Candice Iyog
Chief Marketing and
Customer Experience Officer



Felix Dan S. Lopez
Chief Human Resources Officer



Materno C. Ilagan
Vice-President for Safety,
Quality and Security



Shevantha Weerasekera
Vice-President for Engineering
and Fleet Management



Ma. Elynore J. Villanueva
Treasurer

KEY OPERATING STATS



	Years Ended Dec 31			2023 vs 2022	
	2023	2022	2021	Inc (Dec)	% Change
Passengers Carried (000)	20,868	14,845	3,411	6,023	41%
Available Seats (000)	24,836	19,719	5,631	5,117	26%
Seat Load Factor	84.0%	75.3%	60.6%	+8.7 pts	+8.7 pts
RPK (in millions)	21,934	11,868	2,479	10,066	85%
ASK (in millions)	27,573	17,288	4,878	10,285	59%
Number of Sectors Flown	140,730	108,329	34,463	32,401	30%
Fleet Size at End of Period*	85	72	74	13	18%

*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



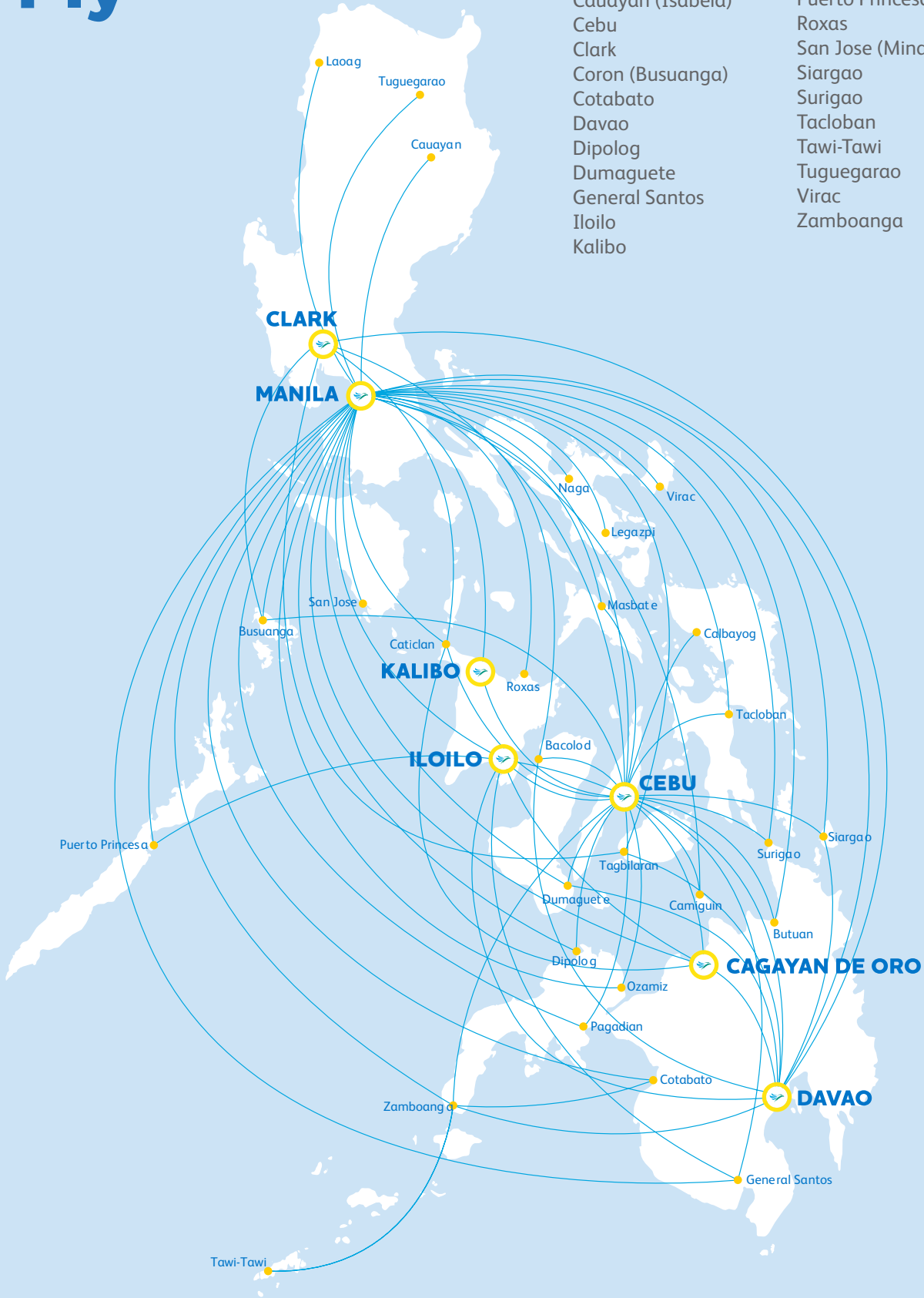
FINANCIAL HIGHLIGHTS

	Years Ended Dec 31			2023 vs 2022	
	2023	2022	2021	Inc (Dec)	% Change
Total Revenues	90,603	56,751	15,741	33,851	60%
Total Operating Expenses	82,024	68,180	38,899	13,843	20%
Operating Income (Loss)	8,579	(11,429)	(23,158)	20,008	175%
Net Income (Loss)	7,923	(13,979)	(24,899)	21,902	157%
Pre Tax Core Net Income (Loss)	4,191	(14,616)	(25,808)	18,807	129%
EBITDAR	24,852	8,524	(3,943)	16,328	192%
Total Assets	187,185	147,156	138,254	40,029	27%
Total Liabilities	182,406	150,041	127,644	32,365	22%
Equity	4,778	(2,885)	10,610	7,663	266%
Basic (Diluted) earnings per share	P9.61	-P23.89	-P42.41	33	140%

Where We Fly

DOMESTIC

- Bacolod
- Bohol
- Boracay (Caticlan)
- Butuan
- Cagayan de Oro
- Calbayog
- Camiguin
- Cauayan (Isabela)
- Cebu
- Clark
- Coron (Busuanga)
- Cotabato
- Davao
- Dipolog
- Dumaguete
- General Santos
- Iloilo
- Kalibo
- Laoag
- Legaspi (Daraga)
- Manila
- Masbate
- Naga
- Ozamiz
- Pagadian
- Puerto Princesa
- Roxas
- San Jose (Mindoro)
- Siargao
- Surigao
- Tacloban
- Tawi-Tawi
- Tuguegarao
- Virac
- Zamboanga

