



Cebu Air, Inc.'s Convertible Preferred Shares Conversion Process FAQs 26 March 2021

IMPORTANT NOTE: These frequently asked questions (“FAQs”) are derived from, and should be read in conjunction with, the full text of the Final Prospectus dated 15 February 2021 (the “Final Prospectus”), and the Conversion Guidelines dated 02 March 2021 (the “Conversion Guidelines”), and are qualified in its entirety by the more detailed information contained therein. All capitalized terms used have the same meanings ascribed to them in the Final Prospectus, unless otherwise defined herein. In the event of any inconsistency with the terms set out herein, the Final Prospectus and the Conversion Guidelines will prevail.

1. Do the shareholders need to pay the conversion price of PHP38.00 upon conversion?

There is no requirement to pay the Conversion Price of PHP38.00 upon conversion of the Convertible Preferred Shares. The Conversion Price is only used as a reference in determining the applicable Conversion Ratio.

2. When can holders of the Convertible Preferred Shares exercise their conversion option?

The conversion period starts from and including forty (40) days after listing of the Convertible Preferred Shares Date, or, if earlier, the date on which approval in principle to list the underlying Common Shares to be issued upon conversion of the Convertible Preferred Shares on the PSE is obtained up to a date no later than twenty (20) Trading Days prior to the 6th anniversary of the Issue Date or, if the Convertible Preferred Shares shall have been called for redemption, up to a date no later than twenty (20) Trading Days prior to the date fixed for redemption.

The Company has obtained the PSE’s in-principle approval for listing of underlying Common Shares. Hence, the shareholders of the Convertible Preferred Shares may already convert as early as 29 March 2021, the Listing Date of the Convertible Preferred Shares.

3. How long will the conversion process take, and when can shareholders start trading the Common Shares?

The conversion process pursuant to an Optional Conversion will take roughly twenty (20) Trading Days upon submission of the notice of exchange (a “Conversion Notice”) at the specified office of the Stock Transfer Agent, either directly or through a Depository Participant together with (a) the relevant duly endorsed stock certificate (if registered shareholder holds Certificated Shares) or the registered shareholder’s duly signed instruction form to uplift the Convertible Preferred Shares as may be necessary to effect the conversion of such Convertible Preferred Shares (if the registered shareholder holds immobilized or lodged shares), (b) any other documents as may be required under the laws of the Philippines and regulations of the PSE, and (c) the payment of any fees, charges, and taxes attendant to the conversion. The issued Common Shares as a result of the exercise of the conversion feature will be tradeable upon issuance of Common Shares in scripless form, all within twenty (20) Trading Days upon submission of the Conversion Notice and

other documentary requirements and payment of any fees, charges, and taxes attendant to the conversion.

4. What are the documentary requirements that should be submitted to the Stock Transfer Agent or the Depository Participant to exercise the conversion?

Upon optional conversion, holders of certificated and scripless Convertible Preferred Shares must submit the following documents to the Stock Transfer Agent and the Depository Participant, respectively.

- Two (2) copies of the duly signed Conversion Notice
- Duly endorsed stock certificate (for certificated Convertible Preferred Shareholders only)
- Duly signed instruction form to uplift the Convertible Preferred Shares to effect the conversion of such Convertible Preferred Shares (for scripless Convertible Preferred Shareholders only)

For individuals:

- Valid Government issued ID
- Signature card

For corporations:

- Latest Articles of Incorporation, certified by the corporate secretary
- Latest By-laws, certified by the corporate secretary
- Latest General Information Statement, stamp received by the SEC
- Secretary's Certificate certifying the resolutions approving the conversion of the Convertible Preferred Shares and the authorized signator(ies)
- Signature cards, verified by the corporate secretary
- Valid Government issued ID of the authorized signator(ies)

Note that for Mandatory Conversion, scripless shareholders are not required to submit any document. They will automatically receive the scripless Common Shares on the Mandatory Conversion Date. On the other hand, certificated Convertible Preferred Share shareholders need to surrender their Convertible Preferred Share stock certificates to the Stock Transfer Agent and submit the Conversion Notice which appoints a Depository Participant to receive the scripless Common Shares 20 days before the Mandatory Conversion Date.

5. What are the costs related to the Optional Conversion?

For holders of certificated Convertible Preferred Shares only:

All costs and expenses pursuant to an exercise of the convertibility feature with respect to Optional Conversion will be for the account of the registered shareholder of the Convertible Preferred Shares. The certificated shareholders must pay the following fees to the Stock Transfer Agent:

- (i) Fee for the cancellation of the stock certificate covering the Convertible Preferred Shares for purposes of lodgment and to effect the issuance of the scripless Common Shares on the intended conversion date; and
- (ii) Fee for the issuance of new stock certificate for the Common Shares for purposes of lodgment and to effect the issuance of the scripless Common Shares on the intended conversion date.

Holders of certificated shares are encouraged to inquire directly with the Stock Transfer Agent.

For holders of scripless Convertible Preferred Shares:

Scripless shareholders need to pay fees relating to the “express” or “rush” upliftment of the Convertible Preferred Shares to effect conversion of such shares into Common Shares. Hence, the scripless shareholders must pay the following fees to their respective depository participants (e.g., brokers, custodian banks or trust):

- (i) Fee for the “express” or “rush” upliftment of the Convertible Preferred Shares;
- (ii) Fee for the cancellation of the stock certificate covering the Convertible Preferred Shares for purposes of lodgment and to effect the issuance of the scripless Common Shares on the intended conversion date; and
- (iii) Fee for the issuance of new stock certificate for the Common Shares for purposes of lodgment and to effect the issuance of the scripless Common Shares on the intended conversion date.

