CR01637-2026

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A, AS AMENDED

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

1. For the fiscal year ended

   Dec 31, 2025

2. SEC Identification Number

   154675

3. BIR Tax Identification No.

   000-948-229

4. Exact name of issuer as specified in its charter

   Cebu Air, Inc.

5. Province, country or other jurisdiction of incorporation or organization

   Cebu City, Philippines

6. Industry Classification Code(SEC Use Only)

7. Address of principal office

   Basement 2 - R 01 - 02, Robinsons Galleria Cebu, General Maxilom corner S. Osmena Boulevard, Barangay Tejero, Cebu City
   Postal Code
   6000

8. Issuer's telephone number, including area code

   63288027000

9. Former name or former address, and former fiscal year, if changed since last report

   Not applicable

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

Title of Each Class	Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding
Common Stock, P1.00 Par Value	612,602,653
Convertible Preferred Stock, P1.00 Par Value	308,880,301

11. Are any or all of registrant's securities listed on a Stock Exchange?

   ☑ Yes ☐ No

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

   Philippine Stock Exchange/ Common stock and Preferred stock

12. Check whether the issuer:

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

☑ Yes ☐ No

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

☑ Yes ☐ No

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form

Philippine Stock Exchange/ Common stock and Preferred stock

APPLICABLE ONLY TO ISSUERS INVOLVED IN INSOLVENCY SUSPENSION OF PAYMENTS PROCEEDINGS DURING THE PRECEDING FIVE YEARS

14. Check whether the issuer has filed all documents and reports required to be filed by Section 17 of the Code subsequent to the distribution of securities under a plan confirmed by a court or the Commission.

☐ Yes ☑ No

DOCUMENTS INCORPORATED BY REFERENCE

15. If any of the following documents are incorporated by reference, briefly describe them and identify the part of SEC Form 17-A into which the document is incorporated:

(a) Any annual report to security holders

Not appplicable

(b) Any information statement filed pursuant to SRC Rule 20

Not applicable

(c) Any prospectus filed pursuant to SRC Rule 8.1

Not applicable

Cebu Air, Inc.
CEB

PSE Disclosure Form 17-1 - Annual Report
References: SRC Rule 17 and Section 17.2 and 17.8 of the Revised Disclosure Rules

For the fiscal year ended	Dec 31, 2025
Currency	Php

Balance Sheet

	Year Ending	Previous Year Ending
	Dec 31, 2025	Dec 31, 2024
Current Assets	39,220,415,589	37,082,192,134
Total Assets	264,670,340,110	238,167,424,787
Current Liabilities	66,485,035,261	68,533,789,804
Total Liabilities	245,649,470,063	228,142,831,427
Retained Earnings/(Deficit)	14,879,882,598	5,403,764,200
Stockholders' Equity	19,020,870,047	10,024,593,360
Stockholders' Equity - Parent	16,391,892,228	7,282,558,757
Book Value Per Share	25.45	7.18

Income Statement

	Year Ending	Previous Year Ending
	Dec 31, 2025	Dec 31, 2024
Gross Revenue	119,927,510,211	104,908,632,352
Gross Expense	108,426,488,878	95,736,344,612
Non-Operating Income	8,995,624,455	2,976,327,595
Non-Operating Expense	8,563,604,364	6,883,793,699

Income/(Loss) Before Tax	11,933,041,424	5,264,821,636
Income Tax Expense	-380,684,775	-135,833,586
Net Income/(Loss) After Tax	12,313,726,199	5,400,655,222
Net Income/(Loss) Attributable to Parent Equity Holder	12,293,106,743	5,400,655,222
Earnings/(Loss) Per Share (Basic)	19.05	7.52
Earnings/(Loss) Per Share (Diluted)	10.34	4.77