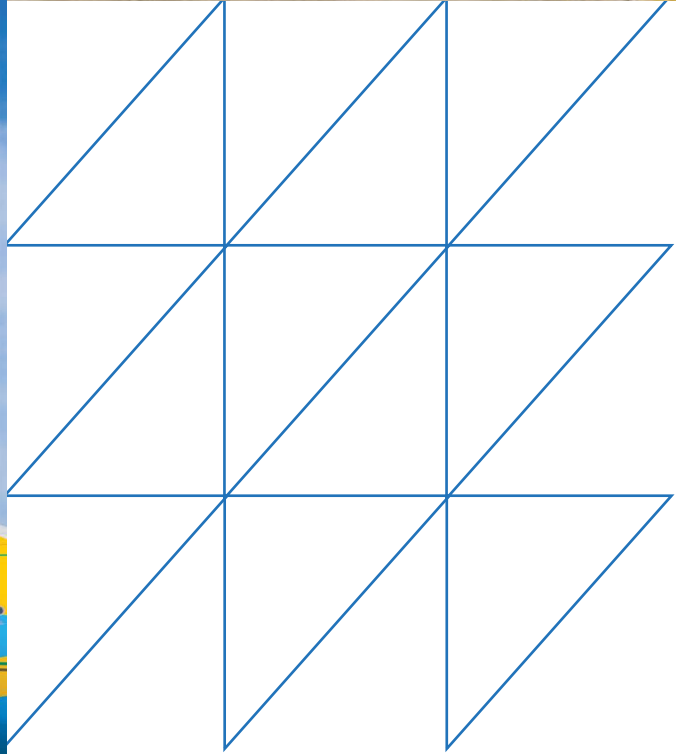


INTERNATIONAL

Australia (Sydney, Melbourne)
Brunei
China (Guangzhou, Shanghai, Shenzhen, Xiamen)
Hong Kong
Indonesia (Bali, Jakarta)
Japan (Fukuoka, Nagoya, Narita, Osaka)
Korea (Incheon)
Macau
Malaysia (Kota Kinabalu, Kuala Lumpur)
Singapore
Taiwan (Taipei)
Thailand (Bangkok)
United Arab Emirates (Dubai)
Vietnam (Da Nang, Hanoi, Ho Chi Minh)



Our Fleet



CEB finished 2023 with **85 aircraft,** comprised of:

3 Airbus A330CEO
(Current Engine Option)

7 Airbus A330NEO
(New Engine Option)

7 Airbus A321CEO

13 Airbus A321NEO

21 Airbus A320CEO

18 Airbus A320NEO

14 ATR 72-600

2 ATR freighters



Of this figure, 77 were used for operations as of December 31, 2023.

On average, CEB's aircraft are 5.6 years old, making the airline operate one of the youngest fleets in the world.

Airbus

Cebu Pacific ended 2023 with three (3) Airbus A330CEO, seven (7) Airbus A330NEO, seven (7) Airbus A321CEO, 13 Airbus A321NEO, 21 Airbus A320CEO, and 18 Airbus A320NEO aircraft.

The Airbus A330CEO has a single-class 436-seat capacity used for international flights, as well as domestic flights with high passenger volume, like Cebu and Davao.

To support its goal of transitioning to an all-NEO fleet by 2028, CEB took delivery of 15 Airbus NEO aircraft in 2023. The Airbus A330NEO, an eco-plane with a 459-seat capacity, allows more travelers to be carried in

a single flight, resulting in the lowest carbon footprint per passenger per kilometer. It also uses 25% less fuel than previous generation aircraft, able to consume as little as 1.4 liters per seat per 100 kilometers.

Also from NEO family are the A321NEO with 236 seats and the A320NEO with 188 seats, which are both made by world-renowned seat manufacturer Recaro. These seats are lighter and ergonomically designed, giving passengers more legroom. Each seat is also equipped with a USB port which allows passengers to charge their mobile devices in-flight.





ATR

CEB ended the year with 16 aircraft in its ATR fleet. These turboprop aircraft manufactured by Avions de Transport Regional (ATR) in Toulouse, France, are known for their reliability, ease of maintenance, and ability to land on short runways, making the ATR the top choice in the turboprop class.

Equipped with the high-density Armonia cabin, CEB's high-capacity ATR 72-600 aircraft have 78 slimline seats and wider

overhead bins with 30% more stowage space when compared to the 72-500 model. This new model is also known to have more efficient fuel burn, which translates to more affordable fares for every Juan.

Cebu Pacific's additional 72-600 aircraft are used to widen the CEB network through inter-island routes and boost new city pairs between hubs.



Products



cebfare bundles

Get organized and be fully prepared for your trip with CEB's Fare Bundles. Choose a bundle depending on your need and enjoy great discounts in just one click:

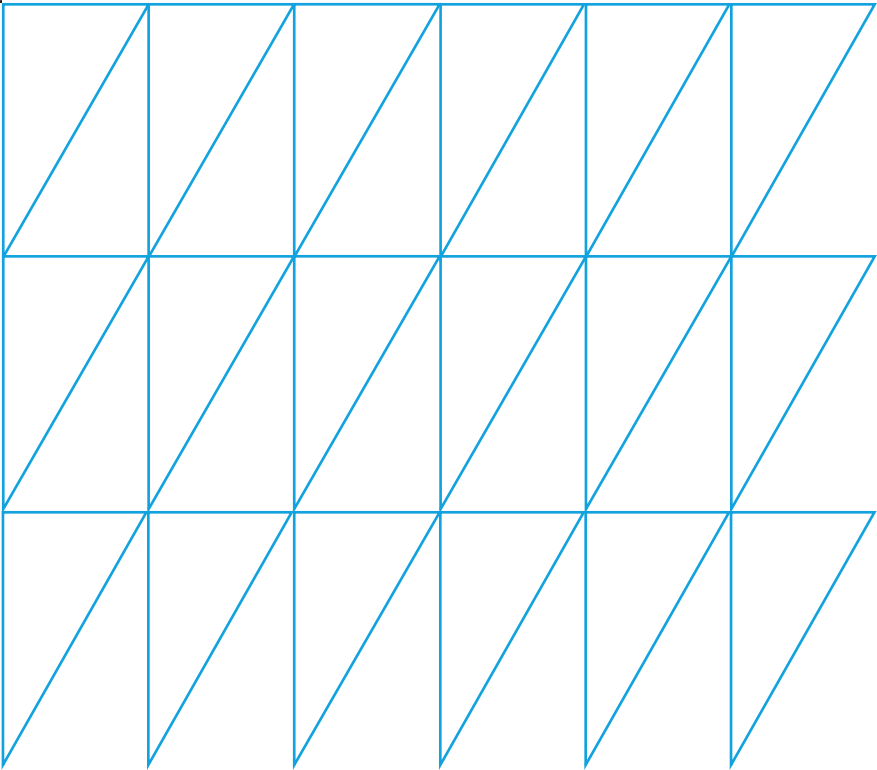
- ★ Go Basic = Airfare only
- ★ Go Easy = Airfare + 1pc, 20kg checked baggage allowance + Standard seat (choose your seat)
- ★ Go Flexi = Airfare + 1pc, 20kg checked baggage + Standard seat (choose your seat) + CEB Flexi

CEB Fare Bundles are available for all domestic and international flights during initial booking only.



ceb flexi

CEB Flexi gives passengers flexibility in their travel plans. For a minimal fee during initial booking, passengers may cancel their flight up to two (2) hours before departure and get back the value of the booking back in the form of a non-expiring travel fund.





CEB Baggage

CEB Baggage allows passengers to bring their luggage for check-in. With the enhanced baggage policy, passengers may now purchase up to three (3) pieces of 20kg check-in luggage. Each check-in luggage may also be upgraded in increments of four, starting from 4kg, 8kg, up to 12kg, ultimately allowing each passenger to bring a maximum of three (3) pieces of 32kg baggage.

Special Baggage

Guests can avail of CEB's Special Baggage for a minimum fee upon booking. This service lets guests bring their own sports equipment, surfboard or any oversized baggage (baggage more than 39in on any one side). These are available on CEB and Cebgo flights, subject to aircraft limitations.



CEB allows passengers to select where they want to sit in the aircraft for a minimum fee. Passengers who select Premium Seats, or those that are near the exits, come with a priority boarding feature and extra legroom. Seats closer to the front section of the aircraft are available through the Standard Plus seat option. All other seats are considered Standard seats.

