COVER SHEET
for
UNAUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	4	6	7	5					

COMPANY NAME

CEBU AIR, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
104	Third Friday of May	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SEC FORM 17-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER

1. For the quarterly period ended **June 30, 2024**

2. SEC Identification No. **154675**

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

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

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

6. Industry Classification Code: (SEC Use Only)

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

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

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

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

Title of Each Class	Number of Shares of Stock Outstanding and Amount of Debt Outstanding
Common Stock, ₱1.00 Par Value	624,436,133 shares
Convertible Preferred Stock, ₱1.00 Par Value	309,471,601 shares

11. Are any or all of the securities listed on the Philippine Stock Exchange?

    Yes [x] No [ ]

12. Indicate by check mark whether the registrant:

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

    Yes [x] No [ ]

    (b) has been subject to such filing requirements for the past 90 days.
    Yes [x] No [ ]

PART I–FINANCIAL INFORMATION

Item 1. Financial Statements

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

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

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

The Parent Company, its fifteen (15) special purpose entities (SPEs), CEBGO, Inc. (the "Airline Group") and A-Plus (collectively known as "the Group") are consolidated for financial reporting purposes.

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

As of June 30, 2024, the Airline Group operates a route network serving 62 domestic routes and 32 international routes with a total of 2,983 scheduled weekly flights. It operates from three hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; and Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga.

As of June 30, 2024, the Airline Group has a fleet of 87 aircraft. The fleet excludes three (3) ATR 72-500 aircraft classified as other assets as these are currently not operating and are held for sale. The average aircraft age of the Airline Group's fleet is approximately 5.5 years as of June 30, 2024.

In July 2024, the Airline Group signed a binding Memorandum of Understanding (MOU) with Airbus for the purchase of up to 152 aircraft. The purchase agreement to finalize the transaction is expected to be completed by the third quarter of 2024.

Results of Operations

Six Months Ended June 30, 2024 Versus June 30, 2023

Revenues

The Group's revenues amounted to ₱51.439 billion for the period ended June 30, 2024, 18.1% higher than the ₱43.551 billion revenues earned in the same period last year. The increase in revenues is accounted for as follows:

Passenger Revenues

Passenger revenues increased by ₱5.554 billion or 18.4% to ₱35.680 billion from ₱30.126 billion generated in the same period last year, due to the overall increase in travel demand. Passenger volume increased by 1.2 million or 12.1% while average fares increased by 5.7% to ₱3,101 in the current period.

Cargo Revenues
Cargo revenues increased by ₱638.084 million or 31.9% to ₱2.636 billion from ₱1.998 billion generated in the same period last year due to 26.8% increase in cargo volume carried coupled with 4.0% increase in cargo yield.

Ancillary Revenues
Ancillary revenues increased by ₱1.696 billion or 14.8% to ₱13.123 billion from ₱11.427 billion generated in the same period last year, mainly due to higher passenger volume coupled with higher ancillary yield.

Expenses
The Group incurred operating expenses of ₱45.954 billion, higher by 15.5% compared to ₱39.790 billion incurred in the same period last year.

The increase was mainly driven by the increase in flight activity, since a material portion of its expenses are based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar from an average of ₱55.25 per U.S. Dollar to an average of ₱56.91 per U.S. Dollar for 2024, based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the increase in operating expenses.

Flying Operations
Flying operations expenses increased by ₱2.381 billion or 14.2% to ₱19.152 billion from ₱16.771 billion incurred in the same period last year. This was largely due to higher fuel consumption and pilot headcount, in line with the increased flight activity, and the slight increase in average published fuel MOPS price to U.S. $100.46 per barrel from U.S. $99.26 per barrel average in the same period last year, coupled with the weakening of the Philippine Peso against the U.S. Dollar.

Repairs and Maintenance
Repairs and maintenance expenses decreased by ₱20.809 million or 0.3% to ₱7.384 billion from ₱7.405 billion posted during the same period last year. This was mostly due to lower provisions for asset retirement obligation and heavy maintenance visits.

Depreciation and Amortization
Depreciation and amortization expenses increased by ₱1.987 billion or 34.1% to ₱7.815 billion from ₱5.828 billion incurred in 2023. The increase is mostly brought about by new aircraft and engine acquisitions, and other capital expenditures during the period.

Aircraft and Traffic Servicing
Aircraft and traffic servicing expenses increased by ₱1.225 billion or 29.7% to ₱5.349 billion from ₱4.124 billion in 2023 in line with increased flight activity and ground handling, coupled with the depreciation of the Philippine Peso against the U.S. Dollar.

General and Administrative
General and administrative expenses increased by ₱184.430 million or 9.2% to ₱2.190 billion from ₱2.005 billion incurred in the same period last year. The increase was mostly attributable to the increase in staff expenses and professional fees incurred by the Group.

Reservation and Sales
Reservation and sales expenses increased by ₱238.483 million or 14.5% to ₱1.880 billion from ₱1.642 billion for the same period last year. The increase is attributable to higher distribution and advertising costs.

Passenger Service
Passenger service expenses increased by ₱210.042 million or 19.3% to ₱1.299 billion from ₱1.089 billion for the same period last year, driven by increase in cabin crew costs in line with increased flight activity.

Aircraft and Engine Lease
Aircraft and engine lease expenses went down by ₱40.727 million or 4.4% to ₱884.194 million from ₱924.921 million in the same period last year, attributed to lower lease charges resulting from the return of aircraft that were under short-term leases.

Operating Income
As a result of the foregoing, the Group earned an operating income of ₱5.486 billion for the six months ended June 30, 2024, higher by 45.9% or ₱1.725 billion than the ₱3.761 billion posted in the same period last year.

Gain from Insurance Claims
In 2024 and 2023, the Group received ₱115.130 million and ₱1.126 million, respectively, pertaining to insurance proceeds claimed for incidents and loss events in prior periods.

Market Valuation Gains on Derivative Financial Instruments
The Group's market valuation gains amounting to ₱458.714 million for the six months ended June 30, 2023 originated from the market valuation gains recognized for the Group's embedded derivative arising from its convertible bonds, interest rate derivatives and fuel derivatives (nil in 2024).

Foreign Exchange Gains (Losses) - Net
Net foreign exchange loss of ₱274.826 million primarily resulted from the depreciation of the Philippine Peso to US Dollar from ₱55.37 as of end December 31, 2023 to ₱58.61 as of end June 30, 2024. The Group's major exposure to foreign exchange rate fluctuations is in respect to U.S. Dollar-denominated short and long-term debt.

Equity in Net Income of Joint Ventures and Associates
For the six months ended June 30, 2024 and 2023, the Group recorded equity in net income of joint ventures and associates of ₱32.510 million and ₱31.068 million, respectively.

Financing Costs and Other Charges
Interest expense from debt and lease liabilities increased by ₱916.556 million or 44.7% to ₱2.968 billion from ₱2.051 billion for the same period last year due to the additional aircraft and engine deliveries. The increase is coupled with the increase in bank interest rates for debts and the effect of depreciation of the Philippine Peso against the U.S. Dollar.

Income before Income Tax
As a result of the foregoing, the Group recorded income before income tax of ₱3.591 billion for the six months ended June 30, 2024, higher by ₱349.239 million or 10.8% than the ₱3.241 billion income before income tax posted for the same period last year.

Provision for Income Tax
Provision for income tax for the six months ended June 30, 2024 amounted to ₱45.273 million, mainly accounted from higher taxable income during the period arising from increased operations.

Net Income
Net income for the six months ended June 30, 2024 amounted to ₱3.545 billion, a decrease of 5.4% from the ₱3.749 billion net income earned in the same period last year.

As of June 30, 2024, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations) and other relationships of the Group with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Group's operations and/or financial condition.

Financial Position

June 30, 2024 versus December 31, 2023

As of June 30, 2024, consolidated assets increased to ₱205.498 billion from ₱187.185 billion as of December 31, 2023, mainly due to increase in right of use assets, property and equipment, and other current assets. The Group's equity grew to ₱8.302 billion from ₱4.778 billion due to the net income recognized during the period. After equity attributable to the preferred shares, book value per common share improved to (₱9.17) as of June 30, 2024 from (₱14.32) as of December 31, 2023.

The Group's consolidated cash and cash equivalents stood at ₱15.319 billion as of June 30, 2024 from ₱15.596 billion as of December 31, 2023. The Group's cash requirements have been mainly sourced through cash flow from operations. For the six months ended June 30, 2024, net cash provided by operating activities amounted to ₱8.286 billion. Net cash used in investing activities amounted to ₱7.783 billion which pertains to acquisition of property and equipment and additional investment in an associate, offset by the proceeds from sale-and-leaseback transactions and refund of pre-delivery payments during the period. Net cash used in financing activities amounted to ₱1.710 billion, which is comprised of repayments of debt and lease liability, offset by proceeds from borrowings from new loans.

As of June 30, 2024, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Financial Ratios

The following are the major financial ratios that the Group monitors in measuring and analyzing its financial performance:

<u>Liquidity and Capital Structure Ratios</u>

The following computations are based on the financial position as of June 30, 2024 and December 31, 2023.

	June 30, 2024	December 31, 2023
Current Ratio	**0.47:1**	0.52:1
Quick Ratio	**0.30:1**	0.35:1
Asset-to-Equity Ratio	**24.75:1**	39.18:1

<u>Profitability Ratios</u>

The following computations are based on the financial performance for the six months ended June 30, 2024 and 2023.

	June 30, 2024	June 30, 2023
Return on Asset	**1.8%**	2.4%
Return on Equity	**54.2%**	(347.4%)
Return on Sales	**6.9%**	8.6%
Interest Coverage Ratio	**2.04:1**	2.31:1

Material Changes in the 2024 Financial Statements
(Increase/Decrease of 5% or more versus 2023)

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

Consolidated Statements of Financial Position – June 30, 2024 versus December 31, 2023

9.1% decrease in Cash and Cash Equivalents including Restricted Cash
Due to higher disbursements related to debt and lease payments, other capital expenditures and prepayments made, offset by cash generated from operations and proceeds received from new borrowings.

22.7% increase in Receivables
Due to the increased sales of the Group arising from more flight activities driven by the increased travel demand for the period.

100.0% increase (100% decrease) in Derivative Financial Assets (Liabilities) at Fair Value through Other Comprehensive Income
Due to changes in fair valuation of the Group's fuel hedge transactions which began with a net liability position, and ended at a net asset position as of June 30, 2024.

8.3% increase in Expendable Parts, Fuel, Materials and Supplies
Due to more expendable parts and supplies for operations, in anticipation for the increase in flight activities in 2024, in comparison with the prior period.