Financial Ratios

	Formula	**Fiscal Year Ended**	**Previous Fiscal Year**
		Dec 31, 2025	Dec 31, 2024
Liquidity Analysis Ratios:			
; ; Current Ratio or Working Capital Ratio	**Current Assets / Current Liabilities**	0.59	0.54
; ; Quick Ratio	**(Current Assets - Inventory - Prepayments) / Current Liabilities**	0.38	0.34
; ; Solvency Ratio	**Total Assets / Total Liabilities**	1.08	1.04
Financial Leverage Ratios			
; ; Debt Ratio	**Total Debt/Total Assets**	0.72	0.74
; ; Debt-to-Equity Ratio	**Total Debt/Total Stockholders' Equity**	10.07	17.57
; ; Interest Coverage	**Earnings Before Interest and Taxes (EBIT) / Interest Charges**	1.51	1.49
; ; Asset to Equity Ratio	**Total Assets / Total Stockholders' Equity**	13.91	23.76
Profitability Ratios			
; ; Gross Profit Margin	**Sales - Cost of Goods Sold or Cost of Service / Sales**	-	-
; ; Net Profit Margin	**Net Profit / Sales**	10	5
; ; Return on Assets	**Net Income / Total Assets**	5	3
; ; Return on Equity	**Net Income / Total Stockholders' Equity**	85	73
Price/Earnings Ratio	**Price Per Share / Earnings Per Common Share**	1.68	4.45

Other Relevant Information
Not applicable

Filed on behalf by:

Name	Trina Asuncion
Designation	Vice President for Controllership, Financial Analytics and Investor Relations

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The management of Cebu Air, Inc. (the "Parent Company") is responsible for the preparation and fair presentation of the parent financial statements including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent financial statements, management is responsible for assessing the Parent Company's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

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

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

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

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

Signed this MAR 2 7 2026 day of ______, 2026.

Subscribed and Sworn to before me this MAR 2 7 2026, 2026 in the City of PASAY CITY, affiants exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P6235422B	02/05/2021 until 02/04/2031	DFA NCR Central
Michael B. Szucs	124833653	12/22/2022 until 12/22/2032	HMPO
Alexander G. Lao	P7185526B	07/13/2021 until 07/12/2031	DFA Manila
Mark Julius V. Cezar	P4965589B	02/27/2020 until 02/26/2030	DFA Manila

Doc. No. 510
Page No. 103
Book No. I
Series of 2026

NOTARY PUBLIC

ATTY. SAMANTHA MARIE C. SUNDIAM
Commission No. 25-54
Notary for Pasay City until 31 December 2026
Cebu Pacific Building, Domestic Road, Brgy. 191 Zone 20, Pasay City
Roll of Attorneys No. 74153
PTR No. PC 9244345•01/13/2026•Pasay City
IBP Membership No. INV 572132•12/26/2025•Makati Chapter
MCLE Compliance No. VIII-0018889•04/14/2028

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

SEC Registration Number

1	5	4	6	7	5

C O M P A N Y N A M E

CEBU AIR, INC.

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

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

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

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

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
111	5/11	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Parent Company Financial Statements

Opinion

We have audited the parent company financial statements of Cebu Air, Inc. (the Parent Company), which comprise the parent company statements of financial position as at December 31, 2025 and 2024, and the parent company statements of income, parent company statements of comprehensive income, parent company statements of changes in equity and parent company statements of cash flows for the years then ended, and notes to the parent company financial statements, including material accounting policy information.

In our opinion, the accompanying parent company financial statements present fairly, in all material respects, the financial position of the Parent Company as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Parent Company Financial Statements* section of our report. We are independent of the Parent Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audits of the parent company financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Parent Company Financial Statements

Management is responsible for the preparation and fair presentation of the parent company financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company financial statements, management is responsible for assessing the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Parent Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Parent Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Parent Company Financial Statements

Our objectives are to obtain reasonable assurance about whether the parent company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the parent company financial statements, including the disclosures, and whether the parent company financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010

The supplementary information required under Revenue Regulations No. 15-2010 for the purpose of filing with the Bureau of Internal Revenue is presented by the management of Cebu Air, Inc. in a separate schedule. Revenue Regulations No. 15-2010 requires the information to be presented in the notes to the parent company financial statements. Such information is not a required part of the basic parent company financial statements. The information is also not required by Revised Securities Regulation Code Rule 68. Our opinion on the basic parent company financial statements is not affected by the presentation of the information in a separate schedule.

