

COVER SHEET

for
UNAUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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S																														

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

B	a	s	e	m	e	n	t		2		-		R	0	1		-		0	2	,		R	o	b	i	n	s	
o	n	s		G	a	l	l	e	r	i	a		C	e	b	u	,		G	e	n	e	r	a	l		M	a	x
i	l	o	m		c	o	r	n	e	r		S	.	O	s	m	e	ñ	a		B	o	u	l	e	v	a	r	
d	,		B	a	r	a	n	g	a	y		T	e	j	e	r	o	,		C	e	b	u		C	i	t	y	

Form Type

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Department requiring the report

S	E	C
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Secondary License Type, If Applicable

N	/	A
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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)
110	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
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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, 2025
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	615,012,253 shares
Convertible Preferred Stock, ₱1.00 Par Value	309,184,301 shares

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

Yes 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 No

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

Yes 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 and is now the leading airline in the Philippines. Since its inception, it has flown over 250 million passengers.

The Parent Company was incorporated on August 26, 1988 and was granted a 40-year legislative franchise to operate domestic and international air transport services in 1991. It commenced its scheduled passenger operations in March 1996 and began its international operations in 2001. The Parent Company’s common stock was listed with the Philippine Stock Exchange (PSE) on October 26, 2010.

On October 7, 2024, the Parent Company signed a share purchase agreement (SPA) with ALI Capital Corp. for the acquisition of 100% of AirSWIFT Transport, Inc. (AirSWIFT) for consideration of ₱1.75 billion, comprised of payment for outstanding shares and shareholder advances. AirSWIFT, a boutique airline that caters to domestic leisure, operates flights from Manila and Clark to El Nido in northern Palawan, and from El Nido to other major tourist destinations in the country, including Cebu, Boracay, Coron and Bohol. Following the purchase, the Parent Company added El Nido to its network, widening its growth opportunities.

In October 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription with 1Aviation Groundhandling Services, Corp. (1Aviation), for the assignment of credit and subscription to 1,130,000 shares, each with a par value of ₱100 per share, amounting to ₱113.0 million, equivalent to additional 20% ownership. This effectively converts a portion of the Parent Company’s shareholder loans and advances into an equivalent number of common stock in 1Aviation (“debt-to-equity conversion”).

The debt-to-equity conversion is yet to be approved by the Securities and Exchange Commission (SEC) as of June 30, 2025. Prior to the conversion, the Parent Company has 40% ownership in 1Aviation and the carrying amount of its investment in 1Aviation is nil. Upon the approval of the SEC, the Parent Company will hold a total of 60% ownership in 1Aviation. This will enhance the Parent Company’s operational control in 1Aviation, allowing it to better integrate services for efficiency, align strategic plans more effectively, and improve service quality.

The Parent Company, its wholly owned subsidiaries namely, CEBGO, Inc., AirSWIFT (the “Airline Group”) and A-Plus, and the seventeen (17) SPEs (collectively known as “the Group”) are consolidated for financial reporting purposes.

As of June 30, 2025, the Airline Group operates a route network serving 82 domestic routes and 42 international routes with a total of 3,148 scheduled weekly flights. It operates from five hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 2 and Terminal 3 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga, Davao International Airport located in Mindanao, and Iloilo International Airport located in Iloilo City.

As of June 30, 2025, the Airline Group has a fleet of 99 aircraft. The average aircraft age of the Airline Group’s fleet is approximately 6.0 years as of June 30, 2025.

Aside from passenger service, the Airline Group also provides airport-to-airport cargo services on its domestic and international routes. In addition, it offers ancillary services such as fare bundles, prepaid baggage, seat selector and meals among others.

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

Results of Operations

Six Months Ended June 30, 2025 Versus June 30, 2024

	For the Six Months Ended		Horizontal	Vertical	2025	2024
	2025	June 30 2024				
REVENUE						
Sale of air transportation services						
Passenger	44,232	35,680	8,552	24%	70%	69%
Cargo	3,513	2,636	877	33%	5%	5%
Ancillary revenues	15,588	13,123	2,465	19%	25%	26%
	63,333	51,439	11,894	23%	100%	100%
EXPENSES						
Flying operations	20,588	19,152	1,436	7%	33%	37%
Repairs and maintenance	10,956	7,384	3,572	48%	17%	14%
Depreciation and amortization	9,478	7,815	1,663	21%	15%	15%
Aircraft and traffic servicing	7,998	5,349	2,649	50%	13%	10%
General and administrative	2,569	2,190	379	17%	4%	4%
Reservation and sales	2,207	1,880	327	17%	3%	4%
Passenger service	1,522	1,299	223	17%	2%	3%
Aircraft and engine lease	100	884	(784)	-89%	0%	2%
	55,418	45,953	9,465	21%	88%	89%
OPERATING INCOME	7,915	5,486	2,429	44%	12%	11%
OTHER INCOME (EXPENSES) – NET						
Interest income	414	285	129	45%	1%	1%
Gain from insurance claims	–	115	(115)	-100%	0%	0%
Gain on disposal – net	473	915	(442)	-48%	1%	2%
Equity in net income of joint ventures and associates	74	33	41	124%	0%	0%
Foreign exchange losses – net	(107)	(275)	168	-61%	0%	-1%
Financing costs and other charges	(3,747)	(2,968)	(779)	26%	-6%	-6%
Other income	4,757	–	4,757	100%	8%	0%
	1,864	(1,895)	3,759	-198%	3%	-4%
INCOME BEFORE INCOME TAX	9,779	3,591	6,188	172%	15%	7%
PROVISION FOR INCOME TAX	808	45	763	1,696%	1%	0%
NET INCOME	8,971	3,546	5,425	153%	14%	7%
Earnings per Share						
Basic	13.88	5.12	8.76	171%		
Diluted	7.41	3.06	4.35	142%		

Revenues

The Group's revenues amounted to ₱63.333 billion for the period ended June 30, 2025, 23.1% higher than the ₱51.439 billion revenues earned in the same period last year. The increase in revenues is accounted for as follows:

Passenger Revenues

Passenger revenues grew by ₱8.552 billion or 24.0% to ₱44.232 billion from ₱35.680 billion generated in the same period last year, due to the overall increase in travel demand.

Cargo Revenues

Cargo revenues increased by ₱876.747 million or 33.3% to ₱3.513 billion from ₱2.636 billion generated in the same period last year due to 42.9% increase in cargo volume carried.

Ancillary Revenues

Ancillary revenues were up by ₱2.465 billion or 18.6% to ₱15.588 billion from ₱13.123 billion generated in the same period last year, mainly due to higher passenger volume.

Expenses

The Group incurred operating expenses of ₱55.420 billion, higher by 20.6% compared to ₱45.954 billion incurred in the same period last year. The Group's operating expenses are 88% and 89% of consolidated revenues for the period ended June 30, 2025 and 2024.

The increase was mainly driven by the increase in flight operations, since a material portion of its expenses is based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar from an average of ₱56.91 per U.S. Dollar to ₱57.11 per U.S. Dollar for 2025, based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates, also contributed to the increase in operating expenses.

Flying Operations

Flying operations expenses rose by ₱1.436 billion or 7.5% to ₱20.588 billion from ₱19.152 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 operations, coupled with the weakening of the Philippine Peso against the U.S. Dollar.

Repairs and Maintenance

Repairs and maintenance expenses increased by ₱3.572 billion or 48.4% to ₱10.956 billion from ₱7.384 billion posted during the same period last year. This was mostly due to increase in maintenance accruals, in line with increase in aircraft and flight operations.

Depreciation and Amortization

Depreciation and amortization expenses increased by ₱1.663 billion or 21.3% to ₱9.478 billion from ₱7.815 billion incurred in 2024. The increase was mostly brought about by increase in aircraft and engine acquisitions, and other capital expenditures during the period.

Aircraft and Traffic Servicing

Aircraft and traffic servicing expenses increased by ₱2.649 billion or 49.5% to ₱7.998 billion from ₱5.349 billion in 2024, due to increase in airport and groundhandling costs, in line with increase in flights.

General and Administrative

General and administrative expenses increased by ₱379.337 million or 17.3% to ₱2.569 billion from ₱2.190 billion incurred in the same period last year. The increase was mostly attributable to the increase in staff expenses and IT fees incurred by the Group.

Reservation and Sales

Reservation and sales expenses increased by ₱326.480 million or 17.4% to ₱2.207 billion from ₱1.880 billion for the same period last year. The increase is attributable to higher distribution costs.

Passenger Service

Passenger service expenses increased by ₱222.778 million or 17.1% to ₱1.522 billion from ₱1.299 billion for the same period last year, driven by the increase in cabin crew costs in line with increased flights.

Aircraft and Engine Lease

Aircraft and engine lease expenses went down by ₱783.922 million or 88.7% to ₱100.272 million from ₱884.194 million in the same period last year, due to the lower number of aircraft under short-term leases.

Operating Income

As a result of the foregoing, the Group earned an operating income of ₱7.915 billion for the six months ended June 30, 2025, higher by 44.3% or ₱2.429 billion than the ₱5.846 billion posted in the same period last year.

Other Income (Expenses)

Interest Income

Interest income increased by ₱128.328 million or 45.0% to ₱413.497 million from ₱285.169 million earned due to the increase in short term placements for six months ended June 30, 2025 as compared to same period last year.

Gain from Insurance Claims

In 2024, the Group received ₱115.130 million (nil in 2025), pertaining to insurance proceeds claimed for damages sustained from several incidents and loss events in prior periods.

Gain on Disposal – Net

In 2025, the Group sold four (4) aircraft classified as held for sale and sold and leased back one (1) engine which resulted to gain of ₱473.058 million (₱914.756 million in 2024).

Equity in Net Income of Joint Ventures and an Associate

For the six months ended June 30, 2025 and 2024, the Group recorded equity in net income of joint ventures and associates of ₱74.008 million and ₱32.510 million, respectively.

Foreign Exchange Losses - Net

Net foreign exchange losses of ₱106.813 million primarily resulted from the depreciation of the closing Philippine Peso to Japanese Yen (JPY) from ₱0.367 as of December 31, 2024 to ₱0.392 as of June 30, 2025. The Group's major exposure to foreign exchange rate fluctuations is in respect to U.S. Dollar-denominated and JPY-denominated financial assets and liabilities.

Financing Costs and Other Charges

Interest expense from debt and lease liabilities increased by ₱778.573 million or 26.2% to ₱3.747 billion from ₱2.968 billion for the same period last year due to the additional aircraft and engine deliveries.

Other Income

In June 2025, the Group secured four (4) free-of-charge engines as support for the mitigation of the ongoing Aircraft-on-Ground (AOG) issues. As a result, the fair value of the engines amounting to ₱4.757 billion was recognized as other income.

Income before Income Tax

As a result of the foregoing, the Group ended with an income before income tax of ₱9.779 billion for the six months ended June 30, 2025, higher by ₱6.188 billion or 172.3% than the ₱3.591 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, 2025 amounted to ₱808.649 million, mainly accounted from the reversal of deferred tax assets from NOLCO aligned with higher profitability partially offset by higher deferred tax assets from maintenance provisions and net lease liabilities.

Net Income

Net income for the six months ended June 30, 2025 amounted to ₱8.971 billion, higher by ₱5.425 billion or 153.0% from the ₱3.546 billion net income earned in the same period last year.

As of June 30, 2025, 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, 2025 versus December 31, 2024

	As of June 30		Horizontal		Vertical	
	2025	2024	Inc (Dec)		2025	2024
ASSETS						
Current Assets						
Cash and cash equivalents	23,383	19,916	3,467	17%	10%	8%
Derivative financial assets at fair value through other comprehensive income (FVOCI)	3	1	2	200%	0%	0%
Receivables	3,538	3,154	384	12%	1%	1%
Expendable parts, fuel, materials and supplies	4,656	4,634	22	0%	2%	2%
Assets held for sale	-	3,541	(3,541)	-100%	0%	1%
Other current assets	7,434	5,836	1,598	27%	3%	2%
Total Current Assets	39,014	37,082	1,932	5%	16%	16%
Noncurrent Assets						
Property and equipment	86,050	81,997	4,053	5%	35%	34%
Right-of-use assets	103,761	103,583	178	0%	43%	43%
Investments in joint ventures and an associate	521	447	74	17%	0%	0%
Goodwill	1,033	1,033	-	0%	0%	0%
Deferred tax assets – net	7,851	8,404	(553)	-7%	3%	4%
Other noncurrent assets	5,274	5,621	(347)	-6%	2%	2%
Total Noncurrent Assets	204,490	201,085	3,405	2%	84%	84%
TOTAL ASSETS	243,504	238,167	5,337	2%	100%	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other accrued liabilities	23,475	26,597	(3,122)	-12%	10%	11%
Unearned transportation revenue	18,395	18,808	(413)	-2%	8%	8%
Short-term debt	5,423	5,568	(145)	-3%	2%	2%
Current portion of long-term debt	4,237	4,024	213	5%	2%	2%
Current portion of lease liability	13,849	13,470	379	3%	6%	6%
Due to related parties	35	61	(26)	-43%	0%	0%
Income tax payable	1	5	(4)	-80%	0%	0%
Total Current Liabilities	65,415	68,533	(3,118)	-5%	27%	29%
Long-term debt – net of current portion	37,036	38,775	(1,739)	-4%	15%	16%
Lease liability – net of current portion	100,182	100,160	22	0%	41%	42%
Bonds payable	13,846	14,156	(310)	-2%	6%	6%
Retirement liability	1,072	998	74	7%	0%	0%
Other noncurrent liabilities	7,325	5,520	1,805	33%	3%	2%
Total Noncurrent Liabilities	159,461	159,609	(148)	0%	65%	67%
TOTAL LIABILITIES	224,876	228,142	(3,266)	-1%	92%	96%
Equity						
Capital stock	947	947	-	0%	0%	0%
Capital paid in excess of par value	4,508	4,494	14	0%	2%	2%
Share-based payments	126	135	(9)	-7%	0%	0%
Treasury stock	(1,288)	(956)	(332)	35%	-1%	0%
Other comprehensive income (losses)	(40)	1	(41)	-4100%	0%	0%
Retained earnings	14,375	5,404	8,971	166%	6%	2%
Total Equity	18,628	10,025	8,603	86%	8%	4%
TOTAL LIABILITIES AND EQUITY	243,504	238,167	5,337	2%	100%	100%

As of June 30, 2025, consolidated assets increased to ₱243.504 billion from ₱238.167 billion as of December 31, 2024, mainly due to increase in property and equipment, receivables and other current assets. The Group's equity grew to ₱18.628 billion from ₱10.025 billion due to the net income recognized during the period. After equity attributable to the preferred shares, book value per common share improved to ₱20.71 as of June 30, 2025 from ₱7.18 as of December 31, 2024.