39.6% increase in Other Current Assets
Due to increase in advances made to suppliers for future engine acquisitions, engine visits and other maintenance services.

9.4 % increase in Property and Equipment
Due to aircraft and engine acquisition and pre-delivery payments made during the period.

13.3% increase in Right of Use Asset
Due to new leased aircraft deliveries and sale and leaseback transactions.

24.1% increase in Investment in Joint Ventures and Associates
Due to the additional investment in an associate during the period and the share in net income recognized for the period.

11.9% increase in Other Noncurrent Assets
Due to additional deposits made to various counterparties during the period.

9.4% decrease in Accounts Payable and Other Accrued Liabilities
Due to various payments of payables and accruals during the period.

8.6% increase in Due to Related Parties
Due to additional advances from affiliates during the period.

100.0% increase in Short-Term Debt
Due to availment of short-term loans from local banks for purchase of aircraft and engines.

18.5% increase in Unearned Transportation Revenue
Due to higher forward bookings as of June 30, 2024 compared to December 31, 2023, in line with the increased demand during the period.

23.3% increase in Income Tax Payable
Due to higher taxable income arising from improved operations.

2.7% decrease in Long-Term Debt (including Current Portion)
Due to repayments of outstanding long-term debt in accordance with the repayment schedule, offset by the new borrowings for aircraft acquisition.

14.5% increase in Lease Liability (including Current Portion)
Due to additional lease liability set up for new leased aircraft deliveries and sale and leaseback transactions, offset by payments made during the period.

6.3 % increase in Bonds Payable
Due to amortization of bond issue costs coupled with the weakening of Philippine Peso against U.S. Dollar.

7.5 % increase in Travel Fund Payable - net of current portion
Due to conversion of the customers' unused fees, either due to change in flight schedule or at the option of the customer.

9.0 % increase in Retirement Liability
Due to accrual for retirement benefit, offset by benefits paid during the period.

50.5 % decrease Other Noncurrent Liabilities
Due to settlements of provisions for asset retirement obligation and heavy maintenance visits during the period.

43.7% decrease in Share-Based Payments
Due to the listing of 2.2 million vested restricted stock units (RSU) to the Philippine Stock Exchange last January 17, 2024.

17.8% decrease in Other Comprehensive Income
Due to the recycling of the effective portion of its cash flow hedge reserves.

21.8% decrease in Deficit
Due to net income recognized during the period.

For 2024, there are no significant elements of income that did not arise from the Group's continuing operations.

The Group has capital expenditure commitments which principally relate to the acquisition of aircraft. Kindly refer to Note 31 of the Notes to Consolidated Financial Statements for the detailed discussion on Purchase and Capital Expenditure Commitments.

KEY PERFORMANCE INDICATORS

The Group sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are major performance measures, which the Group has identified as reliable performance indicators. Analyses are employed by comparisons and measurements based on the financial data as of June 30, 2024 and December 31, 2023, and for the six months ended June 30, 2024 and 2023:

Key Financial Indicators	**2024**	2023
Total Revenue	**₱51.439 billion**	₱43.551 billion
Pre-tax Core Net Income	**₱2.836 billion**	₱2.165 billion
EBITDA	**₱13.301 billion**	₱9.589 billion
EBITDA Margin	**25.86%**	22.02%
Cost per Available Seat Kilometer (ASK) (PHP)	**3.11**	2.99
Cost per ASK (U.S. cents)	**5.46**	5.42
Seat Load Factor	**85.3%**	84.8%

The manner by which the Group calculates the above key performance indicators for both 2024 and 2023 is as follows:

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

PART II - OTHER INFORMATION

NONE.

SIGNATURES

Pursuant to the requirements of the Securities Regulations Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CEBU AIR, INC.

LANCE Y. GOKONGWEI
Chairman of the Board
Date: August 7, 2024

MARK JULIUS V. CEZAR
Chief Financial Officer and Compliance Officer
Date: August 7, 2024

CEBU AIR, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2024
(With Comparative Audited Figures as of December 31, 2023)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱15,319,326,759**	₱15,595,763,441
Restricted cash (Note 7)	–	1,259,263,375
Derivative financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	**4,163,330**	–
Receivables (Note 9)	**3,120,861,834**	2,542,854,884
Expendable parts, fuel, materials and supplies (Note 10)	**4,348,986,496**	4,016,293,096
Assets held for sale (Note 12)	**593,392,422**	593,392,422
Other current assets (Note 11)	**5,902,217,809**	4,226,450,557
Total Current Assets	**29,288,948,650**	28,234,017,775
Noncurrent Assets		
Property and equipment (Notes 12 and 31)	**76,559,485,046**	69,979,277,091
Right-of-use assets (ROU) (Note 31)	**86,236,034,270**	76,100,642,430
Investments in joint ventures and associates (Note 13)	**372,955,067**	300,444,963
Goodwill (Note 14)	**721,648,970**	721,648,970
Deferred tax assets - net	**8,206,172,766**	8,174,363,550
Other noncurrent assets (Note 15)	**4,113,071,194**	3,674,164,579
Total Noncurrent Assets	**176,209,367,313**	158,950,541,583
TOTAL ASSETS	**₱205,498,315,963**	₱187,184,559,358
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	**₱24,046,479,159**	₱26,545,309,954
Unearned transportation revenue (Note 17)	**16,301,491,372**	13,761,288,846
Short-term debt (Notes 18 and 31)	**5,860,998,242**	–
Current portion of long-term debt (Note 18)	**4,735,291,450**	5,093,179,461
Current portion of lease liability (Note 31)	**10,928,321,075**	9,228,540,715
Derivative financial liabilities at fair value through other comprehensive income (FVOCI) (Note 8)	–	1,291,971
Due to related parties	**61,540,524**	56,655,756
Income tax payable	**3,526,756**	2,859,432
Total Current Liabilities	**61,937,648,578**	54,689,126,135
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	**32,904,944,971**	33,606,572,124
Lease liability - net of current portion (Note 31)	**83,704,033,349**	73,410,838,256
Bonds payable (Note 19)	**14,283,038,098**	13,437,715,699
Travel fund payable - net of current portion (Note 21)	**444,503,551**	413,619,080
Retirement liability (Note 26)	**973,813,925**	893,239,146
Other noncurrent liabilities (Note 20)	**2,947,979,901**	5,955,389,072
Total Noncurrent Liabilities	**135,258,313,795**	127,717,373,377
Total Liabilities	**197,195,962,373**	182,406,499,512
Equity		
Capital stock (Note 22)	**946,827,584**	944,604,918
Capital paid in excess of par value (Note 22)	**20,763,047,786**	20,658,552,243
Share-based payments (Note 23)	**126,570,378**	224,627,690
Treasury stock (Note 22)	**(950,881,502)**	(950,881,502)
Other comprehensive income (Note 29)	**137,507,697**	167,236,789
Deficit	**(12,720,718,353)**	(16,266,080,292)
Total Equity	**8,302,353,590**	4,778,059,846
TOTAL LIABILITIES AND EQUITY	**₱205,498,315,963**	₱187,184,559,358

See accompanying Notes to Unaudited Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2024 and 2023

	Quarters Ended		Six Months Ended	
	2024	2023	**2024**	2023
REVENUE				
Sale of air transportation services				
Passenger	**₱17,849,358,192**	₱15,841,768,857	**₱35,679,881,907**	₱30,126,344,986
Cargo	**1,382,596,427**	866,901,262	**2,636,230,533**	1,998,146,348
Ancillary revenues	**6,904,435,987**	5,965,239,637	**13,123,210,144**	11,426,861,846
	26,136,390,606	22,673,909,756	**51,439,322,584**	43,551,353,180
EXPENSES				
Flying operations (Notes 10 and 24)	**9,814,739,063**	8,531,845,199	**19,152,317,524**	16,771,711,428
Repairs and maintenance (Notes 10, 20 and 24)	**3,847,617,746**	3,441,234,590	**7,384,332,657**	7,405,141,288
Depreciation and amortization (Notes 6, 12 and 31)	**3,821,702,331**	2,938,842,910	**7,814,938,651**	5,827,672,099
Aircraft and traffic servicing (Note 24)	**2,778,235,304**	2,321,349,623	**5,348,642,267**	4,124,446,898
General and administrative (Note 25)	**1,106,046,400**	1,080,213,535	**2,189,796,397**	2,005,366,176
Reservation and sales (Note 24)	**978,530,175**	796,202,756	**1,880,256,006**	1,641,773,103
Passenger service	**651,130,782**	558,906,658	**1,299,276,016**	1,089,233,978
Aircraft and engine lease (Notes 6 and 31)	**300,774,730**	482,751,870	**884,193,975**	924,920,691
	23,298,776,531	20,151,347,141	**45,953,753,493**	39,790,265,661
OPERATING INCOME	**2,837,614,075**	2,522,562,615	**5,485,569,091**	3,761,087,519
OTHER INCOME (EXPENSES) – NET				
Interest income (Notes 6 and 7)	**134,901,903**	234,348,885	**285,168,799**	423,626,368
Gain from insurance claims (Note 12)	**36,292**	–	**115,129,955**	1,125,725
Market valuation gains on derivative financial instruments – net (Note 8)	–	1,195,234,245	–	458,713,550
Gain on disposal – net (Notes 12 and 31)	**914,755,930**	261,638,219	**914,755,930**	262,191,179
Equity in net income of joint ventures and associates (Notes 6 and 13)	**37,772,453**	20,932,532	**32,510,104**	31,068,272
Foreign exchange gains (losses) – net	**(605,306,341)**	(289,393,362)	**(274,826,467)**	354,698,992
Financing costs and other charges:				
Financing and others (Notes 18 and 19)	**(779,965,359)**	(656,158,197)	**(1,286,513,382)**	(1,117,471,362)
Leases (Note 31)	**(868,844,019)**	(478,749,226)	**(1,681,159,292)**	(933,644,988)
	(1,166,649,141)	287,853,096	**(1,894,934,353)**	(519,692,264)
INCOME BEFORE INCOME TAX	**1,670,964,934**	2,810,415,711	**3,590,634,738**	3,241,395,255
PROVISION FOR (BENEFIT FROM) INCOME TAX	**365,457,220**	138,636,220	**45,272,799**	(507,950,685)
NET INCOME	**1,305,507,714**	2,671,779,491	**3,545,361,939**	3,749,345,940
OTHER COMPREHENSIVE LOSS, NET OF TAX	**(15,005,872)**	(33,778,050)	**(29,729,092)**	(172,122,842)
TOTAL COMPREHENSIVE INCOME	**₱1,290,501,842**	₱2,638,001,441	**₱3,515,632,847**	₱3,577,223,098
Earnings per Share (Note 27)				
Basic			**₱5.12**	₱5.50
Diluted			**₱3.06**	₱3.22