The engagement partner on the audit resulting in this independent auditor's report is Cliff Richard B. Narag.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
Valid to cover audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

CEBU AIR, INC.
PARENT COMPANY STATEMENTS OF FINANCIAL POSITION

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱16,557,791,008**	₱16,099,030,876
Receivables (Note 9)	**4,697,326,511**	4,550,889,661
Derivative financial assets at fair value through other comprehensive income (Note 8)	**–**	1,297,193
Expendable parts, fuel, materials and supplies (Note 10)	**4,185,013,834**	4,329,335,666
Other current assets (Note 11)	**8,717,152,816**	5,519,176,532
	34,157,284,169	30,499,729,928
Assets held for sale (Note 12)	**368,382,077**	223,947,725
Total Current Assets	**34,525,666,246**	30,723,677,653
Noncurrent Assets		
Property and equipment (Notes 12 and 32)	**44,296,418,728**	41,834,550,820
Right-of-use asset (Note 32)	**161,364,963,495**	142,383,910,898
Investment in subsidiaries (Note 13)	**1,278,451,402**	935,049,996
Investments in joint ventures and associates (Note 14)	**626,873,645**	672,873,645
Deferred tax assets - net (Note 27)	**8,931,539,028**	7,424,300,620
Other noncurrent assets (Note 15)	**2,373,988,070**	3,569,880,967
Total Noncurrent Assets	**218,872,234,368**	196,820,566,946
	₱253,397,900,614	₱227,544,244,599
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	**₱23,504,707,254**	₱24,371,356,197
Short-term debt (Note 18)	**–**	5,568,447,189
Current portion of long-term debt (Note 18)	**1,757,810,985**	1,757,810,985
Current lease liability (Note 32)	**18,470,120,224**	16,683,308,884
Unearned transportation revenue (Note 17)	**18,228,061,192**	16,062,123,443
Due to related parties (Note 29)	**73,129,617**	194,773,119
Total Current Liabilities	**62,033,829,272**	64,637,819,817
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	**2,544,358,776**	4,302,169,761
Lease liability - net of current portion (Note 32)	**151,567,488,906**	131,147,604,684
Bonds payable (Note 19)	**14,514,355,308**	14,156,440,222
Retirement liability (Note 26)	**623,840,106**	798,258,687
Other noncurrent liabilities (Note 20)	**5,722,136,018**	5,219,392,671
Total Noncurrent Liabilities	**174,972,179,114**	155,623,866,025
Total Liabilities	**237,006,008,386**	220,261,685,842
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)	**129,843,839**	135,230,603
Treasury stock (Note 22)	**(1,385,661,056)**	(955,706,126)
Other comprehensive income (Note 30)	**33,803,491**	20,993,041
Retained earnings (Note 22)	**12,159,005,013**	2,641,355,139
Total Equity	**16,391,892,228**	7,282,558,757
	₱253,397,900,614	₱227,544,244,599

See accompanying Notes to Parent Company Financial Statements.