CEB Transfers

CEB, in partnership with Southwest Travel and Tours, provides guests with a safe and convenient transfer service to and from their hotel in Boracay via Caticlan with CEB Transfers. CEB Transfers is available for booking before departure up to two (2) hours for Caticlan to Boracay transfers and 24 hours for Boracay to Caticlan.





cebmobile app

Cebu Pacific's official Mobile App is available for download on iOS and Android devices to make it even more convenient for guests to book and check in for their flights while on the go.



ceb travelsure®

In partnership with Chubb, CEB TravelSure provides CEB guests from one to 70 years old with protection from any unforeseen events, giving them peace of mind as they go on their adventure. Coverage starts 2 hours before your departure and will last up to 2 hours after your arrival.

CEB TravelSure also covers emergency medical treatment in case of an accident or sickness during travel. Likewise, it provides compensation for unexpected travel circumstances like cancellations or delays due to weather, loss of travel documents or luggage, and other unforeseen events. Additional coverage for unexpected hiccups in travel plans such as trip delays and lost baggage are also available.



ceb biz

CEBBIZ is the corporate program of Cebu Pacific that allows companies to optimize their travel budget and book Cebu Pacific flights using the Skypartner Lite online booking facility. Benefits include the ability to put bookings on hold (applicable to selected fares) for individuals and groups travelling on business meetings, incentives, conventions/exhibition travel and payable in various forms of payment. CEBBIZ also provides an online sales monitoring tool providing details of all bookings necessary for back-office reconciliation and settlement.

These benefits afford companies with booking convenience and flexibility, transparency and offer a direct simplified process for companies to manage their travel requirements.

Fast Check-in Options

CEB provides an enhanced check-in experience by offering various digital check-in channels where guests can get their seat and boarding pass even before they get to the airport.

Mobile Check-in

Guests can check in via the official CEB Mobile App from seven days up to four hours before international flight departure, and up to one hour before domestic flight departure.

With the CEB Mobile App, there is no need to get a physical boarding pass for flights to and from select domestic and international destinations. Guests can simply flash the Boarding Pass generated from the app before boarding their flight.

Web Check-in

CEB is the first airline in the Philippines to provide guests the option to check in for their flights online. This is available from seven days up to four hours before international flight departure, and up to one hour before domestic flight departure.

Kiosk Check-in

CEB Kiosks are conveniently located near CEB's check-in counters in select Philippine airports. Guests may check-in at the kiosk for their flights from eight hours up to an hour before departure.



Charlie is everyJuan's go-to live agent for any travel concerns, booking information, or seat sale announcements.

Available on Cebu Pacific's website, app and official Facebook page, Charlie can assist in issuing Official Receipt, Certificate of Travel, Certificate of Non-Travel and Certificate of Flight Disruption.

More than that, Charlie is online 24/7 to provide answers to frequently asked questions about booking and requirements needed before the flight. Customers may also be led to relevant information about other offerings, such as premium seat selections, in-flight meal selections, baggage allowance, and more.



Payment Centers

Cebu Pacific guests who are not credit card holders can book flights through the website and pay via the airline's payment



ROBINSONSBANK



Payment Options

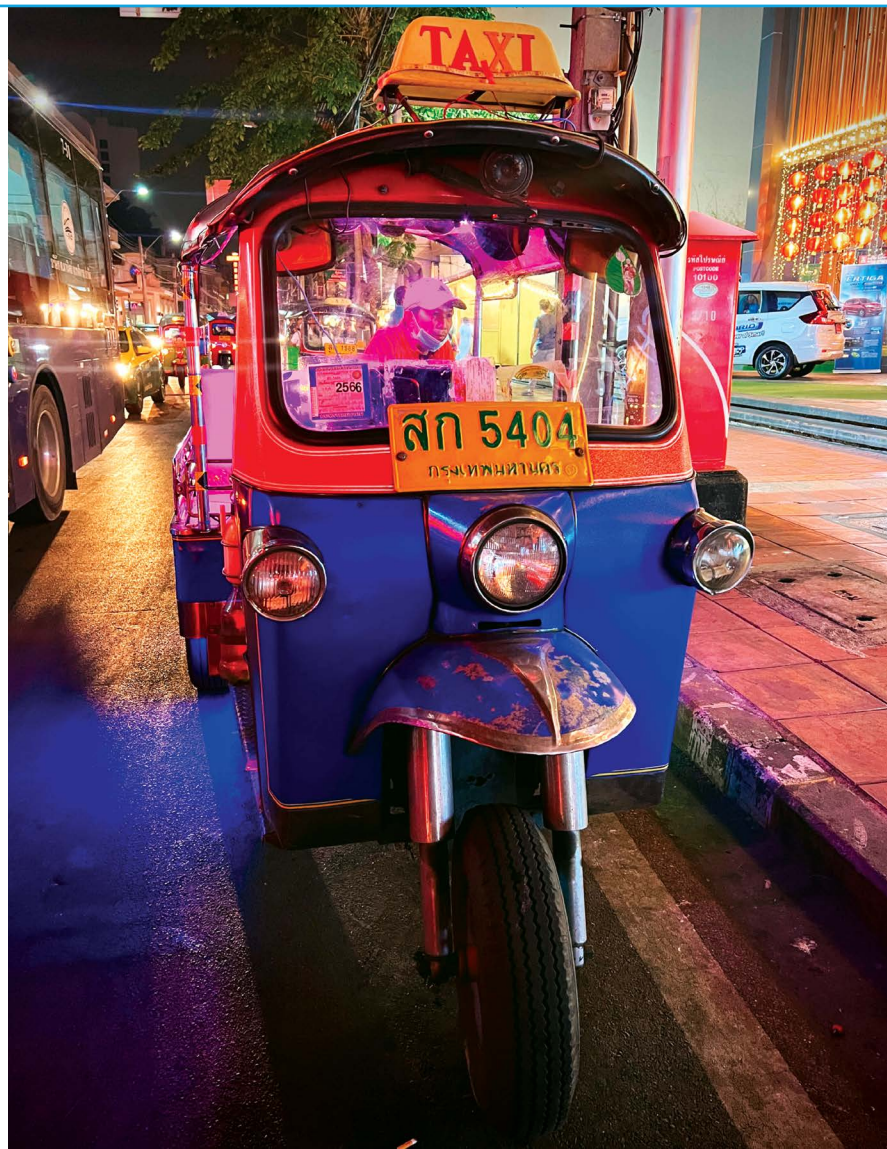
Cebu Pacific guests can book their flights online and pay using their debit/ credit cards:



Cebu Pacific is the first airline in the Philippines to offer the global payment platform as a payment option.



Cebu Pacific facilitates online booking and payment in China through Alipay. Alipay is one of the largest payment channels in China, with more than 160 financial institution members and around 800 million registered account users.





A lifestyle rewards program that allows guests to earn points with their Cebu Pacific and Cebgo flights, as well as with their everyday expenses and transactions with Go Rewards partners. With every spend & transaction with Go Rewards partners, members may redeem free flights.

For more information, guests can visit the Go Rewards website:

www.gorewards.com.ph

Smile Magazine

Smile Magazine is Cebu Pacific's official in-flight magazine. The magazine provides readers not only the latest on the airline, but also travel and lifestyle guides on CEB destinations in the Philippines and the AsiaPacific.

CEB Fun Shop

Cebu Pacific's Fun Shop offers various merchandise collection and souvenir items. From diecasts of Cebu Pacific aircraft to blankets and tumblers, these products may be purchased in-flight while stocks last.