The Group's consolidated cash and cash equivalents stood at ₱23.383 billion as of June 30, 2025, from ₱19.916 billion. The Group's cash requirements have been mainly sourced through cash flow from operations. For the six months ended June 30, 2025, net cash provided by operating activities amounted to ₱13.239 billion. Net cash provided by investing activities amounted to ₱1.977 billion which pertains to the proceeds from sale transactions and refund of pre-delivery payments offset by acquisition of property and equipment during the period. Net cash used in financing activities amounted to ₱11.557 billion, which is comprised of repayments of debt and lease liability and purchase of treasury stocks.

As of June 30, 2025, 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:

Liquidity and Capital Structure Ratios

	June 30, 2025	December 31, 2024
Current Ratio	0.60:1	0.54:1
Quick Ratio	0.41:1	0.34:1
Asset-to-Equity Ratio	13.07:1	23.76:1

Profitability Ratios – For the six months ended June 30, 2025 and 2024

	June 30, 2025	June 30, 2024
Return on Asset	3.7%	1.8%
Return on Equity	62.6%	54.2%
Return on Sales	14.2%	6.9%
Interest Coverage Ratio	2.38:1	2.04:1

**Material Changes in the 2025 Financial Statements
(Increase/Decrease of 5% or more versus 2024)**

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, 2025 versus December 31, 2024

17.4% increase in Cash and Cash Equivalents

Due to higher net cash provided operating and investing activities offset by cash outflows from repayment of long-term debt and lease liabilities and purchase of treasury stocks.

93.6% increase in Derivative Financial Assets at Fair Value through Other Comprehensive Income (FVOCI)

Due to changes in fair valuation of the Group's foreign currency hedge transactions which ended at a net asset position as of June 30, 2025.

12.2% 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% decrease in Assets Held for Sale

Due to the sale of all remaining assets held for sale during the period.

27.4% increase in Other Current Assets

Due to increase in advances made to suppliers for future engine visits and other maintenance services.

16.5% increase in Investment in Joint Ventures and an Associate

Due to the share in net income recognized for the period.

6.6% decrease in Deferred Tax Assets – net

Due to the utilization of Net Operating Loss Carry Over (NOLCO) aligned with higher profitability during the period.

6.2% decrease in Other Noncurrent Assets

Due to the refund of several security deposits during the period.

11.7% decrease in Accounts Payable and Other Accrued Liabilities

Due to various payments of payables and accruals during the period.

41.7% decrease in Due to Related Parties

Due to payments to affiliates during the period.

78.6% decrease in Income Tax Payable

From a beginning balance of ₱5.164 million, income tax payable decreased to ₱1.106 million due to the payments during the period.

7.4% increase in Retirement Liability

Due to accrual for retirement benefit, offset by benefits paid during the period.

32.7% increase in Other Noncurrent Liabilities

Due to additional provisions for heavy maintenance visits and asset retirement obligations during the period.

7.0% decrease in Share-Based Payments

Due to the listing of 346,500 vested restricted stock units (RSU) to the Philippine Stock Exchange last January 17, 2025.

34.8% increase in Treasury Shares

Due to additional buybacks of common and preferred shares during the period.

6,544.6% decrease in Other Comprehensive Income

Due to the net mark-to-market loss recognized for foreign currency and fuel hedges and recycling of the effective portion of its cash flow hedge reserves.

166.0% increase in Retained Earnings

Due to net income recognized during the period.

For 2025, 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, 2025 and December 31, 2024, and for the six months ended June 30, 2025 and 2024:

<u>Key Financial Indicators</u>	<u>2025</u>	<u>2024</u>
Total Revenue	₱63.333 billion	₱51.439 billion
Pre-tax Core Net Income	₱4.657 billion	₱2.836 billion
EBITDA	₱17.393 billion	₱13.301 billion
EBITDA Margin	27.5%	25.86%
Cost per Available Seat Kilometer (ASK) (PHP)	3.07	3.11
Cost per ASK (U.S. cents)	5.38	5.46
Seat Load Factor	85.4%	85.3%

The manner by which the Group calculates the above key performance indicators for both 2025 and 2024 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.

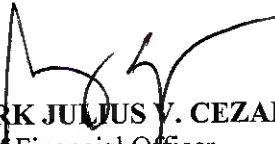
SIGNATURES

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 6, 2025



MARK JULIUS V. CEZAR
Chief Financial Officer
Date: August 6, 2025

CEBU AIR, INC. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2025
(With Comparative Audited Figures as of December 31, 2024)

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	₱23,383,351,279	₱19,915,625,953
Derivative financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	2,511,134	1,297,193
Receivables (Note 9)	3,537,875,135	3,154,185,267
Expendable parts, fuel, materials and supplies (Note 10)	4,655,956,683	4,634,031,658
Assets held for sale (Note 12)	–	3,541,263,581
Other current assets (Note 11)	7,434,613,057	5,835,788,482
Total Current Assets	39,014,307,288	37,082,192,134
Noncurrent Assets		
Property and equipment (Notes 12 and 31)	86,049,624,754	81,996,636,006
Right-of-use assets (ROU) (Note 31)	103,760,589,877	103,583,223,268
Investments in joint ventures and an associate (Note 13)	521,452,407	447,444,054
Goodwill (Note 14)	1,033,614,648	1,033,614,648
Deferred tax assets - net	7,850,752,268	8,403,523,919
Other noncurrent assets (Note 15)	5,273,481,599	5,620,790,758
Total Noncurrent Assets	204,489,515,553	201,085,232,653
TOTAL ASSETS	₱243,503,822,841	₱238,167,424,787
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	₱23,474,955,143	₱26,597,380,028
Unearned transportation revenue (Note 17)	18,394,397,683	18,807,854,119
Short-term debt (Notes 18 and 31)	5,422,605,760	5,568,447,189
Current portion of long-term debt (Note 18)	4,237,165,295	4,023,656,701
Current portion of lease liability (Note 31)	13,849,435,619	13,470,382,193
Due to related parties	35,485,452	60,905,443
Income tax payable	1,106,049	5,164,131
Total Current Liabilities	65,415,151,001	68,533,789,804
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	37,036,077,263	38,774,694,733
Lease liability - net of current portion (Note 31)	100,182,423,502	100,159,696,483
Bonds payable (Note 19)	13,845,528,287	14,156,440,222
Retirement liability (Note 26)	1,072,261,665	998,260,621
Other noncurrent liabilities (Note 20)	7,324,989,038	5,519,949,564
Total Noncurrent Liabilities	159,461,279,755	159,609,041,623
Total Liabilities	224,876,430,756	228,142,831,427
Equity		
Capital stock (Note 22)	947,174,084	946,827,584
Capital paid in excess of par value (Note 22)	4,507,726,857	4,493,858,516
Share-based payments (Note 23)	125,746,174	135,230,602
Treasury stock (Note 22)	(1,288,252,966)	(955,706,126)
Other comprehensive income (losses) (Note 29)	(39,865,317)	618,584
Retained earnings	14,374,863,253	5,403,764,200
Total Equity	18,627,392,085	10,024,593,360
TOTAL LIABILITIES AND EQUITY	₱243,503,822,841	₱238,167,424,787

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, 2025 and 2024

	Quarters Ended		Six Months Ended	
	2025	2024	2025	2024
REVENUE				
Sale of air transportation services				
Passenger	₱23,068,017,411	₱17,849,358,192	₱44,231,538,625	₱35,679,881,907
Cargo	1,820,260,239	1,382,596,427	3,512,977,378	2,636,230,533
Ancillary revenues	8,023,370,477	6,904,435,987	15,588,938,607	13,123,210,144
	32,911,648,127	26,136,390,606	63,333,454,610	51,439,322,584
EXPENSES				
Flying operations (Notes 10 and 24)	9,809,902,517	9,814,739,063	20,588,286,130	19,152,317,524
Repairs and maintenance (Notes 10, 20 and 24)	5,059,241,527	3,847,617,746	10,956,302,587	7,384,332,657
Depreciation and amortization (Notes 6, 12 and 31)	4,784,319,651	3,821,702,331	9,476,794,344	7,814,938,651
Aircraft and traffic servicing (Note 24)	4,103,687,387	2,778,235,304	7,998,137,428	5,348,642,267
General and administrative (Note 25)	1,245,938,070	1,106,046,400	2,569,133,248	2,189,796,397
Reservation and sales (Note 24)	1,117,706,058	978,530,175	2,206,735,805	1,880,256,006
Passenger service	785,655,029	651,130,782	1,522,053,657	1,299,276,016
Aircraft and engine lease (Notes 6 and 31)	48,085,840	300,774,730	100,271,678	884,193,975
	26,954,536,079	23,298,776,531	55,417,714,877	45,953,753,493
OPERATING INCOME	5,957,112,048	2,837,614,075	7,915,739,733	5,485,569,091
OTHER INCOME (EXPENSES) – NET				
Interest income (Notes 6 and 7)	223,056,081	134,901,903	413,497,229	285,168,799
Gain from insurance claims (Note 12)	–	36,292	–	115,129,955
Gain on disposal – net (Notes 12 and 31)	100,349,658	914,755,930	473,057,506	914,755,930
Equity in net income of joint ventures and associates (Notes 6 and 13)	32,509,479	37,772,453	74,008,353	32,510,104
Foreign exchange gains (losses) – net	142,793,689	(605,306,341)	(106,813,854)	(274,826,467)
Financing costs and other charges:				
Financing and others (Notes 18 and 19)	(690,760,417)	(779,965,359)	(1,377,763,559)	(1,286,513,382)
Leases (Note 31)	(1,189,503,387)	(868,844,019)	(2,368,482,369)	(1,681,159,292)
Other income (Note 12)	4,756,505,200	–	4,756,505,200	–
	3,374,950,303	(1,166,649,141)	1,864,008,506	(1,894,934,353)
INCOME BEFORE INCOME TAX	9,332,062,351	1,670,964,934	9,779,748,239	3,590,634,738
PROVISION FOR INCOME TAX	826,865,242	365,457,220	808,649,186	45,272,799
NET INCOME	8,505,197,109	1,305,507,714	8,971,099,053	3,545,361,939
OTHER COMPREHENSIVE LOSS, NET OF TAX	(3,909,018)	(15,005,872)	(40,483,901)	(29,729,092)
TOTAL COMPREHENSIVE INCOME	₱8,501,288,091	₱1,290,501,842	₱8,930,615,152	₱3,515,632,847
Earnings per Share (Note 27)				
Basic			₱13.88	₱5.12
Diluted			₱7.41	₱3.06

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, 2025

(With Comparative Unaudited Figures for the Six Months Ended June 30, 2024)

	For the Six Months Ended June 30, 2025											
	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		Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	Total Equity
					Retirement Liability (Note 26)							
Balance at January 1, 2025	₱946,827,584	₱4,493,858,516	₱135,230,602	(₱955,706,126)	(₱308,346,849)	₱308,965,433	₱618,584	₱-	₱5,403,764,200	₱5,403,764,200	₱10,024,593,360	
Net income	-	-	-	-	-	-	-	-	8,971,099,053	8,971,099,053	8,971,099,053	
Other comprehensive loss	-	-	-	-	-	(40,483,901)	(40,483,901)	-	-	-	(40,483,901)	
Total comprehensive income (loss)	-	-	-	-	-	(40,483,901)	(40,483,901)	-	8,971,099,053	8,971,099,053	8,930,615,152	
Cost of restricted stock units (RSU)	-	-	3,386,689	-	-	-	-	-	-	-	3,386,689	
Cost of stock options	-	-	1,343,724	-	-	-	-	-	-	-	1,343,724	
Issuance of vested RSUs	346,500	13,868,341	(14,214,841)	-	-	-	-	-	-	-	-	
Treasury stocks	-	-	-	(332,546,840)	-	-	-	-	-	-	(332,546,840)	
Balance at June 30, 2025	₱947,174,084	₱4,507,726,857	₱125,746,174	(₱1,288,252,966)	(₱308,346,849)	₱268,481,532	(₱39,865,317)	₱-	₱14,374,863,253	₱14,374,863,253	₱18,627,392,085	

	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		Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	Total Equity (Capital Deficiency)
					Retirement Liability (Note 26)							
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	

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, 2025 and 2024

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	₱9,779,748,239	₱3,590,634,738
Adjustments for:		
Depreciation and amortization (Notes 12 and 31)	9,476,794,344	7,814,938,651
Provision for heavy maintenance (Notes 20 and 24)	4,036,082,515	794,157,212
Interest expense (Notes 6, 18, 19 and 31)	3,746,245,928	2,967,672,674
Provision for asset retirement obligation (Notes 20 and 24)	557,531,351	1,202,180,921
Share-based payments (Note 23)	4,730,413	8,660,897
Provision for (reversal of) expected credit losses (Note 9)	(5,931,424)	3,317,327
Equity in net loss (income) of joint ventures and an associate (Note 13)	(74,008,353)	(32,510,104)
Unrealized foreign exchange losses (gains) – net	(248,767,986)	(191,271,395)
Interest income (Note 7)	(413,497,229)	(285,168,799)
Gain on disposal - net (Note 12)	(473,057,506)	(914,755,930)
Other income (Note 12)	(4,756,505,200)	–
Operating income before working capital changes	21,629,365,092	14,957,856,192
Decrease (increase) in:		
Receivables	(31,938,945)	(558,465,192)
Restricted cash	–	1,259,263,375
Expendable parts, fuel, materials and supplies	(21,925,025)	(332,693,400)
Other current assets	(2,960,231,752)	(1,738,041,831)
Derivative assets	(107,518,779)	–
Increase (decrease) in:		
Accounts payable and other accrued liabilities	(1,627,284,635)	(2,501,519,850)
Unearned transportation revenue	(413,456,436)	2,540,202,526
Retirement liability	74,001,045	80,574,779
Amounts of due to related parties	234,040,428	64,882,088
Other noncurrent liabilities	(2,699,978,128)	(4,452,226,766)
Cash generated from operations	14,075,072,865	9,319,831,921
Interest paid	(1,210,054,893)	(1,310,591,517)
Interest received	384,871,343	281,242,637
Income taxes paid	(10,969,298)	(4,230,416)
Net cash provided by operating activities	13,238,920,017	8,286,252,625
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property and equipment (Note 12)	(5,401,601,521)	(18,798,529,006)
Refund of pre-delivery payments (Note 12)	1,903,879,233	4,837,739,905
Proceeds from sale of property and equipment / assets held for sale (Note 12)	5,127,134,183	6,543,332,489
Additional investment in an associate (Note 13)	–	(40,000,000)
Decrease (increase) in other noncurrent assets	347,309,159	(325,458,764)
Net cash provided by (used in) investing activities	1,976,721,054	(7,782,915,376)
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)	(2,066,577,589)	(4,286,887,797)
Lease liability (Note 31)	(9,157,644,193)	(6,444,613,771)
Purchase of treasury stocks	(332,546,840)	–
Net cash used in financing activities	(11,556,768,622)	(1,709,877,944)
EFFECTS OF EXCHANGE RATE CHANGES		
IN CASH AND CASH EQUIVALENTS	(191,147,123)	930,104,013
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,467,725,326	(276,436,682)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	19,915,625,953	15,595,763,441
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 7)	₱23,383,351,279	₱15,319,326,759

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 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 (BOD) and stockholders approval last 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 seventeen (17) special purpose entities (SPEs), namely:

1. CAI Limited (CL)
2. Sampaguita Leasing Co. Ltd (SLCL)
3. Dia Boracay Ltd. (DBL)
4. Mactan Leasing Co., Ltd (MLCL)
5. Cebuano Leasing Co., Ltd. (CLCL)
6. Dia El Nido Ltd. (DENL)
7. Tarsier Leasing Co., Ltd. (TLCL)
8. RAMEN Aircraft Leasing Limited (RALL)
9. Nalu Leasing Co., Ltd. (NLCL)
10. Linden Leasing Co., Ltd. (LLCL)
11. Guimaras Leasing Co., Ltd. (GLCL)
12. Bohol Leasing Co., Ltd. (BLCL)
13. Tubbataha Leasing Co., Ltd. (TLCL)
14. Dia Siargao, Ltd. (DSL)
15. Jin Shan 38 Ireland Company Limited
16. El Nido Leasing1 Co., Ltd.
17. El Nido Leasing2 Co., Ltd.