CEBU AIR, INC.
PARENT COMPANY STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31	
	2025	2024
REVENUE		
Sale of air transportation services		
Passenger	**₱73,016,039,084**	₱65,146,024,427
Cargo	**7,021,758,785**	5,537,515,561
Ancillary revenue	**31,135,266,186**	27,510,944,374
	111,173,064,055	98,194,484,362
EXPENSES		
Flying operations (Notes 10 and 24)	**36,731,328,989**	36,525,882,186
Depreciation and amortization (Notes 12 and 32)	**19,021,004,394**	16,082,428,345
Repairs and maintenance (Notes 10, 20, 24 and 32)	**18,821,907,582**	14,304,722,879
Aircraft and traffic servicing (Note 24)	**14,901,971,703**	11,365,696,073
General and administrative (Note 25)	**4,579,464,758**	4,490,826,044
Reservation and sales (Note 24)	**4,227,218,508**	3,698,362,932
Passenger service	**2,843,617,353**	2,468,049,192
Aircraft and engine lease (Note 32)	**363,524,530**	900,070,584
	101,490,037,817	89,836,038,235
OPERATING INCOME	**9,683,026,238**	8,358,446,127
OTHER INCOME (EXPENSES)		
Interest income (Notes 7 and 29)	**826,046,887**	585,217,114
Gain from insurance claims (Note 12)	**–**	137,146,607
Gain on disposal - net (Notes 12 and 32)	**2,586,107,290**	1,643,319,789
Gain on remeasurement of existing interest (Note 14)	**184,401,406**	–
Foreign exchange losses – net	**(869,252,217)**	(1,073,544,650)
Financing costs and other charges (Notes 8, 18, 19, 20 and 32):		
Financing costs on debt and maintenance provision (Notes 8, 18, 19 and 20)	**(1,402,374,217)**	(1,521,254,730)
Leases (Note 32)	**(6,246,611,313)**	(4,886,699,094)
Other income (Note 12)	**6,343,611,600**	–
	1,421,929,436	(5,115,814,964)
INCOME BEFORE INCOME TAX	**11,104,955,674**	3,242,631,163
BENEFIT FROM (PROVISION FOR) INCOME TAX (Note 27)	**1,229,682,545**	(601,276,024)
NET INCOME	**12,334,638,219**	2,641,355,139
OTHER COMPREHENSIVE INCOME (LOSS)		
Items of other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Net fair value changes on cash flow hedge reserve (Note 30)	**(77,595,776)**	(85,202,117)
Tax effect (Note 27)	**19,398,944**	21,300,529
Items of other comprehensive gains (losses) not to be reclassified to profit or loss in subsequent periods (Note 30):		
Actuarial gains (losses) on retirement liability (Note 26)	**94,676,376**	(99,765,760)
Tax effect (Note 27)	**(23,669,094)**	24,941,440
	12,810,450	(138,725,908)
TOTAL COMPREHENSIVE INCOME	**₱12,347,448,669**	₱2,502,629,231
Basic Earnings Per Share (Note 28)	**₱19.12**	₱3.10
Diluted Earnings Per Share (Note 28)	**₱10.37**	₱2.56

See accompanying Notes to Parent Company Financial Statements.

CEBU AIR, INC.