Cebu Pacific offers pre-ordered in-flight meals that you can purchase up to 24 hours before your flight. Variants include rice meals, noodles, and sandwiches that come with a free bottled water.



Cebu Pacific's Fun Café presents a wide variety of flavorful buy-on-board snacks and drinks fit for everyone's taste. Hearty rice meals and specialty snacks are exclusively available for pre-order at cebupacificair.com.

2023 Highlights

In its 27th year, Cebu Pacific (CEB) continued to thrive in the dynamic post-pandemic aviation industry, focusing on further growing its network and capacity in its commitment to make air travel more affordable and accessible to the public. With COVID-19 restrictions on air travel being fully lifted this year, CEB took the opportunity to restore routes that were previously stopped while launching new destinations that will give its passengers more chances to explore the world.

2023 was also a year of resiliency for CEB as it faced several challenges that affected the global aviation industry. Through it all, the airline showed strength, tenacity and perseverance, prioritizing the welfare of its customers while implementing various measures to future-proof its operations.





Network Recovery

CEB further strengthened its network and capacity this year as it restored more than 100% of its systemwide flights by the second quarter of 2023. The revival of several hubs, as well as the increase in flight frequencies to major outstations such as Boracay, Cebu, Davao, and Iloilo also helped improve passenger capacity across the airline's widest domestic network.

In April 2023, CEB relaunched its Clark station with a combined 15 domestic and international destinations, reestablishing it as an important gateway for local and international travelers. By May 2023, the airline also started its Manila-Laoag operations, further expanding its network in north Luzon.

International destinations saw increases in passenger capacity with additional flight frequencies to Hong Kong, Narita, and Singapore, among others. CEB restored its

operations to Shenzhen, China and launched its newest international destination in December 2023—Da Nang—cutting down travel time and costs for passengers who want to explore one of the most beautiful cities in Vietnam.

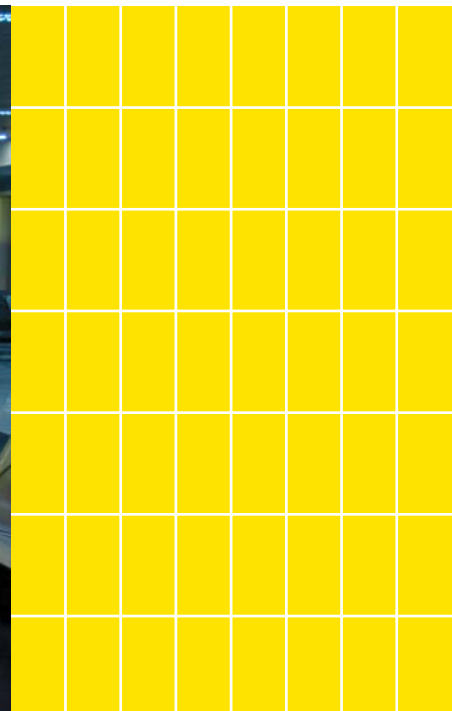
Global aviation industry challenges such as the Pratt and Whitney engine issues and scheduled aircraft delivery delays from manufacturers pushed CEB to optimize its flight schedules to ensure operational resiliency and continue providing safe, affordable, and reliable flights to its passengers.

Despite these adjustments, CEB retained 100% restoration of its systemwide network and capacity by the end of 2023, averaging 385 flights per day across 35 domestic and 25 international destinations. This is equivalent to about 68,000 seats offered per day.

Operational Recovery

CEB finished 2023 strong as it completed its record number of 18 aircraft deliveries for the year, comprised of:

- 3 Airbus A320CEO
- 3 Airbus A330NEO
- 3 Airbus A321NEO
- 9 Airbus A320NEO





CEB took delivery of several aircraft to address the growing demand for air travel and boost its operational resiliency. In 2023 alone, CEB carried 20.8 million passengers across its extensive domestic and international network. This is despite the supply chain constraints and Pratt & Whitney engine issues that caused operational challenges for CEB during the second quarter of 2023.

Other than taking delivery of additional aircraft, CEB continued to explore various opportunities to enhance its fleet and improve its operational resiliency. Before the second quarter ended, CEB accepted its first A320neo aircraft at an Airbus' assembly line in Tianjin, China.

Prior to 2023, CEB placed orders for new Airbus aircraft from Toulouse, France. With CEB taking delivery of new aircraft from a closer Airbus facility to Manila, potential delays in future aircraft deliveries have been minimized.

Fast forward to the fourth quarter, CEB signed a damp lease agreement with Bulgaria Air for two Airbus A320CEOs to meet the expected rise in air travel demand the following year. The two aircraft were set to operate flights from Manila to Cebu and Davao from January to May 2024.

Further, CEB issued a Request for Proposal (RFP) to both Boeing and Airbus for an order of 100 to 150 aircraft amounting to \$12 million. This order represents the largest ever commitment of any airline into the Philippine aviation industry.

Looking ahead to 2024, CEB expects to operate more than 90 aircraft and stay true to its commitment of offering passengers safe, reliable, and affordable flights.



Customer Experience

CEB elevated passenger experience and introduced policy changes to effectively respond to customer concerns and enhance their overall travel experience.

In April 2023, CEB improved its airport layout at the Ninoy Aquino International Airport Terminal 3 by allotting a specific gate for passengers who have already performed online check-in and introducing a designated aisle for self-services.

With the new layout, passengers who have accomplished online check-in are allowed to go straight to their boarding gates. Those who still need to check in their luggage may go to CEB's self-bag tag kiosks at Aisle E to generate and attach their bag tags on their own.

Passengers who opt to check in at the airport may also perform self-services after they finish their check-in process.

International passengers bound for non-visa destinations were also allowed to start using the kiosks near Aisle E to complete their check-in process. Previously, international passengers needed to check-in at the counter to verify their travel documents before printing their boarding pass.

CEB has also made significant improvements in its customer policies. Not only has it removed the expiration dates of its travel funds and the deadline to rebook disrupted flights. CEB has also extended the validity of its travel vouchers to 18 months. Previously, travel funds and vouchers were only valid for



six (6) months, whereas selecting an option for disrupted flights was only valid for 30 days from the date of disruption.

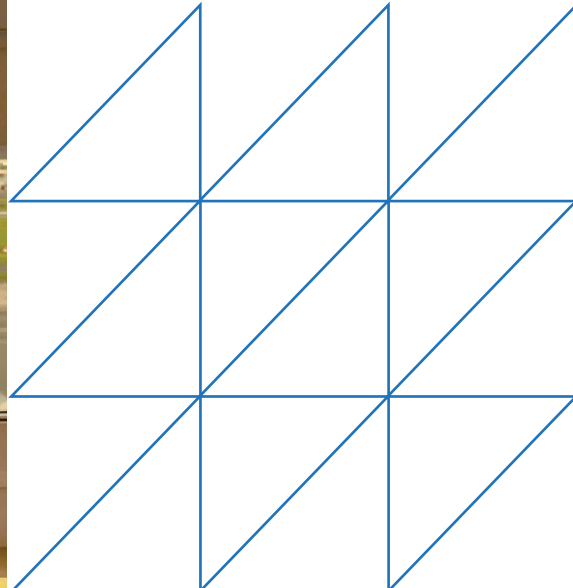
In addition, passengers affected by flight disruptions who are entitled to avail of meals may now simply present their boarding passes to select CEB-accredited stores within NAIA T3.