The actual fees may vary per depository participant; hence, shareholders are encouraged to inquire about the exact fees with their respective depository participants.

6. Is it required for scripless Convertible Preferred Shareholders to apply for an “express” or “rush” upliftment of the Convertible Preferred Shares to effect the conversion of such shares into Common Shares?

Yes, scripless Convertible Preferred Shareholders are required to apply for an “express” or “rush” upliftment of shares. This is to facilitate the receipt of the Common Shares within twenty (20) Trading Days upon submission of the rush upliftment form, Conversion Notice, and other requirements as set in the Final Prospectus and the Conversion Guidelines.

Additional fees will apply for rush upliftment application. However, if the scripless shareholders are not willing to pay additional fees for rush upliftment, they may initially apply for regular/non-rush upliftment of shares to become certificated shareholders. After getting their Convertible Preferred Share stock certificates via the regular/non-rush upliftment process, they may then start the conversion process by submitting their Conversion Notice, duly endorsed Convertible Preferred Share stock certificate, proof of payment of the applicable fees, and other applicable documentary requirements. They will receive their Common Shares through their depository participants within 20 trading days from the date of submission of such documents.

Note that when the shares are in certificated form, the holders of the stock certificates lose the ability to trade the shares in the exchange.

7. Is the Conversion Ratio of one Common Share for each Convertible Preferred Share fixed over the next six years?

Unless there are Adjustment Events from the Issue Date until the shareholders’ intended conversion date (“CS Listing Date”) or Mandatory Conversion Date, the Conversion Ratio of one Common Share for every one Convertible Preferred Share shall apply.

8. What are Adjustment Events?

Adjustment Events refer to certain events that will affect the Conversion Price and Conversion Ratio. These are intended to protect Convertible Preferred Share shareholders from dilution.

Examples of Adjustment Events are consolidation, subdivision or reclassification, capitalization of profits or reserves, and capital distributions. Please refer to the Final Prospectus for further details.

9. Can the converting Convertible Preferred Shareholders receive their Common Shares in less than 20 Trading Days?

The estimated time to complete the operational procedures for the entire conversion process is twenty (20) Trading Days, which is indicated in the Final Prospectus. Hence, the shareholders are required to submit their accomplished Conversion Notice Form and other documentary requirements at least 20 Trading days before their intended date of conversion.

10. Is there a minimum number of Convertibles Preferred Shares for each conversion?

No, there is no minimum number of Convertibles Preferred Shares for each conversion. However, for Optional Conversion, the costs and taxes (if any) pursuant to conversion are for the account of the shareholders. Hence, the shareholders should also consider these costs when deciding the number of shares that will be converted.

11. Can shareholders cancel their conversion after they have submitted the Conversion Notice and the accompanying required documents to Stock Transfer Agent or their respective Depository Participant?

No, a Conversion Notice once delivered shall be irrevocable and may not be withdrawn unless CEB consents in writing to such withdrawal.

12. Will the shareholders receive any unpaid preferred dividends upon conversion?

Payment of accumulated unpaid preferred dividends will depend on the availability of unrestricted retained earnings and dividend declaration of the board of directors of Cebu Air, Inc. If the board of directors do not declare dividends OR if there is no available unrestricted retained earnings, preferred dividends will not be paid.

13. What will happen if the share price of CEB's Common Share declines from the time the shareholders submit their Conversion Notice Form until the date they receive the Common Shares (i.e., 20 Trading Days after the submission of complete requirements)?

The Company shall not be liable to shareholders for any potential decline in the Common Share price during the 20 Trading Days starting from the submission of the Conversion Notice Form until the date of receipt of Common Shares nor liable on the performance of the Common Share price once the shareholder receives the Common Shares.

14. What are the costs related to the Mandatory Conversion?

All costs and expenses pursuant to Mandatory Conversion, such as the cancellation fee and issuance fee of stock certificates, will be for the account of Cebu Air, Inc.

15. Will all the Convertible Preferred Share shareholders automatically receive Common Shares on the Mandatory Conversion Date?

Scripless Convertible Preferred Share shareholders are not required to submit a Conversion Notice Form for purposes of the Mandatory Conversion. They will automatically receive the scripless Common Shares on the Mandatory Conversion Date.

On the other hand, certificated Convertible Preferred Share shareholders need to surrender their Convertible Preferred Share stock certificates to the Stock Transfer Agent and appoint a Depository Participant to receive the scripless Common Shares 20 Trading Days before the Mandatory Conversion Date. The underlying Common Shares of the certificated Convertible Preferred Share shareholders who won't be able to surrender their stock certificates on time will be lodged to the designated Depository Participant of the Issuer. Such Common Shares will be uplifted immediately after the Mandatory Conversion Date, and the corresponding stock certificates shall be held for safekeeping by CEB or any entity authorized by CEB. The shareholders shall only be able to receive the stock certificates of their Common Shares upon submission to the Stock Transfer Agent of the duly endorsed stock certificates of their Convertible Preferred Shares, and after allowing for processing period of such late conversion.

16. Where can I find further information with respect to the conversion process of the Convertible Preferred Shares? Who should I contact if I have further questions?

Other details with respect to the Rights Offer and conversion process are available to Eligible Shareholders at the Philippine Stock Exchange disclosure portal (edge.pse.com.ph) and at CEB's website:

<https://cebupacificaircorporate.com/Pages/cps-conversion-details.aspx>.

You may also contact your respective Depository Participant, or the following:

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