PARENT COMPANY STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Share-based Payments (Note 23)	Treasury Stock (Note 22)	Other Comprehensive Income (Loss)			Retained Earnings			Total Equity)
					Remeasurement Loss on Retirement Liability (Note 26)	Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	
Balance at January 1, 2025	**₱946,827,584**	**₱4,493,858,516**	**₱135,230,603**	**(₱955,706,126)**	**(₱281,230,122)**	**₱302,223,163**	**₱20,993,041**	**₱–**	**₱2,641,355,139**	**₱2,641,355,139**	**₱7,282,558,757**
Net income	**–**	**–**	**–**	**–**		**–**	**–**	**–**	**12,334,638,219**	**12,334,638,219**	**12,334,638,219**
Other comprehensive gains (losses)	**–**	**–**	**–**	**–**	**71,007,282**	**(58,196,832)**	**12,810,450**	**–**	**–**	**–**	**12,810,450**
Total comprehensive income (loss)	**–**	**–**	**–**	**–**	**71,007,282**	**(58,196,832)**	**12,810,450**	**–**	**12,334,638,219**	**12,334,638,219**	**12,347,448,669**
Cost of restricted stock units (RSU)	**–**	**–**	**6,140,651**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**6,140,651**
Cost of stock options	**–**	**–**	**2,687,426**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,687,426**
Issuance of vested RSUs	**346,500**	**13,868,341**	**(14,214,841)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Repurchase of own stocks	**–**	**–**	**–**	**(429,954,930)**	**–**	**–**	**–**	**–**	**–**	**–**	**(429,954,930)**
Dividend declaration	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,816,988,345)**	**(2,816,988,345)**	**(2,816,988,345)**
Balance at December 31, 2025	**₱947,174,084**	**₱4,507,726,857**	**₱129,843,839**	**(₱1,385,661,056)**	**(₱210,222,840)**	**₱244,026,331**	**₱33,803,491**	**₱–**	**₱12,159,005,013**	**₱12,159,005,013**	**₱16,391,892,228**
Balance at January 1, 2024	₱944,604,918	₱20,658,552,243	₱224,627,691	(₱950,881,502)	(₱206,405,802)	₱366,124,751	₱159,718,949	₱–	(₱16,269,189,270)	(₱16,269,189,270)	₱4,767,433,029
Net income	–	–	–	–	–	–	–	–	2,641,355,139	2,641,355,139	2,641,355,139
Other comprehensive loss	–	–	–	–	(74,824,320)	(63,901,588)	(138,725,908)	–	–	–	(138,725,908)
Total comprehensive income (loss)	–	–	–	–	(74,824,320)	(63,901,588)	(138,725,908)	–	2,641,355,139	2,641,355,139	2,502,629,231
Cost of restricted stock units (RSU)	–	–	13,108,395	–	–	–	–	–	–	–	13,108,395
Cost of stock options	–	–	4,212,726	–	–	–	–	–	–	–	4,212,726
Issuance of vested RSUs	2,222,666	104,495,543	(106,718,209)	–	–	–	–	–	–	–	–
Repurchase of own stocks	–	–	–	(4,824,624)	–	–	–	–	–	–	(4,824,624)
Quasi-reorganization	–	(16,269,189,270)	–	–	–	–	–	–	16,269,189,270	16,269,189,270	–
Balance at December 31, 2024	₱946,827,584	₱4,493,858,516	₱135,230,603	(₱955,706,126)	(₱281,230,122)	₱302,223,163	₱20,993,041	₱–	₱2,641,355,139	₱2,641,355,139	₱7,282,558,757

See accompanying Notes to Parent Company Financial Statements.

CEBU AIR, INC.
PARENT COMPANY STATEMENTS OF CASH FLOWS

	Year Ended December 31	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	**₱11,104,955,674**	₱3,242,631,163
Adjustments for:		
Depreciation and amortization (Notes 12 and 32)	**19,021,004,394**	16,082,428,345
Provision for ARO and HMV (Note 20)	**8,806,672,268**	5,622,431,030
Financing costs and other charges (Notes 8, 18, 19, 20 and 32)	**7,648,985,530**	6,407,953,824
Unrealized foreign exchange losses - net	**404,321,157**	975,226,198
Share-based payments (Note 23)	**8,828,077**	17,321,122
Provision for expected credit losses (Note 9)	**–**	164,843,875
Earned and expired portion of travel fund payable (Note 21)	**(58,598,014)**	(70,579,674)
Gain on remeasurement of existing interest (Note 14)	**(184,401,406)**	–
Interest income (Note 7)	**(826,046,887)**	(585,217,114)
Gain on disposal – net (Notes 12 and 32)	**(2,586,107,290)**	(1,643,319,789)
Other income (Note 12)	**(6,343,611,600)**	–
Operating income before working capital changes	**36,996,001,903**	30,213,718,980
Decrease (increase) in:		
Receivables	**(852,278,607)**	(1,053,086,233)
Restricted cash	**–**	1,259,263,375
Expendable parts, fuel, materials and supplies	**144,321,832**	(372,572,800)
Other current assets	**(4,236,709,464)**	(865,855,091)
Increase (decrease) in:		
Accounts payable and other accrued liabilities	**586,661,015**	1,625,501,842
Unearned transportation revenue	**2,165,937,749**	3,938,688,515
Due to related parties	**790,337,674**	(1,672,778,196)
Retirement liability	**(79,742,205)**	(65,604,747)
Derivative financial liabilities	**(84,546,476)**	–
Other noncurrent liabilities	**(8,667,161,240)**	(6,468,340,110)
Net cash from operations	**26,762,822,181**	26,538,935,535
Interest received	**824,741,495**	579,059,890
Interest paid	**(1,217,865,581)**	(1,387,749,777)
Net cash provided by operating activities	**26,369,698,095**	25,730,245,648
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment (Note 12)	**13,382,182,183**	12,767,798,264
Acquisitions of property and equipment (Note 12)	**(18,873,975,770)**	(30,453,027,968)
Pre-delivery refunds (Note 12)	**10,536,894,760**	13,071,468,061
Decrease (increase) in other noncurrent assets	**1,195,892,898**	(728,831,320)
Additional investment in an associate (Note 14)	**–**	(40,000,000)
Investment in a subsidiary (Note 13)	**–**	(120,000,000)
Net cash provided by (used in) investing activities	**₱6,240,994,071**	(₱5,502,592,963)