Passengers were likewise given more flexibility in their travel plans as CEB enhanced its baggage policy. For checked-in bags, passengers now may avail up to three (3) pieces of 20kg bags and upgrade each in increments of four, starting from 4kg, 8kg, up to 12kg. This ultimately allows each passenger to bring a maximum of three (3) pieces of 32kg bags. Previously, passengers could only

purchase up to two (2) pieces of check-in bags in 20kg or 32kg variants.

To give way to a more elevated digital experience, CEB also introduced its new and improved Charlie. The updated 24/7 virtual assistant provides customers with the fastest way to get smarter answers as she links out to the CEB Help Center. The new and improved Charlie also offers the fastest way for customers to be connected to a live agent. In as fast as 0.2 seconds, customers may already receive responses to their urgent concerns.

All in all, CEB's new initiatives and policy changes aimed at enhancing passenger experience have resulted in a Net Promoter Score (NPS) of 71.52%.



Sustainability

Cebu Pacific sustained its leadership in the regional aviation industry, marked by strategic advancements in environmental stewardship, community engagement, and sustainable business practices.

Key to the airline's sustainability efforts was transitioning its fleet to new engine option (NEO) aircraft by 2028 and incorporating sustainable aviation fuel (SAF) into its operations.

In 2023, the airline received 15 new airbus NEO, enhancing its operation's fuel efficiency and reducing its carbon emissions.

Apart from this, CEB has taken active steps towards its comprehensive sustainable alternative fuels (SAF) program. The airline





partnered with Neste to explore the supply and purchase of SAF in Asia Pacific. It mounted several SAF-powered flights, including the first A320neo delivery from China using a 41% SAF blend—the highest in the airline’s history. Additionally, it launched its inaugural SAF-powered passenger flight from Narita to Manila, advancing its commitment to more sustainable air travel.

Beyond its fleet, CEB has intensified its Electric Vehicle (EV) transition program. Notably, the airline transitioned its Juander Shuttle service entirely to 100% electric, zero-emission minibuses, catering to its employees’ commuting needs.

The airline also undertook a demonstration run of electric baggage tractors and a charging station for its ground operations and received two new electric buses from Thermo One (T1) Transport to transfer passengers to and from the boarding gate and aircraft at NAIA Terminals 3 and 4.

CEB’s sustainability initiatives extended to strategic partnerships, reinforcing its commitment to environmental stewardship. The airline collaborated with South Pole to

develop a robust climate strategy; joined forces with Airlink to support humanitarian efforts sustainably; and partnered with the Ramon Aboitiz Foundation Inc. One to Tree program (RAFI OTT) to champion mangrove conservation in Cebu. These have diversified CEB’s approach to various aspects of sustainability.

These initiatives have earned recognition, with Cebu Pacific’s Environmental, Social, and Governance (ESG) score rising from 38 in 2022 to 41 in 2023, as evaluated by S&P Global. Its MSCI ESG rating improved from BBB to A, marking it as one of the top-performing sustainable companies in the Philippines.

Moreover, CAPA awarded CEB a Gold rating, making it the most sustainable airline in the Philippines and one of only two low-cost carriers in Southeast Asia to achieve such distinction.

These accomplishments underscore CEB’s successful integration of sustainable practices, reinforcing its role as an industry leader in the transition towards more environmentally responsible aviation.

Cargo

Through the years, cargo operation has proven its essential role in CEB's ecosystem. Aside from passenger airlift, cargo played an important part in CEB's thrust of being an enabler by transporting essential goods and lifesaving commodities across its network. In 2023, CEB carried 128 million kilograms of cargo which is 2% higher compared to the previous year. The total cargo carried comprises 93 million kilograms domestic cargo and 35 million kilograms international cargo.

One of the improvements in cargo business operations in 2023 is the establishment of cargo remote acceptance for two of CEB's top domestic accounts. This enhancement made the process more seamless and convenient for the client since cargo is screened and accepted by CEB's ground



handling personnel at the warehouses of our clients, making the transfer faster at the Ninoy Aquino International Airport Terminal 4. The client may also create their own bookings using CEB's Cargo system, which makes it more efficient as it lessens queue in the cargo warehouse.

Apart from commercial items, CEB also transported humanitarian cargo especially during times of disaster and calamities. Through our continuous partnership with different public and private organizations, a total of 257,000 kg of donations were brought to different parts of the country. These include relief goods, blood and organ donations, books, toys and medical supplies all airlifted for free as part of CEB's corporate social responsibility.



People



IncluCEB Space

CEB strongly believes that diversity, equity and inclusion are essential to fulfilling our organizational mission. As CEB made moments happen for our passengers, it also created moments that matter to its employees.

IncluCEB Space served as the umbrella program for all DEI activities and built as CEB's platform to nurture a culture of acceptance, empower underrepresented groups and drive positive change within the organization.

Here are the projects 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 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
- ★ Painting CEB Crosswalk with rainbow colors for Pride Month Celebration

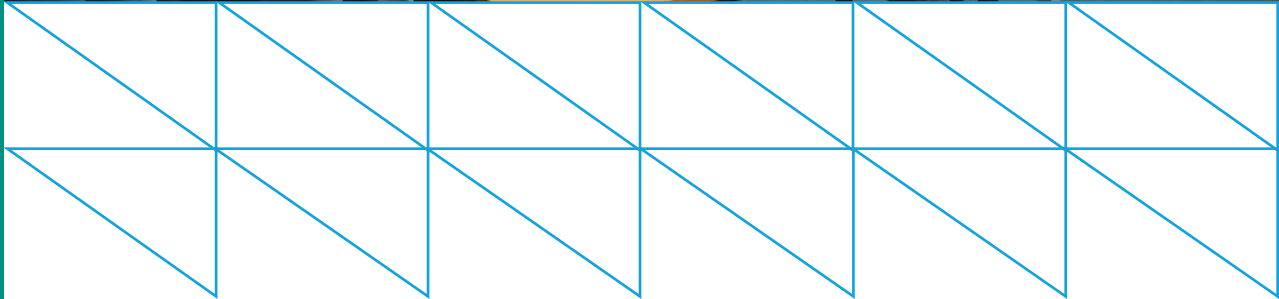
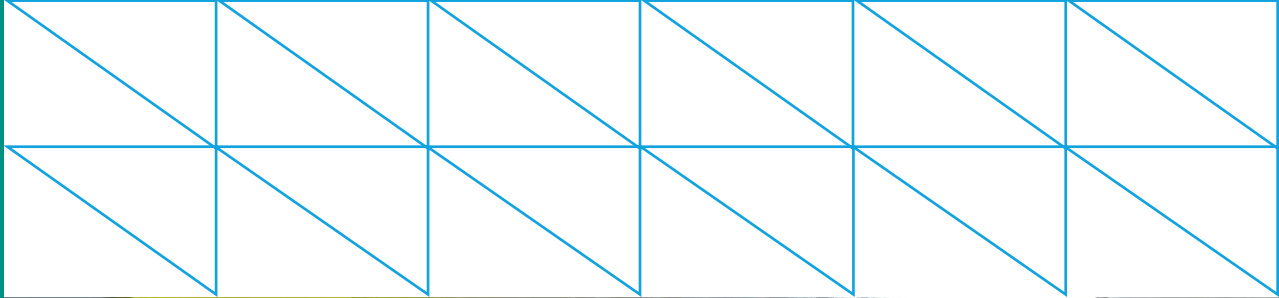
Juan CEB Community

With 2023 giving a sense of normalcy to the country, CEB also had the goal of making sure that its work environment is more engaging for its employees as they report back to the office. On September 1, 2023, the Juan CEB Community was established. The community, composed of different passion-igniting organizations that include health and wellness, arts, and sports, different activities were held to promote creativity and collaboration and bond with fellow employees who share the same passion and interests outside of their day-to-day work.