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, 2025 and December 31, 2024, the Parent Company, its wholly owned subsidiaries namely, CEBGO, Inc., A-Plus and AirSWIFT, and the seventeen (17) SPEs (collectively known as “the Group”) are consolidated for financial reporting purposes (see Note 2).

On March 20, 2014, the Parent Company acquired 100% ownership of Tiger Airways Philippines (TAP), including 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 SEC, TAP was rebranded and now operates as CEBGO, Inc.

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

On October 7, 2024, the Parent Company officially signed a share purchase agreement (SPA) with ALI Capital Corp. for the acquisition of 100% of AirSWIFT Transport, Inc. (AirSWIFT) for ₱1.75 billion, comprised of payment for outstanding shares and shareholder advances. Refer to Note 14 for a more detailed disclosure.

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 is 66.24%-owned by CP Air Holdings, Inc. (CPAHI). CPAHI is a wholly-owned subsidiary of JG Summit Holdings, Inc. (JGSHI), the ultimate parent company.

In 1991, pursuant to Republic Act (R.A.) No. 1751, the Parent Company was granted a franchise to operate air transportation services, both domestic and international. In August 1997, the Office of the President of the Philippines gave the Parent Company the status of official Philippine carrier to operate international services. On June 30, 2001, the Philippine Civil Aeronautics Board (CAB) issued the permit to operate scheduled international services and a certificate of authority to operate international charters.

In accordance with the Parent Company's franchise, which extends up to year 2031:

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

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

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

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.

Moreover, the Corporate Recovery and Tax Incentives for Enterprises Act (R.A. No. 11534) or the CREATE Act took effect on April 11, 2021. The relevant provisions are the following which were implemented for periods beginning July 1, 2020:

- a. Reduction in the RCIT from 30% to 20% for domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 million excluding the value of land on which the particular business entity's office, plant and equipment are situated;
- b. Reduction in the RCIT from 30% to 25% for all other corporations;
- c. Lowering MCIT from 2% to 1% gross income for the period beginning July 1, 2020 until June 30, 2022;
- d. Standardization of final taxes on foreign corporations to 15%;
- e. Exemption of foreign sourced dividends received by domestic corporations subject to certain conditions;
- f. Additional deduction of one-half (1/2) of the value of labor training expenses subject to certain conditions;
- g. Repeal of the 10% improperly accumulated earnings tax (IAET); and
- h. VAT-free importation and sale for three (3) years of COVID-19 medicines, personal protective equipment and materials used for their production.

Further, on November 8, 2024, Republic Act (R.A.) No. 12066 or the Corporate Recovery and Tax Incentives for Enterprises to Maximize Opportunities for Reinvigorating the Economy (CREATE MORE) Act was signed into law. The CREATE MORE Act took effect on November 28, 2024. Among its salient provisions are the following:

- a. Registered business enterprises (RBEs) under the Enhanced Deduction (ED) Regime are subject to the reduced 20% CIT rate (from 25% CIT);
- b. Additional deductions for those under the ED Regime, particularly on power expenses (increased to 100% from the previous 50%) and trade fairs and exhibitions are now deductible;
- c. Carry-over of net operating losses (NOLCO) as deductions within five (5) years following the Income Tax Holiday (ITH) period of a project, rather than within the taxable year of the loss;
- d. VAT exemption or zero-rating is applicable to goods and services that are "directly attributable" to the registered project or activity of a registered company;
- e. Domestic market enterprises that have investment capital of at least ₱15 billion and are either import-substituting or catering to non-resident markets or those with export sales of at least USD100 million may enjoy enhanced 0% VAT on local purchases and VAT exemption on importation;
- f. The 5% Special Corporate Income Tax enjoyed by registered export enterprises is in lieu of all taxes including local fees and charges; and
- g. Local government units may impose local taxes on RBEs up to 2% of gross income during the RBEs' ITH or EDR period.

Status of Operations

The Group recognized net income of ₱9.0 billion and ₱3.5 billion for the six months ended June 30, 2025 and 2024, respectively. The Group's operations continued to improve due to the increasing demand for travel in 2025, in comparison with 2024. The committed initiatives of the Group to growth and profitability, supported by strong demand for airline services have improved the Group's retained earnings from ₱5.4 billion as of December 31, 2024, to ₱14.4 billion as of June 30, 2025.

The Group's current liabilities exceeded its current assets by ₱26.4 billion and ₱31.5 billion as of June 30, 2025 and December 31, 2024, respectively. The Group's liquidity position has been mainly sourced from the enhanced cash flows from operating activities during the period. The Group's cash and cash equivalent balance, together with management's cash flow projections for the next 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 12 months from June 30, 2025. As such, the accompanying consolidated financial statements have been prepared on a going concern basis of accounting.

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 during dry season and holiday seasons such as Easter and Christmas.

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, 2024.

Basis of Consolidation

The consolidated financial statements as of June 30, 2025 and December 31, 2024 represent the consolidated financial statements of the Parent Company, the SPEs and its wholly owned subsidiaries, namely, CEBGO, AirSWIFT 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, 2025.

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

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

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.

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 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 on derivative financial instruments - net' in the consolidated statement of comprehensive income. Any subsequent changes in the fair value of these derivative financial instruments are recognized under 'Market valuation gains (losses) on derivative financial instruments - net' in the consolidated statement of comprehensive income and are presented net.

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

Derivative Financial Instruments

Derivative financial instruments, including bifurcated embedded derivatives, are initially recognized at fair value on the date on which the derivative contract is entered into and are

subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

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

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

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

c. **Other Financial Liabilities**

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

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

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

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

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

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

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

Debt Issue Costs

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

Derecognition of Financial Instruments

Financial asset

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

- The rights to receive cash flows from the asset have expired; or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangements; and either:
 - The Group has transferred substantially all the risks and rewards of the asset; or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liability

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

Impairment of Financial Assets

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

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

Expendable Parts, Fuel, Materials and Supplies

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

Assets Held for Sale

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

Property and Equipment

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

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

Pre-delivery payments for the construction of aircraft are initially recorded as 'Construction in-progress' when paid to the counterparty. Construction in-progress are transferred to the related 'Property and equipment' account when the construction or installation and related activities necessary to prepare the property and equipment for their intended use are completed, and the

property and equipment are ready for service. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use.

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

The EULs of property and equipment of the Group follow:

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

**With residual value of 15.00%*

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

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

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

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

Goodwill

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

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

Investments in Joint Ventures and Associates

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

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

Intangible Assets

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

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

The intangible assets of the Group have indefinite lives.

Aircraft Maintenance and Overhaul Cost

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

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

Asset Retirement Obligation (ARO)

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

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls. The costs are accrued and charged to profit or loss over the remaining period until redelivery date, as the leased aircraft is utilized. 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 manufacturers' advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

Travel Fund

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

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

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

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

Revenue Recognition

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

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

Sale of air transportation services

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

Ancillary revenue

Flight and booking services

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

Revenue from rebooking and website administration fees

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

Revenue from excess baggage and other transport-related and ancillary services revenue

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

Revenue from inflight sales

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

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 is 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, 2025 and December 31, 2024, respectively. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the prevailing closing exchange rate as of the date of initial transaction.

Retirement Costs

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

Retirement expense comprises the following:

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

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

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

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

The retirement liability is the aggregate of the present value of defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Plan assets are assets that are held by a long-term employee benefit fund. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. The fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Share-based Payments

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

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

Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which

increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the eligible persons as measured at the date of modification.

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

Income Taxes

Current tax

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

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

Deferred tax

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

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

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

Deferred tax liabilities are recognized for all taxable temporary differences.

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

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

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

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date. If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the Group depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Lease Liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

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

Short-term leases

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date with no purchase option). Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

Sale and leaseback

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

Provisions and Contingencies

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (that is, more likely than not) that an outflow of resources embodying

economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense in profit or loss.

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

Earnings (Loss) Per Share

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

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

Segment Reporting

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

Events After the Reporting Date

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

5. Significant Accounting Judgments and Estimates

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

Judgments

a. Use of going concern assumption

The underlying assumption in the preparation of the accompanying consolidated financial statements is that the Group has the ability to continue as a going concern for at least the next twelve (12) months from June 30, 2025 and 2024. 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 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 all such cases, management makes an assessment as to whether the Group has: (a) power over the SPEs; (b) the right over the returns of its SPEs; and (c) the ability to use power over the SPEs to affect the amount of the Parent Company's return, and based on these assessments, the SPEs are consolidated as a subsidiary or associated company. In making these assessments, management considers the underlying economic substance of the transaction and not only the contractual terms. The Group has assessed that it will benefit from the economic benefits of the SPEs' activities and it will affect the returns for the Group. The Group is directly exposed to the risks and returns from its involvement with the SPEs. Such rights and risks associated with the benefits and returns are indicators of control. Accordingly, the SPEs are consolidated.

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

f. *Contingencies*

The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with internal counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe that these will have a material adverse effect on the Group's consolidated financial position and consolidated financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 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, 2025 and December 31, 2024, the Group has deferred tax assets amounting to ₱9.9 billion and ₱10.5 billion, respectively. Unrecognized deferred tax assets as of June 30, 2025 and December 31, 2024 amounted to ₱7.1 billion and ₱8.2 billion, respectively.

b. Impairment of goodwill, intangible assets, property and equipment and right-of-use assets

The Group determines whether goodwill and intangibles with indefinite lives 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. 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 and intangibles with indefinite lives 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. 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, 2025 and December 31, 2024, the Group has determined that goodwill and intangibles with indefinite lives are recoverable based on VIU. Goodwill amounted to ₱1,033.6 million as of June 30, 2025 and December 31, 2024 (see Note 14). Brand and market opportunities, which are recorded under 'Other noncurrent assets' account amounted to ₱1,837.0 million as of June 30, 2025 and December 31, 2024 (see Notes 14 and 15).

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, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, the Group's ARO (included under 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱3,299.6 million and ₱3,166.2 million, respectively (see Note 20).

d. Estimation of HMT

The Group is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and

manufacturers' advice. 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, 2025 and December 31, 2024, the Group's HMV (included other 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱3,669.2 million and ₱2,053.2 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'. These are measured at the lower of their carrying amount and fair value less cost to sell (see Note 12). During 2024, two (2) ATR aircraft classified as held for sale were sold at a loss of ₱61.6 million. The planned sale of the remaining one (1) ATR 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 this aircraft in 2025, thus management believes that it is still appropriate to classify this under assets held for sale as of December 31, 2024. Further, in 2024, the Group reclassified three (3) A320CEOs as asset held for sale coming from the assessment that these will be recovered principally through a sale transaction rather than through continuing use. The carrying amount of the three (3) A320 CEOs is ₱3.3 billion, which is lower than their respective fair value less cost to sell. In January 2025, the remaining ATR classified as held for sale was sold at a gain of ₱64.9 million. For the six months ended June 30, 2025, all the three (3) remaining A320 CEOs classified as held for sale was sold at a gain of ₱397.1 million. The carrying value of assets held for sale amounted to nil and ₱3.5 billion as of June 30, 2025 and December 31, 2024, respectively. (see Note 12).

f. Lessee - estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating) (see Note 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 ₱1.1 billion and ₱1.0 billion as of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, the carrying values of the Group's property and equipment amounted to ₱86.0 billion and ₱82.0 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, 2025 and December 31, 2024, 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, CEBGO and AirSWIFT) 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 Chief Executive Officer (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:

	2025	2024
Segment revenue of reportable operating segment	₱63,333,454,610	₱51,439,322,584
Earnings before interest, taxes, depreciation and amortization (EBITDA)	17,392,534,077	13,300,507,742
Depreciation and amortization (Notes 12 and 31)	9,476,794,344	7,814,938,651
Earnings before interest and taxes (EBIT)	7,915,739,733	5,485,569,091
Financing costs and other charges (Notes 8, 18, 19 and 31)	3,746,245,928	2,967,672,674
Pre-tax core net income (loss)	4,656,999,387	2,835,575,320
Nontransport revenue and other income	5,717,068,288	1,347,564,788
Income tax expense	808,649,186	45,272,799
Net income	8,971,099,053	3,545,361,939
Capital expenditures (Note 12)	5,401,601,521	18,798,529,006

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:

	2025	2024
Revenue	₱63,333,454,610	₱51,439,322,584
Expenses	(55,417,714,877)	(45,953,753,493)
Operating income	7,915,739,733	5,485,569,091
Interest expense – net	(3,332,748,699)	(2,682,503,875)
Equity in net income (loss) of joint ventures and associates	74,008,353	32,510,104
Pre-tax core net income	₱4,656,999,387	₱2,835,575,320
Operating income	₱7,915,739,733	₱5,485,569,091
Depreciation and amortization	9,476,794,344	7,814,938,651
EBITDA	₱17,392,534,077	₱13,300,507,742

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:

	2025	2024
Total segment revenue of reportable operating segment	₱63,333,454,610	₱51,439,322,584
Nontransport revenue and other income	5,717,068,288	1,347,564,788
Total revenue	₱69,050,522,898	₱52,786,887,372

Total segment revenue of reportable operating segments includes A-Plus' revenue from rendering light and light maintenance services to third party customers amounting to ₱105.3 million and ₱104.9 million for the six months ended June 30, 2025 and 2024, respectively.