(Forward)

	Years Ended December 31	
	2025	2024
CASH FLOWS FROM FINANCING ACTIVITIES		
Availments of long-term and short-term debt	**₱–**	₱7,609,171,873
Payments on long-term and short-term debt	**(7,263,070,190)**	(4,139,431,169)
Payments for lease liability (Notes 32 and 33)	**(22,003,384,947)**	(21,226,200,210)
Purchase of treasury stocks (Note 22)	**(429,954,930)**	(4,824,624)
Payment of cash dividends (Note 22)	**(2,816,988,345)**	–
Net cash used in financing activities	**(32,513,398,412)**	(17,761,284,130)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**361,466,378**	316,418,400
NET INCREASE IN CASH AND CASH EQUIVALENTS	**458,760,132**	2,782,786,955
CASH AND CASH EQUIVALENTS AT JANUARY 1	**16,099,030,876**	13,316,243,921
CASH AND CASH EQUIVALENTS AT DECEMBER 31 (Note 7)	**₱16,557,791,008**	₱16,099,030,876

See accompanying Notes to Parent Company 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 2019, the principal place of business of the Parent Company is at 2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City. On May 11, 2023, the Parent Company's Board of Directors and stockholders approved the change in the Parent Company's principal place of business 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. The change in principal place of business was approved by the Philippine Securities and Exchange Commission on May 11, 2023.

The Parent Company has twenty-one (21) 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.
18. Ryokan Engine Leasing Limited
19. NBB Luzon Lease Co., Ltd.
20. NBB Visayas Lease Co., Ltd.
21. NBB Mindanao Lease 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 32).

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

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

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). Refer to Note 13 for a more detailed disclosure.

On October 29, 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription ("debt-to-equity conversion") with 1Aviation Groundhandling Services, Corp. (1Aviation), for the assignment of credit and subscription to 1,130,000 shares, with par value of ₱100 per share, amounting to ₱113.0 million, equivalent to additional 20% ownership. On August 15, 2025, the Securities and Exchange Commission (SEC) approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60%. As a result, the Parent Company obtained control over 1Aviation, which is now accounted for as a subsidiary.

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 66.51%-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. 7151, the Parent Company was granted a franchise to operate air transportation services, both domestic and international. In August 1997, the Office of the President of the Philippines gave the Parent Company the status of official Philippine carrier to operate international services. In September 2001, the Philippine Civil Aeronautics Board (CAB) issued the permit to operate scheduled international services and a certificate of authority to operate international charters.

The Parent Company is registered with the Board of Investments (BOI) as a new operator of air transport on a non-pioneer status. Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) which extends for a period of two (2) to four (4) years for each batch of aircraft registered to BOI (see Notes 27 and 34).

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

a. The Parent Company is subject to franchise tax of five percent (5%) of the gross revenue derived from air transportation operations. For revenue earned from activities other than air transportation, the Parent Company is subject to corporate income tax (RCIT) 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 (see Note 34).

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 applicable to the Company are the following:
1. The franchise tax of the Parent Company is abolished;
2. The Parent Company shall be subject to corporate income tax;
3. The Parent Company shall remain exempt from any taxes, duties, royalties, registration license, and other fees and charges;

The Parent Company is registered with the Board of Investments (BOI) as a new operator of air transport on a non-pioneer status. Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) which extends for a period of two (2) to four (4) years for each batch of aircraft registered to BOI (Note 34).