CEB Cares: Mental Health Program

Cebu Pacific recognizes the importance of mental wellbeing of its employees, their support system, and their dependents. In 2023, CEB introduced the CEB CARES Community which is composed of Moment Makers which provide holistic support to our colleagues. Its mission is to listen and offer necessary support on how employees can better understand and deal with emotions and changes. CARE stands for Compassion, Affirmation, Respect and Empathy. Part of the mental health program is free tele-mental health consultation to select employees and their dependents and stress debriefing sessions to employees exposed to traumatic/stressful incidents at work.







Total Rewards

Cebu Pacific continuously ensured that every Juan working within the airline is safe and secure. In 2023, CEB enhanced its health benefit coverage, expanded clinic services to include onsite lab tests such as phlebotomy, ECG, and ultrasound.

Talent Management

In 2023, Cebu Pacific continued its initiatives geared towards operational resiliency and efficiency, specifically by ensuring that employee welfare is not put in the backlines. The hiring of pilots and cabin crew, both with a 100% fill rate, supported the continued growth of CEB's fleet. Despite hindrances brought about by the pandemic, CEB was also able to acquire non-flying employees through the first-ever Career Expo for non-flying roles. Programs such as SkyCAMP and FLY (Find the Leader in You) also enabled CEB to enrich its pool of talents – further ensuring competency across the different critical positions and leadership roles.

Learning and Development

Indeed, the effects of the pandemic did not hinder Cebu Pacific from continuing to cultivate knowledge for its employees. On the contrary, CEB University provided its learners with more ways to achieve individual employee development with synchronous, asynchronous, and blended learning initiatives such as CEBTalk and LinkedIn Learning.

The CEB Accelerated Program was launched in May 2023 and was created to hone critical talents, sharpen leadership skills, and offer development opportunities to select CEB leaders and their successors. The five-session program was also facilitated by Harvard Business School-certified instructors.

CEB also enhanced its digital learning capabilities by expanding the coverage of LinkedIn Learning - from 320 in 2022 to 608 licenses - and the introduction of AI-powered coaching.

Corporate Social Responsibility

Cebu Pacific is committed to nation-building through focused initiatives that include fostering sustainable tourism, encouraging responsible air travel, and extending vital support during emergencies and disasters. Through these efforts, Cebu Pacific strives to strengthen local economies and support the well-being of communities across the country.



Partnerships with Communities and Organizations

Fly for a Cause

Cebu Pacific, in collaboration with UNICEF Philippines, demonstrated its steadfast commitment to uplifting vulnerable Filipino children through its in-flight fundraising campaign, Change for Good.

In 2023 alone, CEB raised P10.9 million through the initiative. Further, since its inception in 2016, the campaign has earned 91 million in donations. These funds were channeled into various UNICEF programs that helped Filipino children gain access to education, health care, and humanitarian aid in the Philippines.

CEB is the first and only airline partner of UNICEF in Southeast Asia for the Change for Good campaign. It is also the only local carrier that actively raises funds to support children in its home country.

Airfare and Cargo Support

Staying true to Cebu Pacific's mission of providing humanitarian assistance, the airline transported 258 metric tons of essential items, including food and healthcare supplies, across its domestic routes free of charge to support vulnerable children and communities. Additionally, the airline provided discounted airfares to 671,799 passengers, comprising 422,084 senior citizens, 75,797 persons with disabilities, 262 students and athletes, and 173,656 children.

United Filipino Global

Cebu Pacific joined forces with United Filipino Global (UFG) to enhance the welfare of overseas Filipino workers (OFWs).

Through the partnership, CEB will provide complimentary flights, endorse scholarship grants for OFW children, and offer humanitarian aid during emergencies.

Additionally, the airline will conduct information campaigns and facilitate internship programs for OFW families.

This collaboration underscores the airline's commitment to supporting OFWs beyond transportation, aiming to ensure safe, reliable, and affordable air travel while uplifting the lives of Filipinos at home and abroad.

Autism Angels Take Flight

Cebu Pacific, in collaboration with the Autism Society Philippines (ASP), celebrated World Children's Day through the "Autism Angels Take Flight" event. The initiative aimed to familiarize children on the autism spectrum and their families with air travel.

ASP participants engaged in a mock airport setup, providing hands-on experience with check-in and boarding procedures. This was followed by a tour of a CEB aircraft featuring its in-flight activities. More than 50 people on the autism spectrum from various ASP chapters joined the activity.

Community Initiatives

Juan Community

Cebu Pacific mounted a series of back-to-school initiatives, reaffirming its commitment to education and emphasizing its focus on creating a positive impact on society.

CEB brought back “Fun for Little Juans” where 181 children and 139 guardians from a community sponsored by Better World Tondo had the opportunity to enjoy a day filled with educational exhibits and entertaining shows at Manila Ocean Park.

In addition, CEB volunteers actively participated in Brigada Eskwela at Epifanio Delos Santos Elementary High School, where they packed 300 school kits and painted wall murals. The event received support from organizations such as Ministries without Borders, Universal Robina Corporation, National Bookstore, and Bayan ni Juan Movement.

These initiatives serve to encourage CEB employees to embrace volunteerism and contribute to educational progress for a brighter future.

Take Flight for Pride

Cebu Pacific launched its first Pride flight, operated by LGBTQIA+ crew and allies, marking the start of its Pride Month celebrations.

The flight, CEB 5J 905, traveled from Manila to Boracay. Passengers onboard enjoyed themed giveaways, engaging games, and the opportunity to win a roundtrip flight ticket.

The initiative underscores Cebu Pacific’s enduring commitment to fostering diversity, inclusivity, and equity.





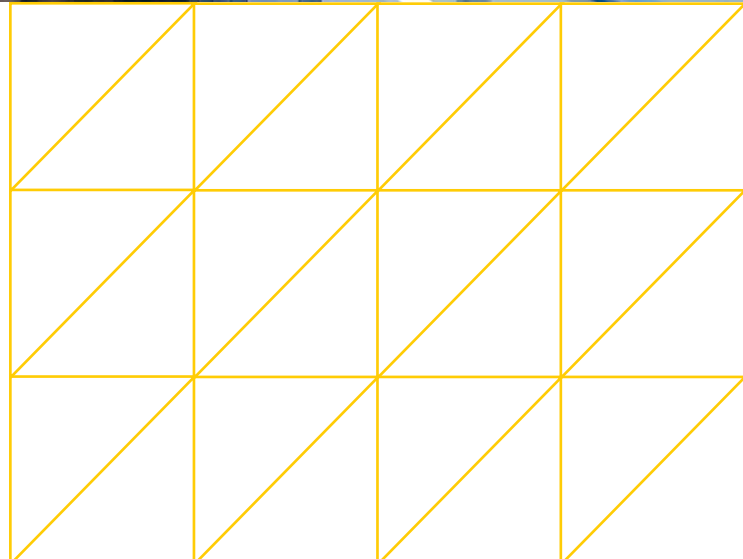
Overseas Job Fair

To provide opportunities for aspiring overseas Filipino workers (OFW) during the Christmas season, Cebu Pacific hosted a job fair in Cebu, alongside select government agencies and non-governmental organizations (NGO).