See accompanying Notes to Unaudited Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED JUNE 30, 2024

(With Comparative Unaudited Figures for the Six Months Ended June 30, 2023)

For the Six Months Ended June 30, 2024

					Other Comprehensive Income (Loss)			Retained Earnings (Deficit)			
	Capital Stock (Note 22)	**Capital Paid in Excess of Par Value** (Note 22)	**Share-based Payments** (Note 23)	**Treasury Stock** (Note 22)	**Remeasurement Loss on Retirement Liability** (Note 26)	**Cash Flow Hedge Reserve** (Note 8)	**Total**	**Appropriated** (Note 22)	**Unappropriated** (Note 22)	**Total**	**Total Equity (Capital Deficiency)**
Balance at January 1, 2024	**₱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**
Net income	–	–	–	–	–	–	–	–	**3,545,361,939**	**3,545,361,939**	**3,545,361,939**
Other comprehensive loss	–	–	–	–	–	**(29,729,092)**	**(29,729,092)**	–	–	–	**(29,729,092)**
Total comprehensive income (loss)	–	–	–	–	–	**(29,729,092)**	**(29,729,092)**	–	**3,545,361,939**	**3,545,361,939**	**3,515,632,847**
Cost of restricted stock units (RSU)	–	–	**6,554,523**	–	–	–	–	–	–	–	**6,554,523**
Cost of stock options	–	–	**2,106,374**	–	–	–	–	–	–	–	**2,106,374**
Issuance of vested RSUs	**2,222,666**	**104,495,543**	**(106,718,209)**	–	–	–	–	–	–	–	–
Balance at June 30, 2024	**₱946,827,584**	**₱20,763,047,786**	**₱126,570,378**	**(₱950,881,502)**	**(₱205,630,231)**	**₱343,137,928**	**₱137,507,697**	**₱–**	**(₱12,720,718,353)**	**(₱12,720,718,353)**	**₱8,302,353,590**

For the Six Months Ended June 30, 2023

					Other Comprehensive Income (Loss)			Retained Earnings (Deficit)			
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Share-based Payments (Note 23)	Treasury Stock (Note 22)	Remeasurement Loss on Retirement Liability (Note 26)	Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	Total Equity (Capital Deficiency)
Balance at January 1, 2023	₱943,277,918	₱20,596,009,593	₱211,441,630	(₱950,881,502)	(₱54,862,331)	₱558,616,927	₱503,754,596	₱–	(₱24,188,744,799)	(₱24,188,744,799)	(₱2,885,142,564)
Net income	–	–	–	–	–	–	–	–	3,749,345,939	3,749,345,939	3,749,345,939
Other comprehensive loss	–	–	–	–	–	(172,122,842)	(172,122,842)	–	–	–	(172,122,842)
Total comprehensive income (loss)	–	–	–	–	–	(172,122,842)	(172,122,842)	–	3,749,345,939	3,749,345,939	3,577,223,097
Cost of restricted stock units (RSU)	–	–	23,280,207	–	–	–	–	–	–	–	23,280,207
Cost of stock options	–	–	10,940,390	–	–	–	–	–	–	–	10,940,390
Issuance of vested RSUs	1,327,000	62,542,650	(63,869,650)	–	–	–	–	–	–	–	–
Balance at June 30, 2023	₱944,604,918	₱20,658,552,243	₱181,792,577	(₱950,881,502)	(₱54,862,331)	₱386,494,085	₱331,631,754	₱–	(₱20,439,398,860)	(₱20,439,398,860)	₱726,301,130

See accompanying Notes to Unaudited Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱3,590,634,738**	₱3,241,395,255
Adjustments for:		
Depreciation and amortization (Notes 12 and 31)	**7,814,938,651**	5,827,672,099
Interest expense (Notes 6, 18, 19 and 31)	**2,967,672,674**	2,051,116,350
Provision for asset retirement obligation (Notes 20 and 24)	**1,202,180,921**	1,862,866,165
Provision for heavy maintenance (Notes 20 and 24)	**794,157,212**	916,191,181
Equity in net income of joint ventures and associates (Note 13)	**(32,510,104)**	(31,068,272)
Provision for expected credit losses (Note 9)	**3,317,327**	18,257,099
Gain on sale of other property and equipment (Note 12)	**(914,755,930)**	(264,047,853)
Net changes in fair value of derivatives (Notes 8 and 19)	**–**	(458,713,550)
Interest income (Note 7)	**(285,168,799)**	(423,626,368)
Share-based payments (Note 23)	**8,660,897**	34,220,597
Redeemed and expired portion of travel fund payable (Note 20)	**–**	(179,192,161)
Unrealized foreign exchange losses (gains) - net	**(191,271,395)**	(508,506,972)
Operating income before working capital changes	**14,957,856,192**	12,086,563,570
Decrease (increase) in:		
Receivables	**(558,465,192)**	(21,164,496)
Restricted cash	**1,259,263,375**	(459,835,371)
Expendable parts, fuel, materials and supplies	**(332,693,400)**	(658,250,767)
Other current assets	**(1,738,041,831)**	(1,154,242,987)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	**(2,501,519,850)**	1,135,673,525
Derivative financial liabilities	**–**	(217,929,109)
Unearned transportation revenue	**2,540,202,526**	3,499,201,256
Retirement liability	**80,574,779**	45,790,196
Amounts of due to related parties	**64,882,088**	126,669,922
Other noncurrent liabilities	**(4,452,226,766)**	(4,681,198,446)
Cash generated from operations	**9,319,831,921**	9,701,277,293
Interest paid	**(1,310,591,517)**	(1,019,130,600)
Interest received	**281,242,637**	429,484,102
Income taxes paid	**(4,230,416)**	–
Net cash provided by operating activities	**8,286,252,625**	9,111,630,795
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 12)	**(18,798,529,006)**	(8,073,002,895)
Refund of pre-delivery payments (Note 12)	**4,837,739,905**	4,133,016,228
Proceeds from sale of property and equipment (Note 12)	**6,543,332,489**	4,936,860,860
Additional investment in an associate (Note 13)	**(40,000,000)**	–
Increase in advances to suppliers and other noncurrent assets	**(325,458,764)**	(311,132,888)
Net cash provided by (used in) investing activities	**(7,782,915,376)**	685,741,305
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from availment of:		
Long-term debt (Note 18)	**3,424,500,301**	–
Short-term debt (Note 18)	**5,597,123,323**	–
Payments of:		
Long-term debt (Note 18)	**(4,286,887,797)**	(3,237,964,779)
Lease liability (Note 31)	**(6,444,613,771)**	(4,381,685,279)
Net cash used in financing activities	**(1,709,877,944)**	(7,619,650,058)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**930,104,013**	(140,962,213)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(276,436,682)**	2,036,759,829
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**15,595,763,441**	19,175,471,185
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 7)	**₱15,319,326,759**	₱21,212,231,014

See accompanying Notes to Unaudited Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED 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 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. In accordance with the Parent Company's franchise, 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.

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'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 22).

The Parent Company's ultimate parent is JG Summit Holdings, Inc. (JGSHI). The Parent Company is 65.24%-owned by CP Air Holdings, Inc. (CPAHI).

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 ("SEC") on May 11, 2023.

The Parent Company has fifteen (15) special purpose entities (SPEs), namely:
1. CAI Limited (CL)
2. Tikgi One Aviation Designated Activity Company (TOADAC)
3. Sampaguita Leasing Co. Ltd (SLCL)
4. Dia Boracay Ltd. (DBL)
5. Mactan Leasing Co., Ltd (MLCL)
6. Cebuano Leasing Co., Ltd. (CLCL)
7. Dia El Nido Ltd. (DENL)
8. Tarsier Leasing Co., Ltd. (TLCL)
9. RAMEN Aircraft Leasing Limited (RALL)
10. Nalu Leasing Co., Ltd. (NLCL)

11. Linden Leasing Co., Ltd. (LLCL)
12. Guimaras Leasing Co., Ltd. (GLCL)
13. Bohol Leasing Co., Ltd. (BLCL)
14. Tubbataha Leasing Co., Ltd. (TLCL)
15. Dia Siargao, Ltd. (DSL)

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 31).

As of June 30, 2024, the Parent Company, the fifteen (15) SPEs, CEBGO, Inc. and A-Plus (collectively known as "the Group") are consolidated for financial reporting purposes (see Note 2). Whereas, as of December 31, 2023, there were fourteen (14) SPEs that form part of the consolidated financial reporting of the Group.

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.

The Parent Company is registered with the Board of Investments (BOI) as an 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.

Status of Operations

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 summer season, school break and holiday seasons such as Easter and Christmas.

The Group recognized net income of ₱3.5 billion and ₱3.7 billion for the six months ended June 30, 2024 and 2023, respectively. The Group's operations continued to improve due to the increasing demand for travel in 2024, in comparison with 2023. The committed initiatives of the Group to growth and profitability, supported by strong demand for airline services, have reduced the Group's deficit to ₱12.7 billion as of June 30, 2024 from ₱16.3 billion as of December 31, 2023. Consequently, the Group increased its equity position to ₱8.3 billion as of June 30, 2024, from ₱4.7 billion as of December 31, 2023. The Group is optimistic that it can maintain its positive equity position for the rest of the year.

The Group's current liabilities exceeded its current assets by ₱32.6 billion and ₱26.4 billion as of June 30, 2024 and December 31, 2023, respectively. 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 June 30, 2024. 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 unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with Philippine Accounting Standards (PAS) 34, *Interim Financial Reporting.*

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group's audited consolidated financial statements as at December 31, 2023.

Basis of Consolidation
The consolidated financial statements as of June 30, 2024 and December 31, 2023 represent the consolidated financial statements of the Parent Company, the SPEs 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, 2024.

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

- 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

  As of June 30, 2024, the amendments have no impact on the current and non-current classification of existing liabilities of the Group. The Group will continue to assess the impact of the amendments to current practice and whether there are existing loan agreements that may require renegotiation at year-end.

- 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.

  As of June 30, 2024, the amendments have no significant impact to the consolidated financial statements. The Group will continue to assess the impact of the amendments up to year-end.

- 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 Group is still assessing the impact of the amendments to the consolidated financial statements.

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 30.

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.

<u>Classification of Financial Instruments Between Liability and Equity</u>

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.

<u>Debt Issue Costs</u>

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.

<u>Derecognition of Financial Instruments</u>

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:

Category	EUL (in Years)
Aircraft*	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.

<u>Goodwill</u>
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.

<u>Investments in Joint Ventures and Associates</u>
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.

<u>Intangible Assets</u>
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.

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.