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

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:

	2025	2024
Total segment income of reportable segment	₱7,915,739,733	₱5,485,569,091
Add (deduct) unallocated items:		
Nontransport revenue and other income	5,717,068,288	1,347,564,788
Nontransport expenses and other charges	(3,853,059,782)	(3,242,499,141)
Provision for income tax	(808,649,186)	(45,272,799)
Net income	8,971,099,053	3,545,361,939
Other comprehensive loss, net of tax	(40,483,901)	(29,729,092)
Total comprehensive income	₱8,930,615,152	₱3,515,632,847

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, 2025	December 31, 2024
	(Unaudited)	(Audited)
Cash on hand	₱51,593,174	₱43,778,145
Cash in banks	3,135,972,484	5,320,240,155
Short-term placements	20,195,785,621	14,551,607,653
	₱23,383,351,279	₱19,915,625,953

Cash in banks earns interest at the respective bank deposit rates. Short-term placements, which represent money market placements, are made for varying periods depending on the immediate cash requirements of the Group.

Short-term placements denominated in Peso, US Dollar (USD) and Korean Won (KRW) earn interest at the prevailing short-term rates ranging from:

	June 30, 2025	June 30, 2024
	(Unaudited)	(Unaudited)
Peso	4.00% to 5.70%	5.74%
US Dollar	3.50% to 4.55%	3.71%
Korean Won	1.250%	2.25%

Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to ₱413.5 million and ₱285.2 million for the six months ended June 30, 2025 and 2024, respectively.

8. Derivative Financial Assets and Liabilities

As of June 30, 2025, the account consists of fuel and foreign currency derivatives with net asset position amounting to ₱2.5 million. As of December 31, 2024, the account consists of fuel derivatives with asset position amounting to ₱1.3 million.

Fuel Derivatives

Designated Hedges

The Group enters into zero cost collars and call options 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 and options can be exercised at various calculation dates with specified quantities on each calculation date. These instruments have various maturity dates through 2025.

As of June 30, 2025 and December 31, 2024, the Group has designated for hedge accounting derivatives with net asset and net liability position, which is shown as 'Derivative financial assets at FVOCI' in the consolidated statement of financial position, amounting to ₱9.8 million and ₱1.3 million, respectively.

For the six months ended June 30, 2025 (nil in 2024), 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 ₱11.9 million.

Foreign Currency Derivatives

Designated Hedges

The Group enters into forward contracts to manage its exposure to foreign currency 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 forwards can be exercised at various calculation dates with specified quantities on each calculation date. These instruments have various maturity dates through 2025.

As of June 30, 2025 (nil in 2024), the Group has designated for hedge accounting derivatives with net liability position, which is shown as an offset against 'Derivative financial assets at FVOCI' in the consolidated statement of financial position, amounting to ₱7.3 million.

For the six months ended June 30, 2025 (nil in 2024), 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 ₱126.7 million.

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, 2025 and 2024, 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 ₱40.8 million and ₱45.1 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, 2025 and December 31, 2024, 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, 2025 and 2024 amounted to nil.

Fair Value Changes on Derivatives

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at January 1:		
Derivative assets	₱1,297,193	₱-
Derivative liabilities	-	(1,291,971)
	₱1,297,193	(1,291,971)
Net changes in fair value of derivatives:		
Designated	(106,304,838)	2,589,164
Not-designated	-	-
	(106,304,838)	2,589,164
	(105,007,645)	1,297,193
Fair value of settled instruments:		
Designated	107,518,779	-
Not-designated	-	-
	107,518,779	-
Balance at June 30 and December 31:		
Current	2,511,134	₱1,297,193
Non-current	-	-
	₱2,511,134	₱1,297,193
Attributable to:		
Derivative assets	₱2,511,134	₱1,297,193
Derivative liabilities	-	-
	₱2,511,134	₱1,297,193

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, 2025 (Unaudited)	December 31, 2024 (Audited)
Trade receivables	₱2,505,164,369	₱2,517,415,904
Due from related parties (Note 28)	608,665,246	654,772,201
Interest receivable	45,403,140	17,198,673
Others	777,332,009	366,415,761
	3,936,564,764	3,555,802,539
Less: Allowance for expected credit losses (ECL)	(398,689,629)	(401,617,272)
	₱3,537,875,135	₱3,154,185,267

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 ECL on receivables follow:

	June 30, 2025 (Unaudited)		
	Trade Receivables	Others	Total
Balances at January 1	₱316,088,219	₱ 85,529,051	₱401,617,270
Reversal of ECL	(5,931,424)	-	(5,931,424)
Unrealized foreign exchange loss (gain)	471,662	2,532,121	3,003,783
Balances at June 30	₱310,628,457	₱88,061,172	₱398,689,629

	December 31, 2024 (Audited)		
	Trade Receivables	Others	Total
Balances at January 1	₱178,236,596	₱84,265,450	₱262,502,046
Provision for ECL	168,162,853	-	168,162,853
Write off	(42,525,125)	-	(42,525,125)
Unrealized foreign exchange loss	12,213,898	1,263,600	13,477,498
Balances at December 31	₱316,088,222	₱85,529,050	₱401,617,272

10. Expendable Parts, Fuel, Materials and Supplies

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
At cost:		
Expendable parts	₱3,913,473,506	₱4,087,088,028
Fuel	496,405,283	391,253,061
Materials and supplies	246,077,894	155,690,569
	₱4,655,956,683	₱4,634,031,658

As of June 30, 2025 and December 31, 2024, the Group recognized full allowance for inventory write-down on expendable parts with cost of ₱118.3 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, 2025, and 2024 amounted to ₱778.3 million and ₱1.1 billion, respectively (see Note 24).

The cost of fuel reported as expense under 'Flying operations' account amounted to ₱17.0 billion and ₱16.1 billion for the six months ended June 30, 2025 and 2024, respectively (see Note 24).

11. Other Current Assets

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Current portion of advances to suppliers	₱5,979,120,336	₱4,322,678,244
Creditable withholding taxes	310,323,374	437,388,993
Prepaid insurance	210,875,312	69,528,724
Prepaid rent	82,328,952	88,774,993
Others	851,965,083	917,417,528
	₱7,434,613,057	₱5,835,788,482

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

Prepaid rent pertains to advance rental on aircraft under lease and on office spaces in airports (see Note 31). Prepaid insurance consists of aviation insurance, which represents insurance of hull, war and risk, passenger and cargo insurance for the aircraft and non-aviation insurance represents insurance payments for all employees' health and medical benefits, commission, casualty and marine insurance, as well as car/motor insurance.

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

12. Property and Equipment

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Acquisition costs		
Passenger aircraft	₹64,663,854,279	₹60,255,568,316
Pre-delivery payments	22,966,399,859	22,890,046,331
Engines	9,116,243,377	6,298,460,492
Rotables	7,714,918,119	8,301,011,373
Building and leasehold improvements	2,343,823,424	2,253,125,640
Ground support equipment	2,234,229,547	1,735,897,047
EDP equipment, mainframe and peripherals	1,075,671,154	1,020,158,064
Transportation equipment	479,547,285	426,613,678
Maintenance and test equipment	304,932,563	282,031,653
Furniture, fixtures and office equipment	239,415,787	177,181,207
Special tools	221,860,334	210,678,986
Construction in-progress	40,525,152	35,981,959
Communication equipment	37,712,119	31,981,898
Other equipment	54,461,037	61,224,893
Total	111,493,594,036	103,979,961,537
Accumulated depreciation	(25,443,969,282)	(21,983,325,531)
Net book value	₹86,049,624,754	₹81,996,636,006

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, 2025 and December 31, 2024, the Group's passenger aircraft held as securing assets under various commercial loans are as follows:

	2025	2024
ATR 72-600	12	12
Airbus NEO	14	14
	26	26

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, in the 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, 2025 and December 31, 2024, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₹44.5 billion and ₹46.1 billion, respectively.

Proceeds from Insurance Claims

In 2025 and 2024, the Group received nil and ₹115.1 million, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events.

Operating Fleet

As of June 30, 2025 and December 31, 2024, the Group's operating fleet follows:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Leased aircraft:		
Airbus CEO	25	25
Airbus NEO	38	37
ATR 72-600	6	6
Owned aircraft:		
Airbus CEO*	-	-
Airbus NEO	14	14
ATR 72-600	12	12
ATR 72-500**	2	2
ATR 42-600	2	2
	99	98

*This excludes three (3) A320 CEOs that are non-operating and classified as Assets Held for Sale as at December 31, 2024.

**This excludes one (1) ATR 72-500 as at December 31, 2024 that are non-operating and classified as Assets Held for Sale.

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, 2025 and December 31, 2024, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱23.0 billion and ₱22.9 billion, respectively (see Note 31). For the six months ended June 30, 2025 and 2024, the Group received pre-delivery refunds for delivered aircraft from Airbus which amounted to ₱1.9 billion and ₱4.8 billion, respectively.

In 2022, the Group entered into remarketing of its four (4) ATR 72-500 aircraft. 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.

On March 1, 2023, one of the ATR 72-500 aircraft was sold at ₱227.0 million, resulting to a gain of ₱0.6 million. In October and December 2024, two (2) of the ATR 72-500 were sold at ₱478.1 million, resulting in a net loss on disposal of ₱61.6 million.

The planned sale of the remaining aircraft has not taken place yet due to global supply chain disruptions and Maintenance and Repair Organization (MRO) manpower shortage that delayed the Group's ongoing preparation activities to meet the aircraft's agreed sale conditions before the buyer technically accepts the aircraft. The management believes that it is still appropriate to classify these as assets held for sale as of December 31, 2024.

Further, in 2024, the Group reclassified three (3) A320CEOs as asset held for sale coming from the assessment that these will be recovered principally through a sale transaction rather than through continuing use. The total carrying amount of the three (3) A320 CEOs is ₱3.3 billion, which is lower than their respective fair value less cost to sell.

In January 2025, the remaining ATR classified as held for sale was sold at a gain of ₱64.9 million. For the six months ended June 30, 2025, all the three (3) remaining A320 CEOs classified as held for sale were sold at a gain of ₱397.1 million.

As of June 30, 2025 and December 31, 2024, the carrying values of assets held for sale that remain unsold are nil and ₱3.5 billion, respectively.

In June 2025, the Group secured four (4) free-of-charge engines (PW1133G-JM) from Pratt & Whitney as part of their overall compensation package, and support for the mitigation of the ongoing Aircraft-on-Ground (AOG) issues. The fair value of the engines amounting to ₱4.8 billion (₱1.2 billion for each engine) was recognized as 'Other income' in the consolidated statement of comprehensive income for the six months ended June 30, 2025.

As of June 30, 2025 and December 31, 2024, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱6.0 billion and ₱5.5 billion, respectively.

13. Investments in Joint Ventures and an Associate

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.

In October 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription with 1Aviation Groundhandling Services, Corp. (1Aviation), for the assignment of credit and subscription to 1,130,000 shares, each with a par value of ₱100 per share, amounting to ₱113.0 million, equivalent to additional 20% ownership. This effectively converts a portion of the Parent Company's shareholder loans and advances into an equivalent number of common stock in 1Aviation ("debt-to-equity conversion").

The debt-to-equity conversion is yet to be approved by the Securities and Exchange Commission (SEC) as of June 30, 2025. Prior to the conversion, the Parent Company has 40% ownership in 1Aviation and the carrying amount of its investment in 1Aviation is nil. Upon the approval of the SEC, the Parent Company will hold a total of 60% ownership in 1Aviation. This will enhance the Parent Company's operational control in 1Aviation, allowing it to better integrate services for efficiency, align strategic plans more effectively, and improve service quality.

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 on the consolidated financial statements.

The movements in the carrying values of the Group's investments in joint ventures and an associate follow:

	June 30, 2025 (Unaudited)						
	Investment in joint ventures			Investment in associates			Total
	PAAT	IAviation	Subtotal	VATS	DAVI	Subtotal	
Cost							
Balances at January 1 and June 30, 2025	₱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, 2025	312,570,409	(46,000,000)	266,570,409	-	(492,000,000)	(492,000,000)	(225,429,591)
Equity in net income during the year	74,008,353	-	74,008,353	-	-	-	74,008,353
Balance at June 30, 2025	386,578,762	(46,000,000)	340,578,762	-	(492,000,000)	(492,000,000)	(151,421,238)
Allowance for Impairment Loss							
Balances at January 1 and June 30, 2025	-	-	-	-	-	-	-
Net Carrying Value	₱521,452,407	₱-	₱521,452,407	₱-	₱-	₱-	₱521,452,407

December 31, 2024 (Audited)

	Investment in joint ventures			Investment in associates			Total
	PAAT	lAviation	Subtotal	VATS	DAVI	Subtotal	
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 December 31, 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	146,999,091	–	146,999,091	–	(40,000,000)	(40,000,000)	106,999,091
Divestment	–	–	–	6,798,108	–	6,798,108	6,798,108
Balance at December 31, 2024	312,570,409	(46,000,000)	266,570,409	–	(492,000,000)	(492,000,000)	(225,429,591)
Allowance for Impairment Loss							
Balance at the beginning and end of year	–	–	–	(36,915,815)	–	(36,915,815)	(36,915,815)
Divestment	–	–	–	36,915,815	–	36,915,815	36,915,815
Balance at December 31, 2024	–	–	–	–	–	–	–
Net Carrying Value	₱447,444,054	₱–	₱447,444,054	₱–	₱–	₱–	₱447,444,054

Selected financial information of PAAT, 1Aviation and DAVI as of June 30, 2025 follow:

	PAAT	1Aviation	DAVI
Current assets	₱315,740,959	₱388,532,414	₱965,472,033
Noncurrent assets	1,602,322,120	384,200,620	3,519,718
Current liabilities	(375,725,746)	(1,001,990,014)	(1,151,944,338)
Noncurrent liabilities	(499,432,519)	(158,420,695)	(16,260,250)
Equity (Capital Deficiency)	1,042,904,814	(387,677,675)	(199,212,837)
Proportion of the Group's ownership	50%	40%	40%
Carrying amount of the investments	₱521,452,407	₱-	₱-
Cash and cash equivalents	₱182,938,431	₱44,672,959	₱648,636,991
Current financial liabilities (excluding trade and other payables and provisions)	335,846,235	727,427,940	718,313,028
Noncurrent financial liabilities (excluding trade and other payables and provisions)	499,432,517	158,420,695	16,260,250

Selected financial information of PAAT, 1Aviation and DAVI as of December 31, 2024 follow:

	PAAT	1Aviation	DAVI
Current assets	₱304,409,357	₱426,154,333	₱1,103,442,317
Noncurrent assets	1,604,988,160	338,784,334	21,653,508
Current liabilities	(487,606,898)	(1,015,440,257)	(1,243,268,463)
Noncurrent liabilities	(526,902,511)	(38,669,855)	(12,554,603)
Equity (Capital Deficiency)	894,888,108	(289,171,445)	(130,727,241)
Proportion of the Group's ownership	50%	40%	40%
Carrying amount of the investments	₱447,444,054	₱-	₱-
Cash and cash equivalents	₱174,088,490	₱83,604,441	₱550,849,969
Current financial liabilities (excluding trade and other payables and provisions)	434,303,391	762,119,996	691,177,766
Noncurrent financial liabilities (excluding trade and other payables and provisions)	526,902,511	38,669,855	12,554,603

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

	2025		
	PAAT	1Aviation	DAVI
Revenue	₱335,113,451	₱1,248,277,953	₱137,256,683
Expenses	(178,350,515)	(109,662,722)	(184,480,563)
Other income	944,876	(385,549)	11,574,697
Income before tax	157,707,812	1,138,229,682	(35,649,183)
Income tax expense (benefit)	9,691,106	(17,051,104)	2,537,827
Net income	₱148,016,706	₱1,155,280,786	(₱38,187,010)
Group's share in net income for the year	₱74,008,353	₱-	₱-

(Forward)

	2025		
	PAAT	1Aviation	DAVI
Depreciation and amortization	₱57,210,314	₱5,967,039	₱6,515,225
Interest income	–	911,564	11,861,483
Interest expense	31,784,276	1,872,431	–
	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 (charges)	12,353,379	229,380	7,044,500
Income (loss) 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 (loss)	₱145,020,208	₱9,210,559	₱32,956,285
Group's share in net income (loss) for the year	₱72,510,104	₱–	(₱40,000,000)
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	–

The fiscal year-end of PAAT, 1Aviation 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 ₱386.6 million and ₱312.6 million as of June 30, 2025 and December 31, 2024, respectively, which is not currently available for dividend distribution unless declared by PAAT.

As of June 30, 2025 and December 31, 2024, the accumulated unrecognized share in losses of 1Aviation amounted to ₱100.2 million and ₱79.7 million, respectively.

As of June 30, 2025 and December 31, 2024, the accumulated unrecognized share in losses of DAVI amounted to ₱18.8 million and ₱3.5 million, respectively.

14. Goodwill

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
CEBGO	₱566,781,533	₱566,781,533
A-Plus	154,867,437	154,867,437
AirSWIFT	311,965,678	311,965,678
	₱1,033,614,648	₱1,033,614,648

Goodwill from acquisition of CEBGO is attributed to the following:

Achievement of Economies of Scale

CEBGO's overall profitability is expected to improve through cost efficiencies from leveraging on the Parent Company's network of suppliers and other partners.

Defensive Strategy

Acquiring a competitor enables the Parent Company to manage overcapacity in certain geographical areas/markets.

The Parent Company also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited (see Note 15).

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

AirSWIFT

On October 7, 2024, the Parent Company signed a share purchase agreement (SPA) with ALI Capital Corp. for the acquisition of 100% of AirSWIFT for consideration of ₱1,377.6 million, net of post-closing adjustments, comprised of payment ₱120.0 million net payment for equity shares and ₱1,257.6 million in net shareholder advances. AirSWIFT, a boutique airline that caters to domestic leisure, operates flights from Manila and Clark to El Nido in northern Palawan, and from El Nido to other major tourist destinations in the country, including Cebu, Boracay, Coron and Bohol. Following the purchase, the Parent Company added El Nido to its routes, widening its network, contributing to growth opportunities, and leveraging its operational expertise to be able to offer more cost-effective options for its growing customer base.

On the same date, AirSWIFT has become a wholly owned subsidiary of the Parent Company.

The fair value of AirSWIFT's identifiable assets and liabilities as at the date of acquisition are shown below. The assets and liabilities recognized in the 2024 consolidated financial statements were based on provisional assessment of fair value while the Group sought an independent valuation of the assets and liabilities of AirSWIFT. The valuation had not been completed by the date of the 2024 consolidated financial statements were approved for issue by the BOD:

	Fair value at acquisition date
Total assets	₱3,908,436,338
Total liabilities	4,100,402,016
Total identifiable net assets (liabilities) at fair value	(191,965,678)
Less: Acquisition cost*	120,000,000
Goodwill from acquisition	₱311,965,678

**Pertains to payment for AirSWIFT's equity shares*

Goodwill comprises the fair value of expected synergies arising from the acquisition. This is presented under 'Goodwill' in the consolidated statements of financial position. None of the goodwill recognized is expected to be deductible for income tax purposes. The Parent Company also identified intangible assets of AirSWIFT amounting to ₱984.3 million, representing cost to establish its brand and market opportunities under the strategic alliance with ALI Capital Corp. This is presented under 'Other noncurrent assets' in the consolidated statements of financial position (see Note 15).

The impact of the cash outflow for payment of outstanding shares, net of cash acquired from AirSWIFT is included in the statement of cash flows from investing activities:

Cash payment for equity shares	₱120,000,000
<u>Less: cash acquired with the subsidiary</u>	62,098,752
	<u>₱57,901,248</u>

The net cash outflow for the shareholder advance amounting to ₱1,257.6 million is included in the statement of cash flows from financing activities.

If the acquisition had taken place at the beginning of 2024, revenue contribution for the year ended December 31, 2024 would have been ₱2.5 billion. Moreover, had the transaction take place at the beginning of 2024, the contribution to the consolidated net income would have amounted to ₱254.9 million.

Since the acquisition was completed on October 7, 2024, the contribution to revenue and net income for the three-month period ended December 31, 2024 amounted to ₱701.6 million and ₱181.6 million from date of acquisition, respectively.

Impairment testing of Goodwill and Intangible Assets with Indefinite Lives

CEBGO and AirSWIFT:

For purposes of impairment testing of goodwill and other intangible assets from acquisition of CEBGO and AirSWIFT, the Group considered these companies as CGU. As of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, 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 and AirSWIFT, 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 and AirSWIFT to materially exceed their recoverable amounts.

A-Plus:

As of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, 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, 2025 (Unaudited)	December 31, 2024 (Audited)
Refundable deposits	₱2,649,810,126	₱2,994,555,421
Intangible assets (Note 14)	1,837,011,364	1,837,011,364
Receivables – net of current portion	339,731,755	356,742,938
Others	446,928,354	432,481,035
	₱5,273,481,599	₱5,620,790,758

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 and AirSWIFT which pertain to the established brand and market opportunities under their strategic alliances of CEBGO and AirSWIFT 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 manufacturers, 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, 2025 (Unaudited)	December 31, 2024 (Audited)
Accounts payable	₱7,410,634,233	₱8,957,779,636
Airport and other related fees payable	6,657,060,957	5,985,053,406
Accrued expenses	6,094,600,106	8,195,823,271
Advances from agents and others	1,838,986,297	2,041,603,720
Travel fund payable (Note 21)	800,750,193	738,460,107
Accrued interest payable	301,766,807	266,875,312
Refunds payable	3,827,736	14,414,586
Other payables	367,328,814	397,369,990
	₱23,474,955,143	₱26,597,380,028

Accrued Expenses

The Group's accrued expenses include accruals for:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Aircraft maintenance	₱3,339,300,956	₱4,411,325,342
Compensation and benefits	770,819,690	785,450,490
Airport and traffic costs	377,528,088	576,412,679
Rent	257,780,884	246,803,015
Advertising and promotion	256,639,188	571,472,844
Training costs	192,822,318	139,639,100
Insurance	160,030,435	157,078,069
Travel and transport	155,706,532	188,629,108
Repairs and services	64,496,016	316,505,619
Professional fees	3,664,701	38,983,830
Others	515,811,298	763,523,175
	₱6,094,600,106	₱8,195,823,271

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, 2025 (Unaudited)	December 31, 2024 (Audited)
Unearned revenue	₱14,083,108,786	₱15,107,504,779
Deferred ancillary revenue	4,311,288,897	3,700,349,340
	₱18,394,397,683	₱18,807,854,119

Recognized deferred ancillary revenue as of June 30, 2025 and December 31, 2024 follows:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at January 1	₱3,700,349,340	₱2,520,863,441
Deferred during the year	14,853,843,739	24,776,658,750
Recognized to income	(14,242,904,182)	(23,597,172,851)
Balance at June 30 and December 31	₱4,311,288,897	₱3,700,349,340

18. Long-term and Short-term Debt

Long-term Debt

This account consists of:

	Annual Interest Rates Range	Maturities	June 30, 2025 (Unaudited)		
			US Dollar	Japanese Yen	Philippine Peso Equivalent
US Dollar commercial loans	1.3% to 6.2% (SOFR)	Various dates through 2036	US\$346,512,110	JPY-	₱19,519,027,156
Japanese Yen commercial loans	0.4% to 2.0% (TONA)	Various dates through 2034	-	42,310,799,465	16,573,140,150
Philippine Peso commercial loans	6.3% to 8.0% (PH BVAL)	Various dates through 2028	-	-	5,181,075,252
			US\$346,512,110	JPY42,310,799,465	₱41,273,242,558

	Annual Interest Rates Range	Maturities	December 31, 2024 (Audited)		
			US Dollar	Japanese Yen	Philippine Peso Equivalent
US Dollar commercial loans	1.3% to 6.2% (SOFR)	Various dates through 2036	US\$354,237,458	JPY-	₱20,490,865,751
Japanese Yen commercial loans	0.6% to 2.0% (TONA)	Various dates through 2034	-	44,247,017,813	16,247,504,938
Philippine Peso commercial loans	6.3% to 8.0% (PH BVAL)	Various dates through 2028	-	-	6,059,980,745
			US\$354,237,458	JPY44,247,017,813	₱42,798,351,434

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

	June 30, 2025 (Unaudited)		
	US Dollar	Japanese Yen	Philippine Peso Equivalent
Current			
US Dollar loans	US\$16,926,471	JPY-	₱953,468,114
Japanese Yen loans	-	3,895,548,113	1,525,886,196
Philippine Peso loans	-	-	1,757,810,985
	16,926,471	3,895,548,113	4,237,165,295
Noncurrent			
US Dollar loans	329,585,639	-	18,565,559,042
Japanese Yen loans	-	38,415,251,352	15,047,253,954
Philippine Peso loans	-	-	3,423,264,267
	329,585,639	38,415,251,352	37,036,077,263
	US\$346,512,110	JPY42,310,799,465	₱41,273,242,558

	December 31, 2024 (Audited)		
	US Dollar	Japanese Yen	Philippine Peso Equivalent
Current			
US Dollar loans	US\$14,545,966	JPY-	₱841,411,408
Japanese Yen loans	-	3,879,178,397	1,424,434,308
Philippine Peso loans	-	-	1,757,810,985
	14,545,966	3,879,178,397	4,023,656,701
Noncurrent			
US Dollar loans	339,691,492	-	19,649,454,343
Japanese Yen loans	-	40,367,839,416	14,823,070,630
Philippine Peso loans	-	-	4,302,169,760
	339,691,492	40,367,839,416	38,774,694,733
	US\$354,237,458	JPY44,247,017,813	₱42,798,351,434

Long-term debt rollforward follows:

	June 30, 2025 (Unaudited)				
	US Dollar Loans	Japanese Yen Loans	Philippine Peso Equivalent	Philippine Peso Loans	Total
Balances at January 1, 2025	US\$354,237,458	JPY 44,247,017,813	₱36,738,370,688	₱6,059,980,746	₱42,798,351,434
Payments	(7,725,348)	(1,936,218,348)	(1,187,672,095)	(878,905,494)	(2,066,577,589)
	346,512,110	42,310,799,465	35,550,698,593	5,181,075,252	40,731,773,845
Unrealized foreign exchange loss	-	-	541,468,713	-	541,468,713
Balances at June 30, 2025	US\$346,512,110	JPY42,310,799,465	₱36,092,167,306	₱5,181,075,252	₱41,273,242,558

	December 31, 2024 (Audited)				Total
	US Dollar Loans	Japanese Yen Loans	Philippine Peso Equivalent	Philippine Peso Loans	
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	254,131,261	9,183,428,000	18,058,530,972	2,012,048,550	20,070,579,522
Payments	(180,314,985)	(3,595,354,951)	(11,750,994,521)	(3,931,933,244)	(15,682,927,765)
	354,237,458	44,247,017,813	37,027,422,596	6,059,980,746	43,087,403,342
Unrealized foreign exchange gain	–	–	(289,051,908)	–	(289,051,908)
Balances at December 31, 2024	US\$354,237,458	JPY 44,247,017,813	₱36,738,370,688	₱6,059,980,746	₱42,798,351,434

US Dollar Commercial Loans

The following table summarizes the US Dollar commercial loans entered into by the Group in various dates in 2019 to 2024, to finance the purchase of six (6) A321NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
December 2019 June 2020	Airbus NEO	2	RAMEN Aircraft Leasing Limited	December 2029 June 2030
September to October 2024	Airbus NEO	3	Jin Shan 38 Ireland Company Limited	September 2036 to October 2036
December 2024	Airbus NEO	1	El Nido Leasing1 Co. LTD and El Nido Leasing2 Co. LTD	September 2036

Key terms of the remaining commercial loan facilities follow:

- Term of ten (10) to twelve (12) 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 6.2% and variable rates based on US Dollar SOFR 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.

In December 2019 and June 2020, the Group entered into a loan agreement to purchase two (2) Airbus NEO. The loan requires quarterly installments with maturity of 10 years at variable interest rate based on compounded US Dollar Secured Overnight Financing Rate (SOFR) plus loan margin.