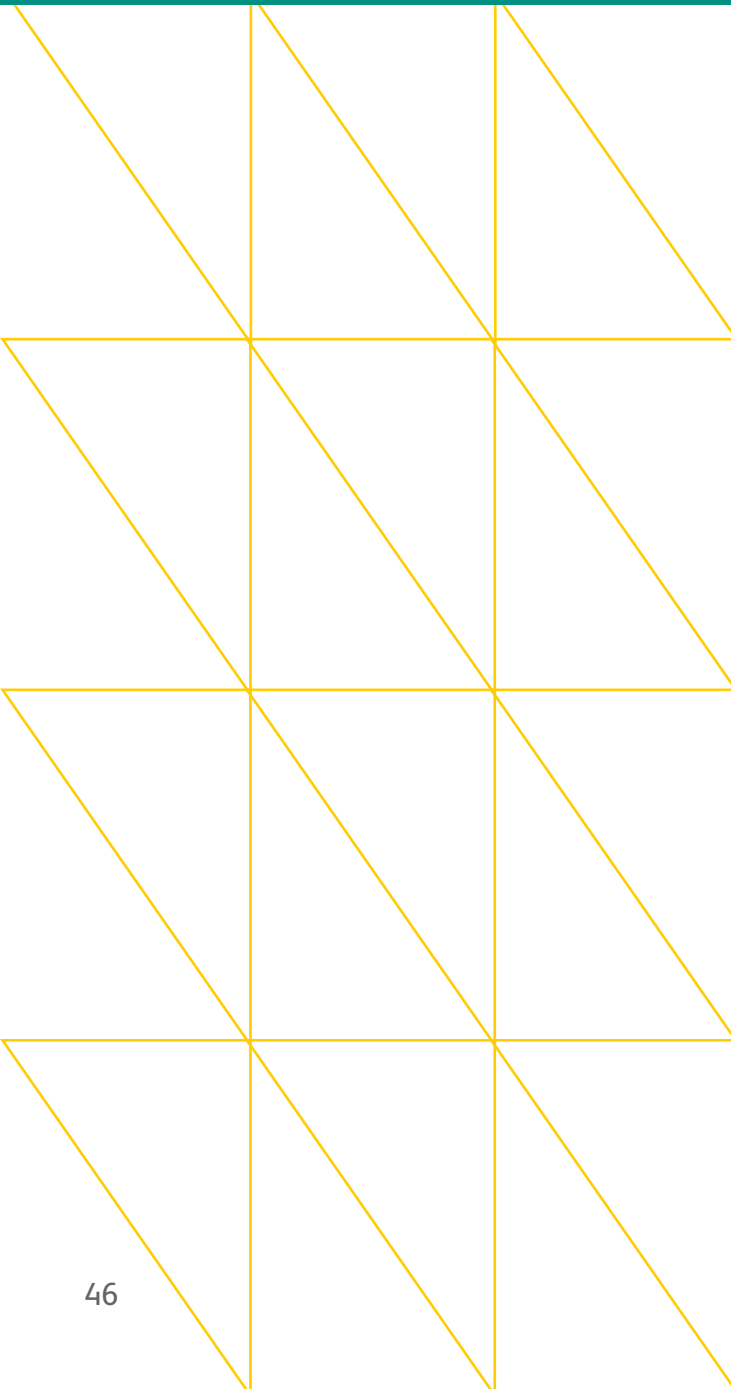
The event, held at Robinsons Galleria Cebu, offered over 4,000 job openings in sectors such as healthcare, accountancy, hospitality, and skilled trades in destinations including the Middle East, United Arab Emirates, Japan, and Australia.

In addition to facilitating job placements, CEB also conducted a special talk for first-time OFWs, providing essential air travel tips to ensure a seamless and safe travel experience.

This initiative is the first in many planned efforts by CEB and UFG to provide support for overseas workers and their families.



Financial Statements



**STATEMENT OF MANAGEMENT’S RESPONSIBILITY
 FOR FINANCIAL STATEMENTS**

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


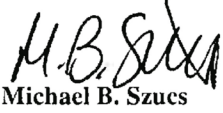
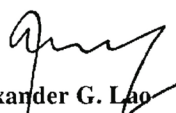
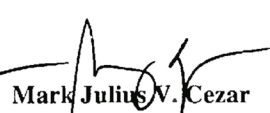
The management of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2023, 2022 and 2021, in accordance 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 <i>Chairman of the Board</i>	 Michael B. Szucs <i>Chief Executive Officer</i>	 Alexander G. Lao <i>President and Chief Commercial Officer</i>	 Mark Julius V. Cezar <i>Chief Financial Officer and Compliance Officer</i>
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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

Doc. No. 21
 Page No. 6
 Book No. T
 Series of 2024

NOTARY PUBLIC


ATTY. JOSINE M. V. PROTASIO
 Commission No. 24-25
 Notary for Pasay City until 31 December 2025
 Cebu Pacific Building, Domestic Road,
 Brgy. 1 Zone 20, Pasay City
 Roll No. 74700
 PTR No. 8455170/ 01-09-2024/ Pasay City
 IBP No. 385041/ 01-02-2024/ Makati Chapter

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	P62,458,245,988	P35,138,497,462	P6,289,010,220
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)			
<i>Other comprehensive income (loss) that may be reclassified to profit or loss in subsequent periods:</i>			
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)
<i>Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:</i>			
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)	P7,586,146,700	(P13,584,454,645)	(P24,723,489,005)
Earnings (Loss) Per Share (Note 28)			
Basic	P11.64	(P23.89)	(P42.13)
Diluted	P6.79	(P23.89)	(P42.13)

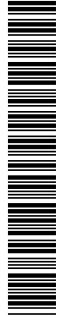
See accompanying Notes to Consolidated Financial Statements



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)			
	Remeasurement										Appropriated (Note 22)	Unappropriated (Note 22)	Total	Equity (Capital Deficiency)
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Share-based Payments (Note 23)	Treasury Stock (Note 22)	Retirement Liability (Note 26)	Cash Flow Hedge Reserve (Note 8)	Gain (Loss) on	Total	Total	Total				
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)	₱-	₱7,922,664,507	(₱2,885,142,564)	
Net income	-	-	-	-	-	-	-	-	-	-	-	-	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)	-	-	-	-	-	(336,517,807)	
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	(₱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	(₱10,609,745,213)	
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income (loss)	-	-	-	-	(163,684,454)	558,616,927	394,932,473	-	-	-	-	-	(13,979,387,118)	
Total comprehensive income (loss)	-	-	-	-	(163,684,454)	558,616,927	394,932,473	-	-	-	-	-	394,932,473	
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)	₱-	₱7,922,664,507	(₱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	₱-	₱14,689,245,206	₱22,690,876,615	
Net loss	-	-	-	-	-	-	-	-	-	-	-	-	-	
Other comprehensive income	-	-	-	-	155,720,148	19,393,734	175,113,882	-	-	-	-	-	(24,898,602,887)	
Total comprehensive income (loss)	-	-	-	-	155,720,148	19,393,734	175,113,882	-	-	-	-	-	175,113,882	
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	(₱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



CEBU AIR, INC. AND SUBSIDIARIES

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.

Status of Operations

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 resummptions, 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.

Expendable Parts, Fuel, Materials and Supplies

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.

Assets Held for Sale

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:

<u>Category</u>	<u>EUL (in Years)</u>
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.

Share-based Payments

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.

Income Taxes

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.

Leases

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
<i>Derivative financial assets at FVOCI:</i>		
Interest rate derivatives	₱–	₱60,911,157
<i>Derivative financial liabilities at FVOCI:</i>		
Fuel derivatives	₱1,291,971	₱–
<i>Derivative financial liabilities at FVPL:</i>		
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.