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 June 30, 2024 and December 31, 2023, 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:

<u>Judgments</u>

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 June 30, 2024 and 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 31).

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 31 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.

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 accordance with *PFRS 10 Consolidated Financial Statements,* if an entity 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 31).

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 June 30, 2024 and December 31, 2023, the Group has deferred tax assets amounting to ₱10,189.5 million and ₱10,204.4 million, respectively. Unrecognized deferred tax assets as of June 30, 2024 and December 31, 2023 amounted to ₱7,459.1 million and ₱7,109.1 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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023 (see Note 14). Brand and market opportunities, which are recorded under 'Other noncurrent assets' account amounted to ₱852.7 million as of June 30, 2024 and December 31, 2023 (see Notes 14 and 15). Property and equipment and right-of-use assets amounted to ₱76.6 billion and ₱86.2 billion, and ₱70.0 billion and ₱76.1 billion as of June 30, 2024 and December 31, 2023, respectively (see Notes 12 and 31).

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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the Group's ARO (included under 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱1,430.2 million and ₱3,774.5 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 June 30, 2024 and December 31, 2023, the Group's HMV (included other 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱1,289.0 million and ₱2,001.0 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 from 'Property and equipment' into 'Assets held for sale'. As of June 30, 2024 and 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

June 30, 2024 and December 31, 2023. The carrying value of assets held for sale amounted to ₱593.4 million as of June 30, 2024 and December 31, 2023 (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 31).

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.

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 ₱973.8 million and ₱893.2 million as of June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, the carrying values of the Group's property and equipment amounted to ₱76.6 billion and ₱70.0 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 June 30, 2024 and December 31, 2023 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).

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:

	2024	2023
Revenue	**₱52,786,887,372**	₱45,082,777,266
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**13,300,507,742**	9,588,759,618
Depreciation and amortization (Notes 12 and 31)	**7,814,938,651**	5,827,672,099
Earnings before interest and taxes (EBIT)	**5,485,569,091**	3,761,087,519
Financing costs and other charges (Notes 8, 18, 19, 20 and 31)	**2,967,672,674**	2,051,116,350
Interest income (Note 7)	**285,168,799**	423,626,368
Equity in net income of joint ventures and associates (Note 13)	**32,510,104**	31,068,272
Pre-tax core net income	**2,835,575,320**	2,164,665,809
Market valuation gains on derivative financial instruments - net (Note 8)	**–**	458,713,550
Income tax expense (benefit)	**45,272,799**	(507,950,685)
Net income	**3,545,361,939**	3,749,345,940
Capital expenditures (Note 12)	**18,798,529,006**	8,073,002,895

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:

	2024	2023
Revenue	**₱51,439,322,584**	₱43,551,353,180
Expenses	**(45,953,753,493)**	(39,790,265,661)
Operating income	**5,485,569,091**	3,761,087,519
Interest expense – net	**(2,682,503,875)**	(1,627,489,982)
Equity in net income of joint ventures and associates	**32,510,104**	31,068,272
Pre-tax core net income	**₱2,835,575,320**	₱2,164,665,809
Operating income	**₱5,485,569,091**	₱3,761,087,519
Depreciation and amortization	**7,814,938,651**	5,827,672,099
EBITDA	**₱13,300,507,742**	₱9,588,759,618

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:

	2024	2023
Total segment revenue of reportable operating segment	**₱51,439,322,584**	₱43,551,353,180
Nontransport revenue and other income	**1,347,564,788**	1,531,424,086
Total revenue	**₱52,786,887,372**	₱45,082,777,266

Total segment revenue of reportable operating segments includes A-Plus' revenue from rendering light and light maintenance services to third party customers amounting to ₱104.9 million and ₱69.4 million for the six months ended June 30, 2024 and 2023, respectively.

Nontransport revenue and other income include interest income, gain from insurance claims and gain on disposals and equity in net income of joint ventures and associates.

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

	2024	2023
Total segment income of reportable segment	**₱5,485,569,091**	₱3,761,087,519
Add (deduct) unallocated items:		
Nontransport revenue and other income	**1,347,564,788**	1,531,424,086
Nontransport expenses and other charges	**(3,242,499,141)**	(2,051,116,350)
Benefit from (provision for) income tax	**(45,272,799)**	507,950,685
Net income	**3,545,361,939**	3,749,345,940
Other comprehensive loss, net of tax	**(29,729,092)**	(172,122,842)
Total comprehensive income	**₱3,515,632,847**	₱3,577,223,098

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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cash on hand	**₱44,105,898**	₱43,605,898
Cash in banks	**3,171,031,972**	5,853,232,275
Short-term placements	**12,104,188,889**	9,698,925,268
	₱15,319,326,759	₱15,595,763,441

Cash in banks earns interest at the respective bank deposit rates. Short-term placements, which represent money market placements, are made for varying periods of not more than three months, depending on the immediate cash requirements of the Group, which earn interest at the prevailing short-term investment rates.

Restricted Cash
As of December 31, 2023, the Group has restricted cash amounting to ₱1,259.3 million (nil as of June 30, 2024). Restricted cash represents deposits with certain banks to secure standby letters of credit issued in favor of lessors (see Note 31). In 2024, the lessors have released all holdout from cash in banks and money market placements.

Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to ₱285.2 million and ₱423.6 million for the six months ended June 30, 2024 and 2023, respectively.

8. Derivative Financial Assets and Liabilities

This account consists of derivative financial assets and liabilities as of June 30, 2024 and December 31, 2023. Details follow:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Derivative financial assets at FVOCI:		
Fuel derivatives	**₱4,163,330**	₱–
Derivative financial liabilities at FVOCI:		
Fuel derivatives	–	₱1,291,971

Interest Rate Derivatives
Designated hedges
The Group entered into interest rate derivative contracts to manage exposure to the volatility of interest rates on the lease rates of the expected aircraft deliveries. These derivative contracts have various maturity dates where hedge accounting under PFRS 9 were also applied.

For the six months ended June 30, 2024 and 2023, the Group has recycled the effective portion of its cash flow hedge reserves to ‘Financing costs and other charges’ in the consolidated statement of comprehensive income amounting to ₱45.1 million and ₱54.7 million, respectively.

Fuel Derivatives
Designated Hedges
The Group enters into zero cost collars derivative contracts to manage its exposure to fuel price fluctuations. The notional quantity is the amount of the derivatives’ underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. These collars can be exercised at various calculation dates with specified quantities on each calculation date. These instruments have various maturity dates through 2024.

As of June 30, 2024 and December 31, 2023, the Group has designated for hedge accounting derivatives with net asset and net liability position, which is shown as ‘Derivative financial assets at FVOCI’ and ‘Derivative financial liabilities at FVOCI’ in the consolidated statement of financial position, amounting to ₱4.2 million and ₱1.3 million, respectively.

For the six months ended June 30, 2024 and 2023, the Group has recycled the effective portion of its cash flow hedge reserves to ‘Aviation fuel expense’ recognized under ‘Flying operations’ in the consolidated statement of comprehensive income amounting to nil and ₱162.5 million, respectively.

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 June 30, 2024 and December 31, 2023, the fair value of embedded derivatives amounted to nil (Note 19).

‘Market valuation gains on derivative financial instruments - net’ for the six months ended June 30, 2024 and 2023 follow:

	2024	2023
Embedded derivatives arising from convertible bonds (Note 19)		
Net changes in fair value	**₱–**	₱425,388,829
Attributable to interest rate and fuel derivatives:		
Hedge ineffectiveness	–	33,324,721
	₱–	₱458,713,550

Fair Value Changes on Derivatives

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

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at January 1:		
Derivative assets	**₱–**	₱60,911,157
Derivative liabilities	**(1,291,971)**	–
	(1,291,971)	60,911,157
Net changes in fair value of derivatives:		
Designated	**5,455,301**	(33,585,201)
Not-designated	–	–
	5,455,301	(33,585,201)
	4,163,330	27,325,956
Fair value of settled instruments:		
Designated	–	(28,617,927)
Not-designated	–	–
	–	(28,617,927)
Balance at June 30 and December 31:		
Current	**4,163,330**	(1,291,971)
Non-current	–	–
	₱4,163,330	(₱1,291,971)

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Attributable to:		
Derivative assets	**₱4,163,330**	₱–
Derivative liabilities	**–**	(1,291,971)
	₱4,163,330	(₱1,291,971)

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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Trade receivables	**₱2,192,704,866**	₱1,625,106,832
Due from related parties (Note 28)	**776,242,407**	774,125,730
Interest receivable	**20,247,840**	16,321,679
Others	**400,346,392**	389,802,689
	3,389,541,505	2,805,356,930
Less: Allowance for expected credit losses (ECL)	**(268,679,671)**	(262,502,046)
	₱3,120,861,834	₱2,542,854,884

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:

	June 30, 2024 (Unaudited)		
	Trade Receivables	**Others**	**Total**
Balances at January 1	**₱178,236,596**	**₱84,265,450**	**₱262,502,046**
Provision for ECL	**3,317,327**	–	**3,317,327**
Unrealized foreign exchange loss	**245,944**	**2,614,354**	**2,860,298**
Balances at June 30	**₱181,799,867**	**₱86,879,804**	**₱268,679,671**

	December 31, 2023 (Audited)		
	Trade Receivables	Others	Total
Balances at January 1	₱150,485,725	₱83,812,624	₱234,298,349
Provision for ECL	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

10. Expendable Parts, Fuel, Materials and Supplies

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
At cost:		
Expendable parts	**₱3,915,235,567**	₱3,523,620,979
Fuel	**273,702,369**	362,090,596
Materials and supplies	**160,048,560**	130,581,521
	₱4,348,986,496	₱4,016,293,096

As of June 30, 2024 and December 31, 2023, 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 six months ended June 30, 2024 and 2023 amounted to ₱1,128.8 million and ₱501.4 million, respectively (see Note 24).

The cost of fuel reported as expense under ‘Flying operations’ account amounted to ₱16,078.2 million and ₱14,061.7 million for the six months ended June 30, 2024 and 2023, respectively (see Note 24).

11. Other Current Assets

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Current portion of advances to suppliers	**₱4,326,998,175**	₱2,795,511,566
Prepaid insurance	**266,326,988**	202,130,331
Prepaid rent	**106,160,996**	167,581,682
Others	**1,202,731,650**	1,061,226,978
	₱5,902,217,809	₱4,226,450,557

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 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.

Prepaid rent pertains to advance rental on aircraft under lease and on office spaces in airports (see Note 31).

Others include housing allowance, prepayments to other suppliers and input VAT.