In September to October 2024, the Group entered into a loan agreement to purchase three (3) Airbus NEO. The loan requires quarterly installments with maturity of 12 years at variable interest rate based on US Dollar Secured Overnight Financing Rate (SOFR) plus loan margin.

In December 2024, the Group entered into a loan agreement to purchase one (1) Airbus NEO. The loan requires quarterly installments with maturity of 10 years at variable interest rate based on US Dollar Secured Overnight Financing Rate (SOFR) plus loan margin.

As of June 30, 2025 and December 31, 2024, the total outstanding balance of the US Dollar commercial loans amounted to ₱19.5 billion (US\$346.5 million) and ₱20.5 billion (US\$354.2 million), respectively. Interest expense amounted to ₱540.9 million and ₱497.4 million for the six months ended June 30, 2025 and 2024, 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) A321NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
January 2019	A321NEO	1	Sampaguita Leasing Co. Ltd.	January 2029
May 2019	A321NEO	1	Dia Boracay Leasing Co. Ltd.	May 2029
October 2019	A321NEO	1	Cebuano Leasing Co. Ltd.	October 2029
November 2019	A321NEO	1	Tarsier Leasing Co. Ltd.	November 2029
July 2023	A321NEO	1	Nalu Leasing Co., Ltd.	July 2033
September 2023	A321NEO	1	Guimaras Leasing Co., Ltd.	September 2033
November 2023	A321NEO	1	Tubbataha Leasing Co., Ltd.	November 2033
March 2024	A321NEO	1	Dia Siargao Co. Ltd.	March 2034

Key terms of the remaining commercial loan facilities follow:

- Term of ten (10) years starting from the delivery date of each aircraft.
- Combination of semi-annual and quarterly payments.
- Mixed interest rates with fixed annual interest rates ranges from 0.59% to 2.00% and variable rates based on compounded JPY Tokyo Overnight Average Rate (TONA) plus loan 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

In January, May, October and November 2019, the Group entered into Japanese commercial loans for four (4) Airbus A321NEO aircraft. The loan required quarterly installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

In July, September, and November 2023, the Group entered into Japanese commercial loans for three (3) Airbus A321NEO aircraft. In March 2024, the Group entered into Japanese commercial loan for 1 Airbus A321NEO aircraft. The loan required quarterly installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

In March 2024, the Group entered into Japanese commercial loan 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, 2025 and December 31, 2024, the total outstanding balance of the Japanese yen commercial loans amounted to ₱16.6 billion (¥42.3 billion) and ₱16.2 billion (¥44.2 billion), respectively. Interest expense amounted to ₱103.0 million and ₱75.5 million for the six months ended June 30, 2025 and 2024, 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 2024, to finance the purchase of ten (10) ATR 72-600 and two (2) Pratt and Whitney engines:

<u>Drawdown Date</u>	<u>Aircraft Type</u>	<u>No. of Units</u>	<u>Maturity Date</u>
October and November 2016 February and March 2017	ATR 72-600	4	October and November 2026 February and March 2027
May, July, October and December 2017 February and May 2018	ATR 72-600	4	May, July, October and December 2027 February and May 2028
August and September 2024	Engine /Pratt & Whitney PW1100G-JM	2	September 2034

Key terms of the commercial loan facilities follow:

- Term of 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) plus loan 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.

In August and September 2024, the Group entered into Philippine Peso commercial loans for two (2) Pratt & Whitney engines. The loan requires quarterly installments with maturity not longer than ten (10) years at variable interest rate based on PHP BVAL plus loan margin.

As of June 30, 2025 and December 31, 2024, the total outstanding Philippine Peso commercial loans amounted to ₱5.2 billion and ₱6.1 billion, respectively. Interest expense incurred from these loans amounted to ₱194.9 million and ₱233.2 million in for the six months ended June 30, 2025 and 2024, 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, 2025 and December 31, 2024, the Group is not in breach of any loan covenants.

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 2025 and September 2025, respectively. The proceeds were used for aircraft and engine acquisitions. 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. Together, these peso-denominated short-term loans have interest rates ranging from 5.3% to 5.5%.

Short-term debt rollforward as of June 30, 2025 and December 31, 2024 follows:

	June 30, 2025 (Unaudited)		December 31, 2024 (Audited)	
	US Dollar Loans	Philippine Peso Equivalent	US Dollar Loans	Philippine Peso Equivalent
Balances at January 1	US\$96,264,970	₱5,568,447,189	US\$–	₱–
Availments	–	–	99,999,970	5,597,123,323
Payments	–	–	(3,735,000)	(207,497,925)
	96,264,970	₱5,568,447,189	96,264,970	5,389,625,398
Unrealized foreign exchange loss (gain)	–	(145,841,429)	–	178,821,791
Balances at June 30 and December 31	US\$96,264,970	₱5,422,605,760	US\$96,264,970	₱5,568,447,189

Interest expense incurred from these short-term loans amounted to ₱157.0 million and ₱103.0 million for the six months ended June 30, 2025 and 2024, respectively.

19. Bonds Payable

On May 10, 2021, the Parent Company issued at face value US\$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as “the CB Holders”) due on May 10, 2027. The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year. Net proceeds from issuance of CB in 2021 amounted to ₱11.8 billion.

The CBs have 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, 2025 and December 31, 2024. 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, 2025 and 2024, amounted to ₱381.9 million and ₱377.3 million, respectively.

The carrying amount as at June 30, 2025 and December 31, 2024 of the host financial liability component of the CBs are presented below:

	June 30, 2025 (Unaudited)		December 31, 2024 (Audited)	
	In US Dollar	In Philippine Peso	In US Dollar	In Philippine Peso
Beginning balance	US\$244,730,577	₱14,156,440,222	US\$242,689,465	₱13,437,715,699
Unrealized foreign exchange loss (gain)	–	(371,586,391)	–	601,772,732
Bond amortization	1,062,576	60,674,456	2,041,112	116,951,791
Ending balance	US\$245,793,153	₱13,845,528,287	US\$244,730,577	₱14,156,440,222

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 is nil as of June 30, 2025 and December 31, 2024.

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, 2025 (Unaudited)	December 31, 2024 (Audited)
Stock price	₱35.05	₱28.25
Risk free rate	3.69%	4.25%
Conversion price	₱38.00	₱38.00
Term	5.9 years	5.9 years
Volatility	25.43%	26.24%

20. Other Noncurrent Liabilities

This account consists of:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Asset retirement obligation (ARO)	₱3,299,595,603	₱3,166,158,868
Heavy maintenance visits (HMV)	3,669,245,790	2,053,233,815
Other noncurrent liabilities	356,147,645	300,556,881
	₱7,324,989,038	₱5,519,949,564

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, 2025 and 2024, provision for ARO included as part of repairs and maintenance amounted to ₱557.5 million and ₱1,202.2 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 manufacturers' 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, 2025 and 2024, provision for HMV included as part of repairs and maintenance amounted to ₱4,036.1 million and ₱794.2 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, 2025 and December 31, 2024, the current portion of travel fund payable amounted to ₱800.8 million and ₱738.5 million, respectively, and is presented under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position (see Note 16).

22. Equity

The Group's authorized capital stock as of June 30, 2025 and December 31, 2024 consists of the following (in number of shares):

	June 30, 2025 (Unaudited)	December 31, 2024 (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, 2025 (Unaudited)		
	Common	Preferred	Total
Subscribed and issued	637,702,483	309,471,601	947,174,084
Conversion of shares	–	–	–
Subscribed and issued, after conversion	637,702,483	309,471,601	947,174,084
Treasury shares	(22,690,230)	(287,300)	(22,977,530)
	615,012,253	309,184,301	924,196,554

	December 31, 2024 (Audited)		
	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	(13,086,650)	–	(13,086,650)
	624,269,333	309,471,601	933,740,934

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 110 and 104 as of June 30, 2025 and December 31, 2024, 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 year December 31, 2024, 4,572,756 CPS have been converted to common shares with ₱1.00 par value at the conversion price of ₱38.00 per share (nil for the period ended June 30, 2025).

The Parent Company's total number of preferred stockholders is 10 as of June 30, 2025 and December 31, 2024.

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

	June 30, 2025 (Unaudited)			December 31, 2024 (Audited)		
	Common*	Preferred**	Total	Common*	Preferred	Total
Balances at January 1	637,355,983	309,471,601	946,827,584	634,911,717	309,693,201	944,604,918
Issuance of vested RSUs (Note 23)	346,500	–	346,500	2,222,666	–	2,222,666
Conversion of shares	–	–	–	221,600	(221,600)	–
Balances at June 30 and December 31	637,702,483	309,471,601	947,174,084	637,355,983	309,471,601	946,827,584

*Gross of 22,690,230 shares and 13,086,650 shares held as treasury shares as of June 30, 2025 and December 31, 2024, respectively.

**Gross of 287,300 shares held as treasury shares as of June 30, 2025.

The rollforward of the Parent Company's capital stock and capital paid in excess of par value follows:

	June 30, 2025 (Unaudited)					
	Capital Stock			Capital Paid in Excess of Par Value		
	Common	Preferred	Total	Common	Preferred	Total
Balances at January 1	₱637,355,983	₱309,471,601	₱946,827,584	₱1,914,082,794	₱2,579,775,722	₱4,493,858,516
Issuance of vested RSUs (Note 23)	346,500	–	346,500	13,868,341	–	13,868,341
Balances at June 30	₱637,702,483	₱309,471,601	₱947,174,084	₱1,927,951,135	₱2,579,775,722	₱4,507,726,857

	December 31, 2024 (Audited)					
	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)	–
Quasi-reorganization	–	–	–	(7,430,982,498)	(8,838,206,772)	(16,269,189,270)
Balances at December 31	₱637,355,983	₱309,471,601	₱946,827,584	₱1,914,082,794	₱2,579,775,722	₱4,493,858,516

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.

As of June 30, 2025 and December 31, 2024, the Parent Company has 22,690,230 and 13,086,650 common shares held in treasury with cost of ₱1,277.2 million and ₱955.7 million, respectively. As of June 30, 2025 (nil in 2024), the Parent Company has 287,300 preferred shares held in treasury with costs of ₱11.1 million. As of June 30, 2025, total cost of treasury shares amounted to ₱1,288.3 million and ₱955.7 million, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

Appropriation of Retained Earnings

As of June 30, 2025 and December 31, 2024, 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, 2025 and December 31, 2024, 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 ₱1,288.3 million and ₱955.7 million as of June 30, 2025 and December 31, 2024, respectively.

The Parent Company did not declare dividends in 2025 and 2024.

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, 2025 and December 31, 2024.

Equity Restructuring through Quasi-Reorganization

On July 17, 2024, the Parent Company's Board approved the Parent Company to pursue quasi-reorganization 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.

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 ₱18.6 billion and ₱10.0 billion as of June 30, 2025 and December 31, 2024, 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.

As of December 31, 2024 and 2023, 346,500 and 2,222,666 RSUs have vested and were subsequently listed with the Philippine Stock Exchange on January 17, 2025 and January 17, 2024, respectively

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, 2024 and 2023, 140,000 and 2,312,500 stock options have vested. No options were exercised, forfeited or expired during both years. Thus, a total of 5,145,000 and 5,005,000 vested stock options remain to be outstanding and exercisable as of December 31, 2024 and 2023, respectively.

The fair value of each option at grant date is ₱21.79 which was determined using the Cox-Ross-Rubinstein Binomial Option Pricing Method. The inputs in the valuation of the stock option are as follows:

Stock price at grant date	₱48.40
Exercise price	₱48.575
Expected volatility	47.24%
Option life	6.10 years
Dividend yield	2.93%
Risk-free interest rate	4.53%

The option life is the period between 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, 2025, the cost of RSUs and stock options charged to operations under the 'General and administrative' in the consolidated statements of comprehensive income amounted to ₱3.4 million and ₱1.3 million, respectively. Meanwhile, in 2024, the cost of RSUs and stock options charged to operations were ₱6.6 million and ₱2.1 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 ₱4.7 million and ₱8.7 million, for the six months ended June 30, 2025 and 2024, respectively.

As of June 30, 2025 and December 31, 2024, the outstanding 'Share-based payments' presented in the consolidated statements of financial position amounted to ₱125.7 million and ₱135.2 million, respectively.

24. Operating Expenses

Flying Operations

This account consists of:

	For the six-month period ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Aviation fuel expense (Note 10)	₱17,047,185,033	₱16,078,230,570
Flight deck	2,729,114,250	2,387,048,522
Aviation insurance	180,092,663	172,054,703
Others	631,894,184	514,983,729
	₱20,588,286,130	₱19,152,317,524

For the six months ended June 30, 2025, the Group charged as an addition to aviation fuel expense the effective portion of its cash flow hedges amounting to ₱138.6 million (nil in 2024). 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 aircraft return condition amounting to ₱557.5 million and ₱1,202.2 million, and provision for heavy maintenance visits amounting to ₱4,036.1 million and ₱794.2 million, for the six months ended June 30, 2025 and 2024, respectively (see Note 20).

Aircraft and Traffic Servicing

This account consists of:

	For the six-month period ended June 30	
	2025 (Unaudited)	2024 (Unaudited)
Airport charges	₱4,338,443,404	₱2,623,738,044
Ground handling	2,907,642,641	2,218,447,048
Others	752,051,383	506,457,175
	₱7,998,137,428	₱5,348,642,267

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 ₱2.2 billion and ₱1.9 billion for the six months ended June 30, 2025 and 2024, respectively.

25. General and Administrative Expenses

This account consists of:

	For the six-month period ended	
	June 30	
	2025	2024
	(Unaudited)	(Unaudited)
IT and other professional fees	₱937,006,573	₱835,480,418
Staff costs	682,373,377	612,605,261
Security	331,896,912	249,580,301
Rent expense (Note 31)	194,580,401	23,425,148
Utilities	80,992,128	92,765,720
Travel and transportation	53,428,947	38,229,603
Others	288,854,910	337,709,946
	₱2,569,133,248	₱2,189,796,397

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 funds of AirSWIFT are being administered and managed through BDO Trust and Investments Group (“Trustee”). The fund is a non-contributory plan. The funding of the plan asset shall be determined by an actuarial advisor and payment of benefits shall be provided for through the medium of a fund held by a Trustee under an appropriate Trust Agreement. The contribution to the fund, together with gains and losses realized and unrealized plus contributed accrued liabilities, shall constitute the fund. AirSWIFT has a Retirement Committee who coordinates with the Trustee in implementing the plan. The Trustee may seek the advice of the counsel and may appoint an investment manager/s to manage the fund, an independent accountant to audit the fund and an actuary to value the fund. Fees and expenses incurred in the investing and accounting and/or actuarial audit, amendment and other services to the Plan may be charged to the fund.