		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	IAviation	Subtotal	VATS	DAVI	Total
Cost						
Balances at January 1, 2023	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,923	₱432,000,000	₱656,587,568
Additional investment	—	—	—	—	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	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)	(397,790,984)
Equity in net income (loss) during the year	85,374,154	—	85,374,154	—	(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)	(339,226,790)
Allowance for Impairment Loss						
Balance at the beginning and end of year	—	—	—	(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	IAviation	Subtotal	VATS	DAVI	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	₱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)	(284,502,513)
Equity in net income (loss) during the period	27,625,413	—	27,625,413	—	(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)	(397,790,984)
Allowance for Impairment Loss						
Balance at the beginning and end of year	—	—	—	(36,915,815)	—	(36,915,815)
Net Carrying Value	₱215,070,809	₱—	₱215,070,809	₱—	₱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	P111,569,257	P24,580,345	P112,548,491
Interest income	–	787,616	13,369,916
Interest expense	103,690,906	871,991	–
	2022		
	PAAT	1Aviation	DAVI
Revenue	P321,092,308	P1,551,241,956	P240,309,358
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)	P55,250,827	(P23,678,340)	(P352,284,710)
Group's share in net income (loss) for the year	P27,625,413	P–	(P140,913,884)
Depreciation and amortization	P118,822,707	P38,967,274	P156,228,043
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 P165.6 million and P80.2 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 P103.4 million and P108.7 million, respectively.

As of December 31, 2023 and 2022, the accumulated unrecognized share in losses of VATS amounted to P4.2 million and P3.5 million, respectively.

As of December 31, 2023, the accumulated unrecognized share in losses of DAVI amounted to P92.1 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	P566,781,533	P566,781,533
A-Plus	154,867,437	154,867,437
	P721,648,970	P721,648,970

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:

	Annual Interest Rates Range	Maturities	2023		
			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
	Annual Interest Rates Range	Maturities	2022		
			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.

<u>Drawdown Date</u>	<u>Aircraft Type</u>	<u>No. of Units</u>	<u>Security Trustees</u>	<u>Maturity Date</u>
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	A321NEO	3	Dia Boracay Co. Ltd.	May 2029
October 2019			Cebuano Leasing Co.	October 2029
November 2019			Tarsier Leasing Co.	November 2029
December 2019	A321NEO	2	RAMEN Aircraft Leasing Limited	December 2029
June 2020				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.

<u>Drawdown Date</u>	<u>Aircraft Type</u>	<u>No. of Units</u>	<u>Security Trustees</u>	<u>Maturity Date</u>
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.

<u>Drawdown Date</u>	<u>Aircraft Type</u>	<u>No. of Units</u>	<u>Maturity Date</u>
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 February and May 2018	ATR 72-600	4	May, July, October and December 2027 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.

Stock Options

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:

Related Party	2023		Terms	Conditions
	Amount/ Volume	Outstanding Balance		
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	(P31,300)	(P14,184,493)	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	(P11,574,960)	(P6,418,179)	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) IAviation 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	(P8,097,666)	(P1,618,104)	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	P–	P–	P44,522,124	P–
	2022	P–	P–	P41,504,655	P–
	2021	P–	P–	P25,257,847	P–
1 Aviation	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	₱-	₱-	₱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	₱-	₱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	₱-	₱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	202,289,251	
	₱2,160,317,068	₱207,354,128	₱28,626,224	₱55,398,322	₱137,940,216	1,510,318	₱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					Total
	Less than one month to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	
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					Total
	Less than one month to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	
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	
	₱2	(₱2)	₱2	(₱2)	₱2	(₱2)
Changes in foreign exchange value						
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					Total
	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	
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					Total
	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	
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 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	
	1.50%	(1.50%)	1.50%	(1.50%)	1.50%	(1.50%)
Changes in foreign exchange value						
Change in pre-tax income	(P972,373)	P972,373	(P1,070,194)	P1,070,194	(P970,105)	P970,105

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%	(P107,508,042)
	-200%	248,235,601
2022	+200%	(P117,272,589)
	-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)	P2,343,524,841	P1,933,383,196	P1,498,852,139	P1,010,955,047
Financial Liability:				
Other financial liability:				
Long-term debt**(Note 18)	P38,699,751,585	P36,328,579,805	P40,379,482,411	P39,628,166,410

*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			Total
	Level 1	Level 2	Level 3	
Assets and liabilities measured at fair value:				
Derivative financial liabilities at FVOCI	P–	P1,291,971	P–	P1,291,971
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	P–	P–	P1,933,383,196	P1,933,383,196
Long-term debt	–	36,328,579,805	–	36,328,579,805

	2022			Total
	Level 1	Level 2	Level 3	
Assets and liabilities measured at fair value:				
Derivative financial assets at FVOCI	P–	P60,911,157	P–	P60,911,157
Derivative financial liabilities at FVPL	P–	P846,835,509	P–	P846,835,509
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	P–	P–	P1,010,955,047	P1,010,955,047
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:

<u>Date of Lease Agreement</u>	<u>Lessors</u>	<u>No. of Units</u>	<u>Lease Term</u>
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:

	January 1, 2023	Cash Flows	Noncash		December 31, 2023
			Foreign Exchange Movement	Others*	
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

	January 1, 2022	Cash Flows	Noncash		December 31, 2022
			Foreign Exchange Movement	Others*	
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

	January 1, 2021	Cash Flows	Noncash		December 31, 2021
			Foreign Exchange Movement	Others*	
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.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

Deferred Effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*



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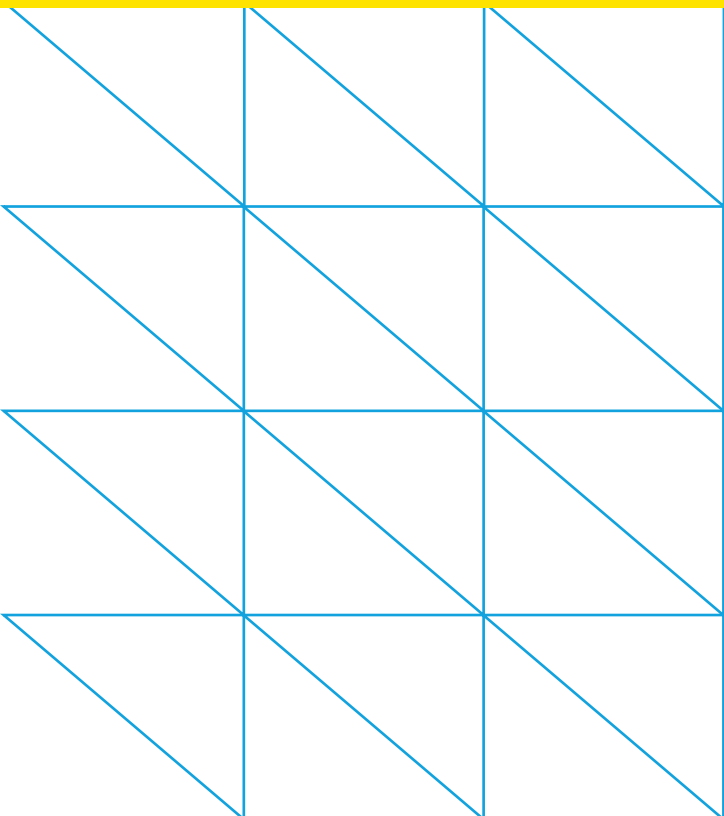
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