12. Property and Equipment

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Acquisition Costs		
Passenger aircraft	**₱61,237,505,784**	₱59,431,497,546
Pre-delivery payments	**20,114,639,244**	17,989,476,284
Rotables	**7,461,663,193**	6,201,760,172
Engines	**6,522,237,363**	6,474,412,357
Building and leasehold improvements	**2,182,630,824**	2,150,694,009
Ground support equipment	**1,507,281,504**	1,426,929,865
EDP equipment, mainframe and peripherals	**953,809,722**	906,986,015
Transportation equipment	**401,132,786**	385,626,378
Maintenance and test equipment	**295,358,630**	254,691,420
Special tools	**148,069,770**	137,743,417
Furniture, fixtures and office equipment	**141,196,598**	126,633,884
Communication equipment	**30,281,932**	28,284,438
Construction in-progress	**27,797,250**	2,857,118
Other equipment	**42,075,699**	40,883,438
Total	**101,065,680,299**	95,558,476,341
Accumulated depreciation	**(24,506,195,253)**	(25,579,199,250)
Net book value	**₱76,559,485,046**	₱69,979,277,091

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 June 30, 2024 and December 31, 2023, the Group's passenger aircraft held as securing assets under various commercial loans are as follows:

	2024	2023
ATR 72-600	**10**	12
Airbus NEO	**10**	9
Airbus CEO	–	1
	20	22

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 June 30, 2024 and December 31, 2023, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱31.3 billion and ₱33.2 billion, respectively.

Proceeds from Insurance Claims
In 2024 and 2023, the Group received ₱115.1 million and ₱1.1 million, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events.

Operating Fleet
As of June 30, 2024 and December 31, 2023, the Group's operating fleet follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Leased aircraft:		
Airbus CEO	**16**	23
Airbus NEO	**34**	29
ATR 72-600	**3**	2
Owned aircraft:		
Airbus CEO	**10**	8
Airbus NEO	**10**	9
ATR 72-600	**12**	12
ATR 72-500*	**2**	2
	87	85

**This excludes three (3) ATR 72-500 that are non-operating and classified as Assets Held for Sale as at June 30, 2024 and December 31, 2023.*

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 June 30, 2024 and December 31, 2023, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱20,114.6 million and ₱17,989.5 million, respectively (see Note 31). For the six months ended June 30, 2024 and 2023, the Group received pre-delivery payment refunds for delivered aircraft from Airbus which amounted to ₱4,837.7 million and ₱4,133.0 million, respectively.

In 2022, the Group entered into remarketing of its four (4) ATR 72-500 aircraft 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 June 30, 2024 and December 31, 2023.

The carrying value of assets held for sale that remain unsold is ₱593.4 million as of June 30, 2024 and December 31, 2023. The remaining aircraft are expected to be sold before the end of 2024.

As of June 30, 2024 and December 31, 2023, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱4,788.7 million and ₱7,056.1 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. The Parent Company's ownership in DAVI remains to be at 40% after the additional investments.

Investment in Value Alliance Travel System Pte. Ltd.

In May 2016, the Parent Company entered into Value Alliance Agreement with other low-cost carriers (LCCs), namely, Scoot Tigerair Pte. Ltd., Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships through the LCCs' investment in Value Alliance Travel System Pte. Ltd. (VATS).

VATS, an entity incorporated in Singapore which started operations in 2018, manages a settlement system which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to VATS.

In November 2016, the Parent Company acquired shares of stock in VAT amounting to ₱43.7 million, equivalent to 13% shareholding. The investment was classified as an investment in an associate and is accounted for using the equity method.

In 2021, based on the key requirements of PAS 36 *Impairment of Assets*, wherein assets can be carried at no more than their recoverable amount, the Group assessed that its investment in VATS was impaired. On this basis, the Group recognized impairment provisions of ₱36.9 million.

In 2023, 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:

	June 30, 2024 (Unaudited)						
	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balances at January 1, 2024	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,923	₱452,000,000	₱495,713,923	₱676,587,568
Additional investment	–	–	–	–	40,000,000	40,000,000	40,000,000
Divestment	–	–	–	(43,713,923)	–	(43,713,923)	(43,713,923)
Balance at June 30, 2024	134,873,645	46,000,000	180,873,645	–	492,000,000	492,000,000	672,873,645
Accumulated Equity in Net Income (Loss)							
Balance at January 1, 2024	165,571,318	(46,000,000)	119,571,318	(6,798,108)	(452,000,000)	(458,798,108)	(339,226,790)
Equity in net income (loss) during the year	72,510,104	–	72,510,104	–	(40,000,000)	(40,000,000)	32,510,104
Divestment	–	–	–	6,798,108	–	6,798,108	6,798,108
Balance at June 30, 2024	238,081,422	(46,000,000)	192,081,422	–	(492,000,000)	(492,000,000)	(299,918,578)
Allowance for Impairment Loss							
Balance at January 1, 2024	–	–	–	(36,915,815)	–	(36,915,815)	(36,915,815)
Divestment	–	–	–	36,915,815	–	36,915,815	36,915,815
Balance at June 30, 2024	–	–	–	–	–	–	–
Net Carrying Value	₱372,955,067	₱–	₱372,955,067	₱–	₱–	₱–	₱372,955,067

	December 31, 2023 (Audited)						
	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balances at January 1, 2023	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,923	₱432,000,000	₱475,713,923	₱656,587,568
Additional investment	–	–	–	–	20,000,000	20,000,000	20,000,000
Balance at December 31, 2023	134,873,645	46,000,000	180,873,645	43,713,923	452,000,000	495,713,923	676,587,568
Accumulated Equity in Net Income (Loss)							
Balance at January 1, 2023	80,197,164	(46,000,000)	34,197,164	(6,798,108)	(425,190,040)	(431,988,148)	(397,790,984)
Equity in net income (loss) during the year	85,374,154	–	85,374,154	–	(26,809,960)	(26,809,960)	58,564,194
Balance at December 31, 2023	165,571,318	(46,000,000)	119,571,318	(6,798,108)	(452,000,000)	(458,798,108)	(339,226,790)
Allowance for Impairment Loss							
Balance at the beginning and end of year	–	–	–	(36,915,815)	–	(36,915,815)	(36,915,815)
Net Carrying Value	₱300,444,963	₱–	₱300,444,963	₱–	₱–	₱–	₱300,444,963

Selected financial information of PAAT, 1Aviation and DAVI as of June 30, 2024 follow:

	PAAT	**1Aviation**	**DAVI**
Current assets	**₱303,826,458**	**₱370,108,297**	**₱874,133,428**
Noncurrent assets	**1,624,540,845**	**265,015,077**	**34,425,110**
Current liabilities	**(517,846,970)**	**(968,196,279)**	**(1,065,096,355)**
Noncurrent liabilities	**(664,610,199)**	**(5,950,754)**	**(12,820,858)**
Equity (Capital Deficiency)	**745,910,134**	**(339,023,659)**	**(169,358,675)**
Proportion of the Group's ownership	**50%**	**40%**	**40%**
Carrying amount of the investments	**₱372,955,067**	**₱–**	**₱–**
Cash and cash equivalents	**₱191,306,356**	**₱46,479,075**	**₱415,369,516**
Current financial liabilities (excluding trade and other payables and provisions)	**446,175,358**	**705,359,391**	**687,635,531**
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**664,610,199**	**5,950,754**	**12,820,858**

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	₱131,540,543	₱58,920,575	₱275,428,872
Current financial liabilities (excluding trade and other payables and provisions)	393,232,305	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

Summarized statements of comprehensive income (loss) of PAAT, 1Aviation and DAVI for the six months ended:

	2024		
	PAAT	**1Aviation**	**DAVI**
Revenue	**₱319,479,410**	**₱1,005,416,038**	**₱218,349,624**
Expenses	**(181,377,618)**	**(993,364,672)**	**(191,029,355)**
Other income	**12,353,379**	**229,380**	**7,044,500**
Income before tax	**150,455,171**	**12,280,746**	**34,364,769**
Income tax expense	**5,434,963**	**3,070,187**	**1,408,484**
Net income	**₱145,020,208**	**₱9,210,559**	**₱32,956,285**
Group's share in net income for the year	**₱72,510,104**	**₱–**	**(₱40,000,000)**

(Forward)

	2024		
	PAAT	**1Aviation**	**DAVI**
Depreciation and amortization	**₱57,809,705**	**₱7,471,839**	**₱14,348,337**
Interest income	**–**	**372,270**	**7,042,874**
Interest expense	**48,012,080**	**265,077**	**–**

	2023		
	PAAT	1Aviation	DAVI
Revenue	₱226,971,638	₱875,339,663	₱89,338,521
Expenses	(142,810,633)	(887,384,570)	(295,724,838)
Other income (charges)	143,065	(156,378)	(19,141,771)
Income (loss) before tax	84,304,070	(12,201,285)	(225,528,088)
Income tax expense	(8,547,604)	3,137,472	(1,406,333)
Net income (loss)	₱75,756,466	(₱9,063,813)	(₱226,934,421)
Group's share in net income (loss) for the year	₱37,878,232	₱–	(₱6,809,960)
Depreciation and amortization	₱57,267,682	₱4,367,954	₱76,108,043
Interest income	–	410,044	7,032,568
Interest expense	34,370,874	492,027	–

The fiscal year-end of PAAT, 1Aviation, VATS 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 ₱238.1 million and ₱165.6 million as of June 30, 2024 and December 31, 2023, respectively, which is not currently available for dividend distribution unless declared by PAAT.

As of June 30, 2024 and December 31, 2023, the accumulated unrecognized share in losses of 1Aviation amounted to ₱99.7 million and ₱103.4 million, respectively.

As of June 30, 2024 and December 31, 2023, the accumulated unrecognized share in losses of DAVI amounted to ₱18.9 million and ₱92.1 million, respectively.

14. Goodwill

This account consists of goodwill arising from the acquisition of the following entities:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
CEBGO	**₱566,781,533**	₱566,781,533
A-Plus	**154,867,437**	154,867,437
	₱721,648,970	₱721,648,970

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.

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).

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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, 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:
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.

Goodwill amounting to ₱154.9 million from step acquisition of A-Plus comprises the fair value of expected synergies arising from the acquisition.

As of June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, 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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Refundable deposits	**₱2,576,777,088**	₱2,343,524,841
Intangible assets	**852,691,870**	852,691,870
Receivables – net of current portion	**372,460,751**	390,400,574
Others	**311,141,485**	87,547,294
	₱4,113,071,194	₱3,674,164,579

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 Airbus NEO to be capitalized as part of the cost of aircraft upon delivery.