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	
	2025	2024
Net income	₱8,971,099,053	₱3,545,361,939
Less: Cumulative preferred dividends	(349,841,839)	(350,869,769)
Net income attributable to common shareholders		
for basic EPS	8,621,257,214	3,194,492,170
Divided by: Weighted average number of common shares	621,272,057	624,227,304
Basic earnings per share	₱13.88	₱5.12
Net income attributable to common shareholders		
for diluted EPS	₱9,257,534,585	₱3,828,362,767
Divided by: Adjusted weighted average number of common shares*	1,249,444,058	1,252,448,905
Diluted earnings per share	₱7.41	₱3.06

* Adjusted weighted average number of common shares for diluted EPS		
Weighted average number of common shares	621,272,057	624,227,304
Add: Dilutive shares arising from convertible bonds and preferred shares	628,172,001	628,221,601
Adjusted weighted average number of common shares	1,249,444,058	1,252,448,905

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 Officer and Chief Strategy Officer to ensure alignment of hedging strategies and objectives with the Company's overall purpose.

This risk management program includes the following four key areas:

- a. Risk identification involves review of the business and its processes to identify associated market risks.
- b. Risk assessment refers to the quantification of the identified risk exposures and the maximum probable losses and cash outflows the Company may incur within a certain frequency over a certain time frame.
- c. Risk control represents the activities and programs the Company undertakes in order to eliminate or minimize these market risk exposures. This mainly involves the determination of hedge levels and level of core risks the Company is willing to retain given key stakeholders' risk tolerance.
- d. Risk monitoring pertains to the assessment of the risk control activities against established metrics and tracking of the compliance to limits and thresholds set.

Risk Assessment Tool

To help the Group in the Risk Assessment Process, the Risk Assessment Tool which is a database driven web application was developed for departments to help in the assessment, monitoring and management of risks.

The Risk Assessment Tool documents the following activities:

- a. Risk Identification– is the critical step of the risk management process. The objective of risk identification is the early identification of events that may have negative impact on the Group's ability to achieve its goals and objectives.
 - 1.1. Risk Indicator– is a potential event or action that may prevent the continuity/action
 - 1.2. Risk Driver– is an event or action that triggers the risk to materialize
 - 1.3. Value Creation Opportunities– is the positive benefit of addressing or managing the risk

- b. Identification of Existing Control Measures– activities, actions or measures already in place to control, prevent or manage the risk.
- c. Risk Rating/Score– is the quantification of the likelihood and impact to the Group if the risk materialized. The rating has two (2) components:
 - 3.1. Probability– the likelihood of occurrence of risk
 - 3.2. Severity– the magnitude of the consequence of risk
- d. Risk Management Strategy– is the structured and coherent approach to managing the identified risk.
- e. Risk Mitigation Action Plan– is the overall approach to reduce the risk impact severity and/or probability of occurrence.

Results of the Risk Assessment Process are summarized in a Dashboard that highlights risks that require urgent actions and mitigation plan. The dashboard helps Management to monitor, manage and decide a risk strategy and needed action plan.

Risk management support groups

The Group's BOD created the following departments within the Group to support the risk management activities of the Group and the other business units:

- a. Corporate Security and Safety Board (CSSB)– Under the supervision of ERM Division, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.
- b. Corporate Supplier Accreditation Team (CORPSAT)– Under the supervision of ERM Division, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.
- c. Finance Division– The Finance Division is responsible for the oversight of strategic planning, budgeting and performance review processes of the business units as well as for administration of the insurance program of the Group.

Risk Management Policies

The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, namely foreign currency risk, commodity price risk and interest rate risk. The Group's policies for managing the aforementioned risks are summarized below.

Credit risk

Credit risk is defined as the risk of loss due to uncertainty in a third party's ability to meet its obligation to the Group. The Group trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are being subjected to credit verification procedures. In addition, receivable balances are monitored on a continuous basis resulting in an insignificant exposure in bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash in banks and cash equivalents, restricted cash and financial assets at FVOCI and FVPL, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

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, 2025 and December 31, 2024, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position) amounted to ₱64.4 million and ₱69.8 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, 2025 and December 31, 2024 follow:

	June 30, 2025	December 31, 2024
US Dollar	₱56.330 to US\$1.00	₱57.845 to US\$1.00
Singapore Dollar	₱44.353 to SGD1.00	₱42.692 to SGD1.00
Hong Kong Dollar	₱7.2081 to HKD1.00	₱7.4684 to HKD1.00
Japanese Yen	₱0.3917 to JPY1.00	₱0.3672 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 revaluation of the Group's financial assets and liabilities and its corresponding effect on the Group's pre-tax income for the six months ended June 30, 2025 and 2024 (in thousands):

	2025		2024	
	₱2	(₱2)	₱2	(₱2)
Changes in foreign exchange value				
Change in pre-tax income	(₱4,881,279)	₱4,881,279	(₱4,161,443)	₱4,161,443

This sensitivity analysis excludes any impact of exchange rate changes on the Group's revenues and expenses.

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 ₱1.7 billion and ₱1.4 billion for the six months ended June 30, 2025 and 2024, 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, call options 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 table below summarizes the maturity profile of outstanding fuel derivative contracts as of June 30, 2025 and December 31, 2024:

	June 30, 2025 (Unaudited)					Total
	1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 to 15 months	More than 15 months	
Notional amount (in barrels)	170,000	-	-	-	-	170,000
Notional amount (in US\$)	\$11,623,600	-	-	-	-	\$11,623,600
Average hedged rate	68.37	-	-	-	-	68.37

	December 31, 2024 (Audited)					Total
	1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 to 15 months	More than 15 months	
Notional amount (in barrels)	240,000	-	-	-	-	240,000
Notional amount (in US\$)	\$17,502,000	-	-	-	-	\$17,502,000
Average hedged rate	72.93	-	-	-	-	72.93

The table below summarizes the maturity profile of outstanding foreign currency derivative contracts as of June 30, 2025 (nil as of December 31, 2024):

	June 30, 2025 (Unaudited)					Total
	1 to 3 months	More than 3 to 6 months	More than 6 to 12 months	More than 12 to 15 months	More than 15 months	
Notional amount (in US\$)	\$72,500,000	\$-	\$-	\$-	\$-	\$72,500,000
Average hedged rate	56.73	-	-	-	-	56.73

The impact of the hedge accounting on the consolidated statements of financial position as of June 30, 2025 and December 31, 2024 follows:

June 30, 2025 (Unaudited)

	Change in fair value used in measuring ineffectiveness for the period	Cash flow hedge reserve
Interest rate derivatives	₱369,249,305	₱369,249,305
Fuel derivatives	(26,528,683)	(26,528,683)
Foreign currency derivatives	(4,550,584)	(4,550,584)

December 31, 2024 (Audited)

	Change in fair value used in measuring ineffectiveness for the period	Cash flow hedge reserve
Interest rate derivatives	₱410,065,052	₱410,065,052
Fuel derivatives	(₱4,474,609)	₱3,576,261

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

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balances at January 1	₱618,584	₱167,236,789
Effective portion of cash flow hedges:		
Fuel hedges	(6,220,165)	(3,180,828)
Foreign currency hedges	(145,549,052)	–
Interest rate hedge	–	(1,687,403)
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense (Note 24)	138,606,429	8,049,060
Interest expense (Note 8)	(40,815,747)	(88,382,945)
Actuarial loss on retirement liability	–	(136,955,491)
Tax effect	13,494,634	55,539,402
Balances at June 30 and December 31	(₱39,865,317)	₱618,584

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, 2025 and 2024.

	2025		2024	
Changes in interest rates	1.50%	(1.50%)	1.50%	(1.50%)
Change in pre-tax income	(₱423,587,349)	₱423,587,349	(₱425,003,813)	₱425,003,813

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 4.2% to 4.8% as of June 30, 2025 and December 31, 2024.

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 0.2% to 6.2% as of June 30, 2025 and December 31, 2024.

31. Commitments and Contingencies

Leases

The Group has aircraft and non-aircraft leases. Leases of aircraft generally have lease term between 1.25 and 10 years, while leases of non-aircraft items generally have remaining lease term between 3 and 18 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets.

The Group also has certain non-aircraft leases with lease terms of 12 months or less. The Group applies the 'short-term lease' recognition exemptions for these leases.

The movements in right-of-use assets follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Cost		
Balance at January 1	₱128,847,952,811	₱100,663,573,884
Additions (non-cash investing activity)	7,158,461,555	40,226,399,933
Acquired through business combination (Note 14)	-	1,374,472,418
Deferred gain on sale and leaseback	13,005,309	(3,073,336,756)
Retirement	(61,939,855)	(10,343,156,668)
Balance at June 30 and December 31	135,957,479,820	128,847,952,811
Accumulated depreciation		
Balance at January 1	25,264,729,543	24,562,931,454
Amortization	6,983,776,946	10,758,544,312
Retirement	(51,616,546)	(10,056,746,223)
Balance at June 30 and December 31	32,196,889,943	25,264,729,543
	₱103,760,589,877	₱103,583,223,268

The movements in lease liability follow:

	June 30, 2025 (Unaudited)	December 31, 2024 (Audited)
Balance at January 1	₱113,630,078,676	₱82,639,378,971
Additions	7,158,461,555	40,226,399,933
Acquired through business combination (Note 14)	-	1,642,332,176
Accretion of interest	2,409,298,124	3,780,284,679
Payment	(9,157,644,193)	(14,368,898,361)
Retirement	(8,335,041)	(289,418,722)
Ending balance	114,031,859,121	113,630,078,676
Less: current portion	13,849,435,619	13,470,382,193
Noncurrent portion	₱100,182,423,502	₱100,159,696,483

The following are the amounts recognized in the consolidated statements of comprehensive income for the six months ended June 30, 2025, and 2024:

	For the six-month period ended June 30	
	2025	2024
	(Unaudited)	(Unaudited)
Depreciation expense on right-of-use assets	₱6,983,776,946	₱4,965,227,690
Interest expense on lease liability	2,409,298,124	1,726,254,536
Rent expense on short-term leases	1,007,966,429	1,434,860,779
	₱10,401,041,499	₱8,126,343,005

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	January 2028 – April 2028
November 2023	EOS Aviation 9 (Ireland) Limited	2	January - February 2027
November 2023	Bank of Utah	2	July 2028 – October 2028
December 2023	AVAP Aircraft Trading Pte. Ltd.	1	December 2027
December 2023	CALC Jiangqing Limited	1	February 2028

In May 2023, the Group entered into a three (3)-year lease agreement with Banc of America Leasing Ireland Co., Limited for one (1) Airbus A320 CEO delivered in May 2023.

In June 2023, the Group entered into a three (3)-year lease agreement with AWAS 3896 Trust for one (1) Airbus A320 CEO delivered in June 2023.

In June 2023, the Group entered into a new operating lease agreement with Wilmington Trust SP Services (Dublin) Limited Trust for three (3) Airbus A320 CEO, replacing the prior finance lease arrangement under Summit C Aircraft Leasing Limited

In September 2023, the Group entered into four (4)-year agreement with AVAP Aircraft Trading Pte. Ltd., for one (1) Airbus A320 CEO delivered in December 2023.

In November 2023, the Group entered into a new operating lease agreement with EOS Aviation 9 (Ireland) Limited for two (2) Airbus A320 CEO, replacing the prior long term debt arrangement financed thru PHP commercial loan.

In November 2023, the Group entered into four (4)-year lease agreements with Bank of Utah, not in its individual capacity but solely as owner trustee, for two (2) Airbus A320 delivered in July 2024 and October 2024.

In December 2023, the Group entered into (4)-year lease agreement with CALC Jiangqing Limited, for one (1) Airbus A320 delivered in February 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	2	June – September 2029
January 2020	SMBC Aviation Capital LTD	1	January 2030
November 2021	SMBC Aviation Capital LTD	1	November 2031
April 2022	Jackson Square Aviation Ireland Limited	1	April 2032
July 2022	Sky High 135 Leasing Company Limited	1	July 2032
December 2022	Sky High 135 Leasing Company Limited	1	December 2032
March 2023	Avolon Leasing Ireland 3 Limited	2	October 2034 – May 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	4	August 2033-November 2033
October 2023	Miracle Cassiopeia Company Limited	1	October 2035
November 2023	SMBC Aviation Capital LTD	1	April 2033
April 2024	Sky High 135 Leasing Company Limited	1	April 2036
September 2024	Sky High 101 Leasing Company Limited	1	September 2030
December 2024	Inishcannon Leasing Limited	1	June 2035

In April 2022, the Group entered into a 10-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A320NEO delivered in the same month.

In July and December 2022, the Group entered into a 10-year lease agreement with Sky High 135 Leasing Company Limited for two (2) Airbus A320NEO delivered on July and December 2022.

In March 2023, the Group entered into a 11-year lease agreement with Avolon Leasing Ireland 3 Limited for two (2) Airbus A320NEO delivered in the same month.

In April 2023, the Group entered into a 12-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A320NEO delivered in the same month.

In June 2023, the Group entered into a 12-year lease agreement with Miracle Carina Company Limited for one (1) Airbus A320NEO delivered on in the same month.

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

In October 2023, the Group entered into a 12-year lease agreement with Miracle Cassiopeia Company Limited for one (1) Airbus A320NEO delivered in the same month.

In November 2023, the Group entered into a 10-year lease agreement with SMBC Aviation Capital LTD for one (1) Airbus A320NEO delivered in the same month.

In April 2024, the Group entered into a 12-year lease agreement with Sky High 135 Leasing Company Limited for one (1) Airbus A320NEO delivered in April 2024.

In September 2024, the Group entered into a 6-year lease agreement with Sky High 101 Leasing Company Limited for one (1) Airbus A320NEO delivered in September 2024.

In December 2024, the lease rights for one (1) Airbus A320NEO, originally established under a 12-year lease agreement with Avolon Leasing Ireland 3 Ltd. in March 2023, were amended and officially novated to the current lessor, Inishcannon Leasing Limited.

A321CEO aircraft

The following table summarizes the specific lease agreements on the Group's Airbus A321CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
December 2024	Jackson Square Aviation Ireland Limited	7	April-December 2030

In December 2024, the Group entered into a new operating lease agreement with Jackson Square Aviation Ireland Limited for seven (7) Airbus A321 CEO, replacing the prior finance lease arrangement under Tikgi Aviation One Designated Activity Company (TAODAC). (see Note 12).