16. Accounts Payable and Other Accrued Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Accounts payable	**₱8,656,293,940**	₱11,203,782,204
Accrued expenses	**8,292,710,260**	8,960,112,992
Airport and other related fees payable	**5,146,355,063**	4,408,243,128
Advances from agents and others	**1,258,360,862**	1,244,310,113
Travel fund payable (Note 21)	**228,924,878**	217,309,782
Accrued interest payable	**113,275,157**	226,381,466
Refunds payable	**1,697,491**	9,434,217
Other payables	**348,861,508**	275,736,052
	₱24,046,479,159	₱26,545,309,954

Accrued Expenses

The Group's accrued expenses include accruals for:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Aircraft maintenance	**₱4,770,364,087**	₱5,013,848,784
Compensation and benefits	**1,074,271,363**	1,034,739,695
Advertising and promotion	**489,262,263**	525,010,030
Airport and traffic costs	**466,059,228**	402,716,952
Repairs and services	**459,142,925**	770,110,533
Insurance	**186,639,804**	126,343,171
Travel and transport	**184,710,828**	142,835,875
Training costs	**183,673,841**	143,700,793
Rent	**154,220,721**	366,612,663
Professional fees	**46,674,689**	132,366,581
Others	**277,690,511**	301,827,915
	₱8,292,710,260	₱8,960,112,992

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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Unearned revenue	**₱13,010,732,033**	₱11,240,425,405
Deferred ancillary revenue	**3,290,759,339**	2,520,863,441
	₱16,301,491,372	₱13,761,288,846

Recognized deferred ancillary revenue as of June 30, 2024 and December 31, 2023 follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at January 1	**₱2,520,863,441**	₱1,973,274,206
Deferred during the year	**11,867,756,600**	22,374,986,009
Recognized to income	**(11,097,860,702)**	(21,827,396,774)
Balance at June 30 and December 31	**₱3,290,759,339**	₱2,520,863,441

18. Long-term and Short-term Debt

Long-term Debt

This account consists of:

			June 30, 2024 (Unaudited)		
	Annual Interest Rates Range	Maturities	**US Dollar**	**Japanese Yen**	**Philippine Peso Equivalent**
US Dollar commercial loans	1.3% to 6.5% (US Dollar LIBOR)	Various dates through 2030	**US$270,516,145**	**JPY−**	**₱15,854,951,255**
Japanese Yen commercial loans	1.00% to 2.00% (TONA)	Various dates through 2033	−	**46,173,535,475**	**16,908,748,691**
Philippine Peso commercial loans	2.00% to 5.00% (PH BVAL)	Various dates through 2028	−	−	**4,876,536,475**
			US$270,516,145	**JPY46,173,535,475**	**₱37,640,236,421**

	Annual Interest Rates Range	Maturities	December 31, 2023 (Audited) 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

The current and noncurrent portion of long-term debt are shown below:

	June 30, 2024 (Unaudited)		
	US Dollar	**Japanese Yen**	**Philippine Peso Equivalent**
Current			
US Dollar loans	**US$30,099,892**	**JPY–**	**₱1,764,154,689**
Japanese Yen loans	**–**	**3,862,727,010**	**1,414,530,631**
Philippine Peso loans	**–**	**–**	**1,556,606,130**
	30,099,892	**3,862,727,010**	**4,735,291,450**
Noncurrent			
US Dollar loans	**240,416,253**	**–**	**14,090,796,566**
Japanese Yen loans	**–**	**42,310,808,465**	**15,494,218,060**
Philippine Peso loans	**–**	**–**	**3,319,930,345**
	240,416,253	**42,310,808,465**	**32,904,944,971**
	US$270,516,145	**JPY46,173,535,475**	**₱37,640,236,421**

	December 31, 2023 (Audited)		
	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

Long-term debt rollforward follows:

	June 30, 2024 (Unaudited)				
	US Dollar Loans	**Japanese Yen Loans**	**Philippine Peso Equivalent**	**Philippine Peso Loans**	**Total**
Balances at January 1, 2024	**US$280,421,182**	**JPY38,658,944,764**	**₱30,719,886,145**	**₱7,979,865,440**	**₱38,699,751,585**
Additions	**−**	**9,183,428,000**	**3,424,500,301**	**−**	**3,424,500,301**
Payments	**(9,905,037)**	**(1,668,837,289)**	**(1,183,558,832)**	**(3,103,328,965)**	**(4,286,887,797)**
	270,516,145	**46,173,535,475**	**32,960,827,614**	**4,876,536,475**	**37,837,364,089**
Unrealized foreign exchange gain	**−**	**−**	**(197,127,668)**	**−**	**(197,127,668)**
Balances at June 30, 2024	**US$270,516,145**	**JPY46,173,535,475**	**₱32,763,699,946**	**₱4,876,536,475**	**₱37,640,236,421**

	December 31, 2023 (Audited)				
	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 gain	–	–	(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

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) Airbus CEO and six (6) Airbus NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
Various dates in 2018	Airbus CEO	7	Tikgi One Aviation Designated Activity Company	Various dates in 2026
January 2019	Airbus NEO	1	Sampaguita Leasing Co. Ltd.	January 2029
May 2019 October 2019 November 2019	Airbus NEO	3	Dia Boracay Co. Ltd. Cebuano Leasing Co. Tarsier Leasing Co.	May 2029 October 2029 November 2029
December 2019 June 2020	Airbus NEO	2	RAMEN Aircraft Leasing Limited	December 2029 June 2030

Key terms of the remaining commercial loan facilities follow:

- Term of six (6) 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 1.3% to 6.5% 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 June 30, 2024 and December 31, 2023, the total outstanding balance of the US Dollar commercial loans amounted to ₱15,855.0 million (US$270.5 million) and ₱15,526.9 million (US$280.4 million), respectively. Interest expense amounted to ₱497.4 million and ₱354.4 million for the six months ended June 30, 2024 and 2023, respectively.

Japanese Yen Commercial Loans

The following table summarizes the Japanese commercial loans entered into by the Group in various dates in 2019, 2023 and 2024, to finance the purchase of eight (8) Airbus NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
January 2019	Airbus NEO	1	Sampaguita Leasing Co. Ltd.	January 2029
May 2019	Airbus NEO	1	Dia Boracay Leasing Co. Ltd.	May 2029
October 2019	Airbus NEO	1	Cebuano Leasing Co. Ltd.	October 2029
November 2019	Airbus NEO	1	Tarsier Leasing Co. Ltd.	November 2029
July 2023	Airbus NEO	1	Nalu Leasing Co., Ltd.	July 2033
September 2023	Airbus NEO	1	Guimaras Leasing Co., Ltd.	September 2033
November 2023	Airbus NEO	1	Tubbataha Leasing Co., Ltd.	November 2033
March 2024	Airbus NEO	1	Dia Siargao Ltd.	March 2034

In July, September, and November 2023, the Group entered into Japanese commercial loans for three (3) Airbus NEO 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.

In March 2024, the Group entered into Japanese commercial loans for one (1) Airbus NEO aircraft. The loan requires quarterly installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

As of June 30, 2024 and December 31, 2023, the total outstanding balance of the Japanese yen commercial loans amounted to ₱16,908.7 million (¥46.2 billion) and ₱15,193.0 million (¥38.7 billion), respectively. Interest expense amounted to ₱75.5 million and ₱8.1 million for the six months ended June 30, 2024 and 2023, 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) Airbus CEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Maturity Date
October and November 2016 February and March 2017	ATR 72-600	4	October and November 2026 February and March 2027
May, July, October and December 2017	ATR 72-600	4	May, July, October and December 2027
February and May 2018	ATR 72-600	2	February and May 2028

Key terms of the commercial loan facilities follow:

- Term of seven (7) 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 June 30, 2024 and December 31, 2023, the total outstanding Philippine Peso commercial loans amounted to ₱4,876.5 million and ₱7,979.9 million, respectively. Interest expense incurred from these loans amounted to ₱233.2 million, and ₱328.9 million in for the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and December 31, 2023, 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.

The Group outstanding balance as at December 31, 2022 amounting to ₱586.7 million, was due for repayment in 2023. The loan has been paid in full as of December 31, 2023.

Interest expense incurred from this loan amounted to ₱8.7 million for the six months ended June 30, 2023 (nil for 2024).

Short-term Debt
In February and March 2024, the Group obtained short term loans from BDO Unibank, Inc. (BDO) and Bank of the Philippine Islands (BPI) each amounting to US$50.0 million that are due for repayment on August 2024 and September 2024, respectively. Interest on the short-term loan from BDO is based on Secured Overnight Financing Rate (SOFR) plus margin, while the short-term loan from BPI is based on a fixed rate. The short-term loans have interest rates ranging from 5.0% to 6.5%.

Interest expense incurred from these short-term loans amounted to ₱103.0 million for the six months ended June 30, 2024 (nil for 2023).

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 June 30, 2024 and December 31, 2023. 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 for the six months ended June 30, 2024 and 2023, amounted to ₱377.3 million and ₱363.5 million, respectively.

The carrying amount as at June 30, 2024 and December 31, 2023 of the host financial liability component of the CBs are presented below:

	June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$242,689,465**	**₱13,437,715,699**	US$240,755,494	₱13,423,322,594
Unrealized foreign exchange loss (gain)	**–**	**788,028,336**	–	(93,207,960)
Bond amortization	**1,006,800**	**57,294,063**	1,933,971	107,601,065
Ending balance	**US$243,696,265**	**₱14,283,038,098**	US$242,689,465	₱13,437,715,699

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 as of June 30, 2024 and December 31, 2023 follow:

	June 30, 2024 (Unaudited)		December 31, 2023 (Audited)	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$–**	**₱–**	US$15,188,513	₱846,835,509
Market valuation gains (Note 8)	–	–	(15,188,513)	(846,835,509)
Ending balance	**US$–**	**₱–**	US$–	₱–

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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Stock price	**₱27.20**	₱32.50
Risk free rate	**4.48%**	3.90%
Conversion price	**₱38.00**	₱38.00
Term	**2.9 years**	3.3 years
Volatility	**28.58%**	32.90%

20. Other Noncurrent Liabilities

This account consists of:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Asset retirement obligation (ARO)	**₱1,430,169,111**	₱3,774,523,251
Heavy maintenance visits (HMV)	**1,289,014,950**	2,000,998,239
Other noncurrent liabilities	**228,795,840**	179,867,582
	₱2,947,979,901	₱5,955,389,072

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.

For the six months ended June 30, 2024 and 2023, ARO expenses included as part of repairs and maintenance amounted to ₱1,202.2 million and ₱1,862.9 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.

For the six months ended June 30, 2024 and 2023, provision for HMV included as part of repairs and maintenance amounted to ₱794.2 million and ₱916.2 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.

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 June 30, 2024 and December 31, 2023, the current portion of travel fund payable amounted to ₱228.9 million and ₱217.3 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 ₱444.5 million and ₱413.6 million , respectively.

Expired portion of the travel fund payable amounting to ₱179.2 million for the six months ended June 30, 2023 is recognized as part of 'Ancillary revenues' in the consolidated statement of comprehensive income (nil in 2024).

22. Equity

The Group's authorized capital stock as of June 30, 2024 and December 31, 2023 consists of the following (in number of shares):

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
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:

	June 30, 2024 (Unaudited)		
	Common	**Preferred**	**Total**
Subscribed and issued	**637,134,383**	**309,693,201**	**946,827,584**
Conversion of shares	**221,600**	**(221,600)**	–
Subscribed and issued, after conversion	**637,355,983**	**309,471,601**	**946,827,584**
Treasury shares	**(12,919,850)**	**–**	**(12,919,850)**
	624,436,133	**309,471,601**	**933,907,734**

	December 31, 2023 (Audited)		
	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

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 104 and 103 as of June 30, 2024 and December 31, 2023, 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 periods ended June 30, 2024 and December 31, 2023, 211,600 and 4,351,156 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 10 and 12 as of June 30, 2024 and December 31, 2023, respectively.

The rollforward of the Parent Company's common and preferred shares follows:

	June 30, 2024 (Unaudited)			December 31, 2023 (Audited)		
	Common*	**Preferred**	**Total**	Common*	Preferred	Total
Balances at January 1	**634,911,717**	**309,693,201**	**944,604,918**	629,233,561	314,044,357	943,277,918
Issuance of vested RSUs (Note 23)	**2,222,666**	**–**	**2,222,666**	1,327,000	–	1,327,000
Conversion of shares	**221,600**	**(221,600)**	**–**	4,351,156	(4,351,156)	–
Balances at June 30 and December 31	**637,355,983**	**309,471,601**	**946,827,584**	634,911,717	309,693,201	944,604,918

**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:

	June 30, 2024 (Unaudited)					
	Capital Stock			**Capital Paid in Excess of Par Value**		
	Common	**Preferred**	**Total**	**Common**	**Preferred**	**Total**
Balances at January 1	**₱634,911,717**	**₱309,693,201**	**₱944,604,918**	**₱9,232,370,549**	**₱11,426,181,694**	**₱20,658,552,243**
Issuance of vested RSUs (Note 23)	**2,222,666**	**–**	**2,222,666**	**104,495,543**	**–**	**104,495,543**
Conversion of shares	**221,600**	**(221,600)**	**–**	**8,199,200**	**(8,199,200)**	**–**
Balances at June 30	**₱637,355,983**	**₱309,471,601**	**₱946,827,584**	**₱9,345,065,292**	**₱11,417,982,494**	**₱20,763,047,786**

	December 31, 2023 (Audited)					
	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

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 June 30, 2024 and December 31, 2023, respectively, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Appropriation of Retained Earnings

As of June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, 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 June 30, 2024 and December 31, 2023, respectively.

The Parent Company did not declare dividends in 2024 and 2023.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange gain/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 June 30, 2024 and December 31, 2023.

Equity Restructuring through Quasi-Reorganization
On July 17, 2024, the Parent Company's Board approved the Parent Company to pursue an equity restructuring by zeroing out the deficit amounting to ₱16,269.2 million, against the 'Capital paid in excess of par value' of ₱20,658.6 million from the Parent Company's audited financial statements as of December 31, 2023. The equity restructuring was approved by the SEC on August 2, 2024 (see Note 33).

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 of ₱8,302.4 million and ₱4,778.1 million as of June 30, 2024 and December 31, 2023, 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, ranging from ₱40.00 to ₱45.00.

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, ranging from ₱32.50 to ₱43.95.

Additionally, in 2024, one (1) eligible person was granted RSUs with three (3) years vesting period, commencing 2024. These will vest in three (3) tranches: 20%, 30%, and 50% at the end of 2024, 2025 and 2026, respectively. The fair value of the shares at grant date is ₱32.95.

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. 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. These options will expire on December 31, 2027. The Group does not pay cash as a form of settlement.

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, respectively.

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. As of June 30, 2024 and December 31, 2023, a total of 4,965,000 vested stock options remain to be outstanding and exercisable.

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.

For the six months ended June 30, 2024, the cost of RSUs and stock options charged to operations under the 'General and administrative' in the consolidated statements of comprehensive income amounted to ₱6.6 million and ₱2.1 million, respectively. Meanwhile, in the same period last year, the cost of RSUs and stock options charged to operations were ₱23.3 million and ₱10.9 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 ₱8.7 million and ₱34.2 million, for the six months ended June 30, 2024 and 2023, respectively.

As of June 30, 2024 and December 31, 2023, the outstanding 'Share-based payments' presented in the consolidated statements of financial position amounted to ₱126.6 million and ₱224.6 million, respectively.

24. Operating Expenses

Flying Operations
This account consists of:

	For the six-month period ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Aviation fuel expense (Note 10)	**₱16,078,230,570**	₱14,061,708,866
Flight deck	**2,387,048,522**	2,142,134,027
Aviation insurance	**172,054,703**	122,636,422
Others	**514,983,729**	445,232,113
	₱19,152,317,524	₱16,771,711,428

For the six months ended June 30, 2024 and 2023, the Group charged as an addition to aviation fuel expense the effective portion of its cash flow hedges amounting to nil and ₱162.5 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 31).

Total amount of repairs and maintenance includes provision for asset retirement obligation amounting to ₱1,202.2 million and ₱1,862.9 million for the six months ended June 30, 2024 and 2023, respectively (see Note 20). This also includes provision for heavy maintenance visits amounting to ₱794.2 million and ₱916.2 million for the six months ended June 30, 2024 and 2023, respectively (see Note 20).

Aircraft and Traffic Servicing

This account consists of:

	For the six-month period ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Airport charges	**₱2,623,738,044**	₱2,010,899,190
Ground handling	**2,218,447,048**	1,705,270,776
Others	**506,457,175**	408,276,932
	₱5,348,642,267	₱4,124,446,898

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 ₱1,880.3 million and ₱1,641.8 million for the six months ended June 30, 2024 and 2023, respectively.

25. General and Administrative Expenses

This account consists of:

	For the six-month period ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
IT and other professional fees	**₱835,480,418**	₱782,124,828
Staff costs	**612,605,261**	576,198,411
Security	**249,580,301**	236,130,578
Utilities	**92,765,720**	82,027,475
Travel and transportation	**38,229,603**	22,483,925
Rent expense (Note 31)	**23,425,148**	19,981,337
Others	**337,709,946**	286,419,622
	₱2,189,796,397	₱2,005,366,176

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.

27. Earnings Per Share

The following reflects the income and share data used in the basic/diluted loss per share computations:

	For the six-month period ended June 30	
	2024	2023
Net income	**₱3,545,361,939**	₱3,749,345,940
Less: Cumulative preferred dividends	**(350,869,769)**	(351,978,380)
Net income attributable to common shareholders for basic EPS	**3,194,492,170**	3,397,367,560
Divided by: Weighted average number of common shares	**624,227,304**	618,241,281
Basic earnings per share	**₱5.12**	₱5.50
Net income attributable to common shareholders for diluted EPS	**₱3,828,362,767**	₱4,021,971,857
Divided by: Adjusted weighted average number of common shares*	**1,252,448,905**	1,248,302,972
Diluted earnings per share	**₱3.06**	₱3.22
* Adjusted weighted average number of common shares for diluted EPS		
Weighted average number of common shares	**624,227,304**	618,241,281
Add: Dilutive shares arising from convertible bonds and preferred shares	**628,221,601**	630,061,691
Adjusted weighted average number of common shares	**1,252,448,905**	1,248,302,972

28. 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.

29. 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.

<u>Risk Management Policies</u>
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.

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.

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 June 30, 2024 and December 31, 2023, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position) amounted to ₱73.3 million and ₱70.4 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.

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 June 30, 2024 and December 31, 2023 follow:

	June 30, 2024	December 31, 2023
US Dollar	**₱58.610 to US$1.00**	₱55.370 to US$1.00
Singapore Dollar	**₱43.365 to SGD1.00**	₱42.090 to SGD1.00
Hong Kong Dollar	**₱7.5385 to HKD1.00**	₱7.1121 to HKD1.00
Japanese Yen	**₱0.3662 to JPY1.00**	₱0.3930 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 six months ended June 30, 2024 and 2023 (in thousands):

	2024		2023	
Changes in foreign exchange value	**₱2**	**(₱2)**	₱2	(₱2)
Change in pre-tax income	**(₱956,505)**	**₱956,505**	(₱2,404,052)	₱2,404,052

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
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 ₱1,397.5 million and ₱1,186.6 million for the six months ended June 30, 2024 and 2023, 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 June 30, 2024 and December 31, 2023:

	June 30, 2024 (Unaudited)					
	1 to 3 months	**More than 3 to 6 months**	**More than 6 to 12 months**	**More than 12 to 15 months**	**More than 15 months**	**Total**
Notional amount (in barrels)	**300,000**	**300,000**	–	–	–	**600,000**
Notional amount (in US$)	**$24,645,000**	**$24,645,000**	–	–	–	**$49,290,000**
Average hedged rate	**82.15**	**82.15**	–	–	–	**82.15**

	December 31, 2023 (Audited)					
	1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 to 15 months	More than 15 months	Total
Notional amount (in barrels)	30,000	30,000	–	–	–	60,000
Notional amount (in US$)	$2,397,000	$2,397,000	–	–	–	$4,794,000
Average hedged rate	79.90	79.90	–	–	–	79.90

The impact of the hedge accounting on the consolidated statements of financial position as of June 30, 2024 and December 31, 2023 follows:

June 30, 2024 (Unaudited)

	Change in fair value used in measuring ineffectiveness for the period	Cash flow hedge reserve
Interest rate derivatives	**₱476,057,712**	**₱476,057,712**
Fuel derivatives	**₱1,467,354**	**₱1,467,354**

December 31, 2023 (Audited)

	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)

Roll forward of each component of equity and the analysis of the other comprehensive income (loss) follows:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balances at January 1	**₱167,236,789**	₱503,754,596
Effective portion of cash flow hedges:		
Fuel hedges	**5,456,455**	82,705,956
Interest rate hedge	**–**	(145,658,942)
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense (Note 24)	**–**	(83,997,927)
Interest expense (Note 8)	**(45,095,244)**	(100,715,630)
Actuarial loss on retirement liability	**–**	(201,023,866)
Tax effect	**9,909,697**	112,172,602
Balances at June 30 and December 31	**₱137,507,697**	₱167,236,789

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 six months ended June 30, 2024 and 2023.