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 International US Holdings, Ltd.	1	March 2033
May 2021	SMBC Aviation Capital LTD	1	May 2031
March 2022	Connolly Aviation Capital 6 Limited	1	March 2034
June 2024	Aviation Capital Group LLC	1	June 2036

In March 2022, the Group entered into a 12-year lease agreement with Connolly Aviation Capital 6 Limited for one (1) Airbus A321NEO delivered in the same month.

In June 2024, the Group entered into a 12-year lease agreement with Aviation Capital Group LLC for one (1) Airbus A321NEO delivered in June 2024.

ATR 72-600 aircraft

The following table summarizes the specific lease agreements on the Group's ATR 72-600 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
May 2019	AVAP AIRCRAFT TRADING III PTE. Ltd.	1	May 2029
December 2021	MSO 1628 Leasing Designated Activity Co.	1	December 2031
December 2023	NAC 58 Company Limited	1	May 2032
December 2017	NAC Aviation 29 DAC	1	December 2028
June 2018	NAC Aviation 29 DAC	1	June 2029
November 2023	NAC Aviation 48 Limited	1	December 2033

In December 2017, AirSWIFT entered into a lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1440 which commenced at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US\$420,000. The aircraft was delivered to AirSWIFT in February 2018 and has started flight operations in March 2018. AirSWIFT, per lease contract, has the option to purchase the aircraft at the end of lease term for US\$14.16 million. The lease agreement provides for a payment of a fixed fee and variable rental payments. The fixed lease is subject to an annual escalation of 8% until the fifth term. Thereafter, the monthly rental will be the same until the end of the lease term.

In June 2018, AirSWIFT entered into a second 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1492 which also commenced at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US\$420,000. The aircraft was delivered to the Company in the same month and has started flight operations in August 2018. AirSWIFT, per lease contract, has the option to purchase the aircraft at the end of the lease term amounting to US\$14.16 million.

The lease contains free rent on the first two months and variable monthly rental payments ranging from US\$119,953 to US\$159,953 from third month to 13th month. At the beginning of the 14th month, the fixed monthly rental payments will amount to US\$130,000 until the end of second year. The fixed monthly rental payments on the third and fourth year will amount to US\$148,000. Subsequently, fixed monthly rental payments of US\$160,000 will be paid at the beginning of fifth year until the end of the contract.

In October 2020, AirSWIFT was granted by its lessor a rental relief equivalent to a discount of 40% on its fixed monthly rental fees for the two leased aircraft for one year beginning November 1, 2020 to October 31, 2021. The lessor extended the lease terms for an additional year.

In November 2023, the Company entered into its third 120-month lease agreement with NAC Aviation for a brand new ATR72-600 with MSN 1675 which also commenced at the date of delivery. Commitment fee or refundable deposit required for the lease amounted to US\$437,250. The aircraft was delivered to AirSWIFT in the same month and started flight operations in December 2023.

In December 2023, the Group entered into a 8-year lease agreement with NAC 58 Company Limited for one (1) ATR 72-600 delivered in May 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	2	December 2035 – July 2036
November 2021	SMBC Aviation Capital LTD	1	November 2033
May 2022	Dune Aviation 15 Limited	1	May 2034
April 2023	Aerdragon	1	April 2035
November 2023	SMBC Aviation Capital LTD	1	November 2035
January 2024	GY Aviation Lease 1841 Co., Limited	1	November 2034
April 2024	Avolon Leasing Ireland 3 Limited	1	March 2037
August 2024	Jackson Square Aviation Ireland Limited	1	December 2036
December 2024	SMBC Aviation Capital Limited	1	February 2036

In May 2022, the Group entered into a 12-year lease agreement with Dune Aviation 15 Limited for one (1) Airbus A330NEO delivered in the same month.

In April 2023, the lease rights for one (1) Airbus A330NEO, originally under a 12-year lease agreement with JLPS Ireland Limited in March 2022, were amended and officially novated to the current lessor, Aerdragon.

In November 2023, the lease rights for one (1) Airbus A330NEO, originally under a 12-year lease agreement with Avolon Leasing Ireland 3 in November 2019, were amended and officially novated to the current lessor, SMBC Aviation Capital Ltd.

In January 2024, the lease rights for one (1) Airbus A330NEO, originally under a 12-year lease agreement with Avolon Leasing Ireland 3 in November 2022, were amended and officially novated to the current lessor, GY Aviation Lease 1841 Co., Limited.

In April 2024, the Group entered into a 12-year lease agreement with Avolon Leasing Ireland 3 Limited for one (1) Airbus A330NEO delivered in March 2025.

In August 2024, the Group entered into a 12-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A330NEO delivered on December 2024.

In December 2024, the lease rights for one (1) Airbus A330NEO delivered in February 2024, originally under a 12-year lease agreement with Avolon Leasing Ireland 3 in November 2019, were amended and officially novated to the current lessor, SMBC Aviation Capital Ltd.

Engine Lease Commitments

The following table summarizes the specific lease agreements on the Group's engines:

Date of Lease Agreement	Lessors	Engine Type	No. of Units	Lease Expiry
June 2019	RRPF Engine Leasing Limited	Rolls-Royce Trent 700	2	August 2025
September 2020 October 2020	SMBC Aero Engine Lease B.V.	CFM 56	3	August 2025 – December 2028
September 2020	Sunrise Non-US PO 1 Ltd	CFM 56	1	February 2027
December 2021	Sunrise Non-US PO 1 Ltd	CFM 56	1	January 2026
August 2022	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1	September 2034
September 2022	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	4	December 2030 – April 2032
March 2023	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1	April 2035
July 2023	RRPF Engine Leasing Limited	Pratt & Whitney PW1133G-JM	1	July 2033
October 2023	NAC Aviation 57 Limited	CFM 56	1	December 2028
May 2024	Total Engine Asset Management PTE. LTD.	Pratt & Whitney PW1133G-JM	4	May – June 2034
July 2024	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1	July 2036
September 2024	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	5	November 2034
November 2024	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1	August 2032
December 2024	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	1	December 2034
March 2025	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1	November 2032
April 2025	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1	April 2037
June 2025	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1	August 2032

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 three (3) CFM56 engines. The leases have short and long term lease arrangements between 18 months to eight (8) years, respectively.

In September 2020 and December 2021, the lease rights for two (2) CFM56 engines, originally under a lease agreement with SMBC Aero Engine Lease B.V, were amended and officially novated to the current lessor, Sunrise Non-US PO 1 Ltd.

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 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 March 2023, the Group entered into operating lease agreements as part of a sale and leaseback transaction with RRPF Engine Leasing Limited for one (1) Trent 7000 engine with a lease term of 12 years.

In July 2023, the Group entered into operating lease agreements as part of a sale and leaseback transaction with RRP Engine Leasing Limited for one (1) PW1133G-JM engine with a lease term of 10 years.

In October 2023, the lease rights for one (1) CFM56 engine, originally under lease agreement with SMBC Aero Engine Lease B.V in September 2020, were amended and officially novated to the current lessor, NAC Aviation 57 Limited.

In May 2024, the Group entered into a 10-year operating lease agreements as part of a sale and leaseback transaction with Total Engine Asset Management PTE. LTD. for three (3) PW1133G-JM engines delivered in the same month and one (1) PW1133G-JM delivered on June 2024.

In July 2024, the Group entered into operating lease agreements as part of a sale and leaseback transaction with RRP Engine Leasing Limited for (1) Trent 7000 engine with a lease term of 12 years.

In September and November 2024, the Group entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. for five (5) PW1133G-JM engines with lease term arrangements of 10 years.

In November 2024, the lease rights for one (1) PW1133G-JM engine, originally under lease agreement with RRP Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRP Engine Leasing (No. 2) Limited.

In December 2024, the Group entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. for one (1) PW1133G-JM engine with lease term arrangements of 10 years.

In March 2025, the lease rights for one (1) PW1133G-JM engine, originally under lease agreement with RRP Engine Leasing Limited in November 2022, were amended and officially novated to the current lessor, RRP Engine Leasing (No. 2) Limited.

In April 2025, the Group received one (1) Trent 7000 engine from RRP Engine Leasing Limited as part of a sale and leaseback transaction in May 2019 with a lease term of 12 years.

In June 2025, the lease rights for one (1) PW1133G-JM engine, originally under lease agreement with RRP Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRP Engine Leasing (No. 2) Limited.

As of December 31, 2024, the lessors released the holdouts in cash in banks and money market placements.

Lease expenses relating to aircraft leases (included in 'Aircraft and engine lease' account in the consolidated statements of comprehensive income) amounted to ₱100.3 million and ₱884.2 million for the six months ended June 30, 2025 and 2024, respectively.

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

	2025		2024	
	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	US\$319,753,983	₱18,011,741,859	US\$269,201,544	₱15,139,894,850
After one year but not more than five years	1,108,970,051	62,468,282,977	1,007,592,581	56,667,006,761
Over five years	970,780,399	54,684,059,871	782,568,254	44,011,638,628
	US\$2,399,504,433	₱135,164,084,707	US\$2,059,362,379	₱115,818,540,239

Operating Non-Aircraft Lease Commitments

The Group has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.0% to 10.0%.

In March 2025, the Parent Company has entered into a 30-year lease agreement with VVS Realty Corporation for a parcel of land situated at Multinational Village, Parañaque City to support its day-to-day operational requirements.

Future minimum lease payments under these noncancellable operating leases follow:

	2025	2024
Within one year	₱376,698,488	₱228,542,313
After one year but not more than five years	1,606,771,069	974,825,193
Over five years	6,650,824,968	4,035,043,858
	₱8,634,294,525	₱5,238,411,364

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 ₱907.7 million and ₱550.7 million in for the six months ended June 30, 2025 and 2024, 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 ten (10) years for the fleet of Airbus A320.

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 May 1, 2025, this agreement has been extended for another 5 years for the fleet of Airbus A320 and A321 aircraft.

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 August 8, 2022, the Parent Company entered into a long-term contract under the Flight Hour Services agreement for the lease, repair, overhaul services of parts and components of its Airbus A330NEO aircraft. These services include provision of access to inventories on a lease basis, access to pooled components on a flat rate basis, and repairs of aircraft parts and components.

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 18, 2019, the Group placed an additional order with Airbus S.A.S for 15 A320NEO family aircraft which includes up to ten (10) A321XLR.

On September 30, 2024, the Group formally signed its purchase agreement with Airbus S.A.S. for up to 152 A321NEO and A320NEO family aircraft. The agreement includes a firm order for 70 narrowbody aircraft, along with 82 early options and purchase rights. Deliveries are scheduled to commence in 2029 up to mid-2030s, while providing a combination of early slots, purchase rights, conversion and deferral rights. The Group also signed with International Aero Engines (Pratt & Whitney) to power the aircraft with its engines, which includes a comprehensive engine maintenance program.

As of June 30, 2025, the Group is set to take delivery of six (6) A320NEO aircraft, fourteen (14) A321NEO aircraft, five (5) A330NEO aircraft, and seventy (70) A320 Family aircraft until 2033. This excludes any exercise of early options available with the purchase order with Airbus from October 2024. In addition, the Group is set to take delivery of fifteen (15) PW1133G-JM engines until 2033.

The above-indicated commitments relate to the Group's re-fleeting and expansion programs. These agreements remain in effect as of June 30, 2025.

Capital Expenditure Commitments

The Group's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱431.0 billion and ₱436.5 billion as of June 30, 2025 and December 31, 2024, respectively.

	June 30, 2025 (Unaudited)	
	US Dollar	Philippine Peso Equivalent
Within one year	US\$1,057,739,532	₱59,582,467,842
After one year but not more than five years	3,181,704,685	179,225,424,903
More than five years	3,412,372,135	192,218,922,385
	US\$7,651,816,352	₱431,026,815,130

	December 31, 2024 (Audited)	
	US Dollar	Philippine Peso Equivalent
Within one year	US\$849,610,022	₱49,145,691,700
After one year but not more than five years	2,947,290,413	170,486,013,958
More than five years	3,749,357,665	216,881,594,136
	US\$7,546,258,100	₱436,513,299,794

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, 2025	Cash Flows	Noncash		June 30, 2025
			Foreign Exchange Movement	Others*	
Current portion of long-term debt	₱4,023,656,701	(₱2,066,577,589)	₱72,904,913	₱2,207,181,270	₱4,237,165,295
Long-term debt - net of current portion	38,774,694,733	–	468,563,800	(2,207,181,270)	37,036,077,263
Short-term debt	5,568,447,189	–	(145,841,429)	–	5,422,605,760
Bonds payable	14,156,440,222	–	(371,586,391)	60,674,456	13,845,528,287
Lease liability	113,630,078,676	(9,157,644,193)	–	9,559,424,638	114,031,859,121
Total liabilities from financing activities	₱176,153,317,521	(₱11,224,221,782)	₱24,040,893	₱9,620,099,094	₱174,573,235,726

*Others consist of reclassification of loans and borrowings from noncurrent to current, additional lease liability, accretion of interest, retirement of lease liability and amortization of bond issue costs

	January 1, 2024	Cash Flows	Noncash		June 30, 2024
			Foreign Exchange Movement	Others*	
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
Short-term debt	–	5,597,123,323	263,874,919	–	5,860,998,242
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 and amortization of bond issue costs

Please see Notes 12, 18 and 31 for noncash investing and financing activities in 2025 and 2024.

33. Events After the Financial Reporting Date

There were no material events that occurred subsequent to June 30, 2025 and up to the date of this report that would require recognition or disclosure in the consolidated financial statements for the interim period.

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, 2026

- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Annual Improvements to PFRS Accounting Standards – Volume 11
 - Amendments to PFRS 1, *Hedge Accounting by a First-time Adopter*
 - Amendments to PFRS 7, *Gain or Loss on Derecognition*
 - Amendments to PFRS 9, *Lessee Derecognition of Lease Liabilities and Transaction Price*
 - Amendments to PFRS 10, *Determination of a 'De Facto Agent'*
 - Amendments to PAS 7, *Cost Method*

Effective beginning on or after January 1, 2027

- PFRS 18, *Presentation and Disclosure in Financial Statements*

The standard replaces PAS 1 Presentation of Financial Statements and responds to investors' demand for better information about companies' financial performance. The new requirements include:

- Required totals, subtotals and new categories in the statement of profit or loss
- Disclosure of management-defined performance measures
- Guidance on aggregation and disaggregation

The Group aims to identify all impacts of the amendments will have on the consolidated financial statements prior to adoption of PFRS 18.

- PFRS 19, *Subsidiaries without Public Accountability*

Deferred Effectivity

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