	2024		2023	
Changes in foreign exchange value	**1.50%**	**(1.50%)**	1.50%	1.50%
Change in pre-tax income	**(₱425,003,813)**	**₱425,003,813**	(₱521,414,051)	₱521,414,051

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.

30. Fair Value Measurement

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% as of June 30, 2024 and December 31, 2023.

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% as of June 30, 2024 and December 31, 2023.

31. Commitments and Contingencies

Leases
The Group has aircraft and non-aircraft leases. Leases of aircraft generally have lease term between 2 and 12 years, while leases of non-aircraft items generally have remaining lease term between 9 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:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Cost		
Balance at January 1	**₱100,663,573,884**	₱63,198,412,415
Additions (non-cash investing activity)	**17,000,753,410**	41,744,523,661
Deferred gain on sale and leaseback	**(1,613,723,408)**	(1,373,070,937)
Retirement	**(10,343,156,688)**	(2,906,291,255)
Balance at June 30 and December 31	**105,707,447,198**	100,663,573,884
Accumulated depreciation		
Balance at January 1	**24,562,931,454**	19,807,452,988
Amortization	**4,965,227,690**	7,661,769,721
Retirement	**(10,056,746,216)**	(2,906,291,255)
Balance at June 30 and December 31	**19,471,412,928**	24,562,931,454
	₱86,236,034,270	₱76,100,642,430

The movements in lease liability follow:

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
Balance at January 1	**₱82,639,378,971**	₱48,448,563,693
Additions	**17,000,753,410**	41,744,523,661
Accretion of interest	**1,726,254,536**	2,247,857,293
Payment	**(6,444,613,771)**	(9,801,565,676)
Retirement	**(289,418,722)**	–
Ending balance	**94,632,354,424**	82,639,378,971
Less: current portion	**10,928,321,075**	9,228,540,715
Noncurrent portion	**₱83,704,033,349**	₱73,410,838,256

The following are the amounts recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2024 and 2023:

	For the six-month period ended June 30	
	2024 (Unaudited)	2023 (Unaudited)
Depreciation expense on right-of-use assets	**₱4,965,227,690**	₱3,481,566,519
Interest expense on lease liabilities	**1,726,254,536**	933,644,988
Rent expense on short-term leases	**1,434,860,779**	1,354,521,999
	₱8,126,343,005	₱5,769,733,506

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
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
February 2024	CALC Jiangqing Limited	1	February 2028

In November 2023, the Group entered into lease agreement with Bulgaria Air JSC for two (2) Airbus A320 which were delivered in January 2024. The lease agreement ended in April 2024.

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

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
April 2022	Jackson Square Aviation Ireland Limited	1	April 2032
July 2022	Sky High 135 Leasing Company Limited	1	July 2032
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	2	August 2033-September 2033
October 2023	Miracale Cassiopeia Company Limited	1	October 2037
November 2023	SMBC Aviation Capital LTD	1	April 2033
August 2023	AerCap Aviation Leasing Limited	2	August 2033 - November 2033
April 2024	Sky High 135 Leasing Company Limited	1	April 2036

In August 2023, the Group entered into a 10-year lease agreement with AerCap Aviation Leasing Limited for four (4) A320NEOs delivered on August 31, 2023, September 4, 2023, May 21, 2024, and June 21, 2024.

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
June 2024	Aviation Capital Group LLC	1	June 2036

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.

In May 2024, the Group entered into an 8-year lease agreement with NAC 58 Company Limited for one (1) ATR-600 delivered on May 31, 2024.

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
November 2019	Avolon Leasing Ireland 3 Limited	1	February 2036

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.

In February 2024, 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.

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
November 2019	Avolon Leasing Ireland 3 Limited	1	February 2036

<u>Engine Lease Commitments</u>
The following table summarizes the specific lease agreements on the Group's engines:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	8	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
May 2024	Total Engine Asset Management PTE. LTD.	4	10 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 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 May 2024, the Group entered into a 10-year operating lease agreement with Total Engine Asset Management PTE. LTD. for four (4) PW1133G-JM engines where three (3) were delivered on May 30, 2024 and one (1) was delivered on June 13, 2024.

As of December 31, 2023, the Group has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors. As of June 30, 2024, the lessors released the holdouts in cash in banks and money market placements (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 ₱884.2 million and ₱929.9 million for the six months ended June 30, 2024 and 2023, respectively.

Future minimum lease payments under the above-indicated operating aircraft leases follow:

	2024		2023	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$300,944,192**	**₱17,638,339,103**	US$183,649,727	₱9,983,199,185
After one year but not more than five years	**1,108,830,594**	**64,988,561,129**	708,041,370	38,489,128,856
Over five years	**901,965,216**	**52,864,181,304**	441,634,920	24,007,274,234
	US$2,311,740,002	**₱135,491,081,536**	US$1,333,326,017	₱72,479,602,275

<u>Operating Non-Aircraft Lease Commitments</u>
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 5.0% to 10.0%.

Future minimum lease payments under these noncancellable operating leases follow:

	2024	2023
Within one year	**₱229,924,042**	₱224,537,586
After one year but not more than five years	**1,244,348,000**	955,848,070
Over five years	**3,707,511,573**	4,225,935,545
	₱5,181,783,615	₱5,406,321,201

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 ₱550.7 million and ₱429.6 million in for the six months ended June 30, 2024 and 2023, 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 for the fleet of Airbus A320.

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.

On May 1, 2022, the Parent Company has entered into a 10-year charge per aircraft landing (CPAL) agreement with Goodrich-Messier (Goodrich) to purchase products and services for the main wheels and brakes of Airbus A330 aircraft.

On October 13, 2023, the Parent Company has entered into a 9-year charge per aircraft landing (CPAL) agreement with Goodrich-Messier (Goodrich) to purchase products and services for the main wheels and brakes of Airbus A321 aircraft.

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 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 nine (9) A321NEO.

On 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 June 30, 2024, the Group is set to take delivery of six (6) A320 NEO aircraft, two (2) A320 CEO aircraft, eighteen (18) A321 NEO aircraft, eight (8) A330 NEO aircraft, and one (1) ATR 72-600 aircraft until 2028.

In March 2024, the Group entered into an agreement with International Aero Engines, LLC to purchase PW100G-JM engines for its fifteen (15) firm aircraft and an additional twelve (12) firm spare engines.

The above-indicated commitments relate to the Group's re-fleeting and expansion programs. These agreements remain in effect as of June 30, 2024.

Capital Expenditure Commitments

The Group's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱247,578.7 million and ₱233,689.3 million as of June 30, 2024 and December 31, 2023, respectively.

	June 30, 2024 (Unaudited)	
	US Dollar	**Philippine Peso Equivalent**
Within one year	**US$1,173,848,247**	**₱68,799,245,749**
After one year but not more than five years	**2,148,358,273**	**125,915,278,396**
More than five years	**901,965,216**	**52,864,181,304**
	US$4,224,171,736	**₱247,578,705,449**

	December 31, 2023 (Audited)	
	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

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.

32. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The changes in liabilities arising from financing activities follow:

	January 1, 2024	Cash Flows	Noncash: Foreign Exchange Movement	Noncash: Others*	June 30, 2024
Short-term debt	**₱–**	**₱5,597,123,323**	**₱263,874,919**	**₱–**	**₱5,860,998,242**
Current portion of long-term debt	**5,093,179,461**	**(862,387,496)**	**8,075,245**	**496,424,240**	**4,735,291,450**
Long-term debt - net of current portion	**33,606,572,124**	**–**	**(205,202,913)**	**(496,424,240)**	**32,904,944,971**
Bonds payable	**13,437,715,699**	**–**	**788,028,337**	**57,294,062**	**14,283,038,098**
Lease liability	**82,639,378,971**	**(6,444,613,771)**	–	**18,437,589,224**	**94,632,354,424**
Total liabilities from financing activities	**₱134,776,846,255**	**(₱1,709,877,944)**	**₱854,775,588**	**₱18,494,883,286**	**₱152,416,627,185**

**Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest, deferred gain on sale and leaseback and amortization of bond issue costs*

	January 1, 2023	Cash Flows	Noncash: Foreign Exchange Movement	Noncash: Others*	June 30, 2023
Current portion of long-term debt	₱3,699,412,710	(₱3,237,964,779)	(₱72,789,145)	₱1,992,738,942	2,381,397,728
Long-term debt - net of current portion	36,680,069,698	–	(574,710,986)	(1,992,738,942)	34,112,619,770
Bonds payable	13,423,322,594	–	(133,672,575)	52,711,398	13,342,361,417
Lease liability	48,448,563,693	(4,381,685,279)	–	20,493,900,259	64,560,778,673
Total liabilities from financing activities	₱102,251,368,695	(₱7,619,650,058)	(₱781,172,706)	₱20,546,611,657	₱114,397,157,588

**Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest, deferred gain on sale and leaseback, and amortization of bond issue costs*

Please see Notes 12, 18 and 31 for noncash investing and financing activities in 2024 and 2023.

33. Events After the Financial Reporting Date

Equity Restructuring through Quasi-Reorganization

On July 17, 2024, the Parent Company's Board approved the Parent Company to pursue an equity restructuring of its deficit amounting to ₱16,269.2 million, against the Additional Paid-in Capital ("APIC") of ₱20,658.6 million from the Parent Company's audited financial statements as of December 31, 2023. The total APIC as of December 31, 2023 is composed of ₱9,232.4 million from APIC from common shares and ₱11,426.2 million from APIC from preferred shares.

The deficit was allocated to the APIC from common and preferred shares based on their paid-in capital value as of December 31, 2023. Hence, the APIC from common shares that will be applied in the deficit is ₱7,431.0 million while ₱8,838.2 million is from APIC from preferred shares.

The equity restructuring is intended to zero out the deficit as of December 31, 2023. The equity restructuring was approved by the SEC on August 2, 2024.

The equity restructuring will not involve a change in the par value of the Parent Company's shares nor will it require an infusion of any additional paid-in capital; neither will the equity restructuring result in any change in the number of Parent Company's issued, outstanding, or listed shares.

Memorandum of Understanding (MOU) with Airbus and Pratt & Whitney

The Parent Company, Airbus and Pratt & Whitney held an official ceremony to commemorate a binding memorandum of understanding signed for the Parent Company's purchase of up to 152 A321NEO aircraft for estimated USD $24 billion (₱1.4 trillion) based on list prices, the largest aircraft order in Philippine aviation history. The MOU covers firm orders for up to 102 A321NEO, plus 50 A320NEO Family purchase rights. The Parent Company has selected Pratt & Whitney GTF™ engines to power the future aircraft.

34. 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, 2025
- PFRS 17, *Insurance Contracts*
- Amendments to PAS 21, *Lack of exchangeability*

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