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:

1. 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;
2. Reduction in the RCIT from 30% to 25% for all other corporations;
3. Lowering MCIT from 2% to 1% gross income for the period beginning July 1, 2020 until June 30, 2022;
4. Standardization of final taxes on foreign corporations to 15%;
5. Exemption of foreign sourced dividends received by domestic corporations subject to certain conditions;
6. Repeal of the 10% improperly accumulated earnings tax (IAET); and

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:

1. Registered business enterprises (RBEs) under the Enhanced Deduction (ED) Regime are subject to the reduced 20% CIT rate (from 25% CIT);
2. 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;
3. 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;

<u>Status of Operations</u>
The Parent Company recognized net income of ₱12.3 billion and ₱2.6 billion for the years ended December 31, 2025 and 2024, respectively. The Parent Company's operations continued to improve due to the increasing demand for travel and growth in yields, along with its bigger fleet resulting to expanded capacity in 2025, in comparison with 2024. The committed initiatives of the Parent Company to growth and profitability, supported by strong demand for airline services, have improved the Parent Company's retained earnings from ₱2.6 billion as of December 31, 2024, to ₱12.2 billion as of December 31, 2025.

The Parent Company's current liabilities exceeded its current assets by ₱27.5 billion and ₱33.9 billion as of December 31, 2025 and 2024, respectively. The Parent Company's liquidity position has been mainly sourced from the enhanced cash flows from operating activities during the year. The Parent Company'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 Parent Company will have sufficient financial resources to enable the Parent Company to continue as a going concern for at least 12 months from December 31, 2025. As such, the accompanying Parent Company financial statements have been prepared on a going concern basis of accounting.

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

2. Basis of Preparation and Statement of Compliance

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

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

<u>Statement of Compliance</u>
The Parent Company financial statements have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

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 Parent Company's financial statements.

- Amendments to PAS 21, *Lack of Exchangeability*

The Parent Company 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 Parent Company measures derivatives at fair value at each reporting period end. Also, for assets and liabilities which are not measured at fair value in the parent company statements of financial position but for which the fair value is disclosed, are included in Note 31.

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

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

The principal or the most advantageous market must be accessible to the parent company financial statements. 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 Parent Company 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 parent company 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 parent company financial statements at fair value on a recurring basis, the Parent Company determines whether transfers have occurred between levels in the hierarchy by re-assessing 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, financial assets and financial liabilities at 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 Parent Company’s business model for managing them. The Parent Company 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 Parent Company'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 Parent Company 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 Parent Company 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 Parent Company's cash and cash equivalents (excluding cash on hand), restricted cash, receivables and certain refundable deposits.

b. Financial Assets and Financial 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 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 at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

   FVPL are carried in the parent company statements 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 Parent Company 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 Parent Company 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 Parent Company'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 Parent Company'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 Parent Company actually hedges and the quantity of the hedging instrument that the Parent Company 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 parent company statements 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 parent company statements of comprehensive income as other expense.

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

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

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

Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognized in OCI in the cash flow hedge reserve, while any ineffective portion is recognized immediately under 'Market valuation gains (losses) on derivative financial instruments' in the parent company statements 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 parent company statements 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 parent company statements of financial position. Hedge accounting is discontinued under the following circumstances:

- Risk management objectives were updated or modified;

- Economic relationship between the fuel and FX hedges and the forecasted purchase was subsequently assessed to be non-existing;
- Effect of credit risk dominates the value changes of the hedging relationship upon performing subsequent effectiveness testing; and
- Forecasted underlying or hedged item is no longer highly probable to occur

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

When discontinuation of hedge accounting arises due to hedged future cash flows are no longer expected to occur, amounts accumulated in the cash flow hedge reserve are immediately reclassified to profit or loss under 'Market valuation gains (losses) on derivative financial instruments-net' in the Parent Company statements 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 parent company statements 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 Parent Company's derivative instruments provide economic hedges under the Parent Company'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 cash flows of the combined instrument vary, in a way similar to a stand-alone derivative. The Parent Company assesses whether embedded derivatives are required to be separated from host contracts when the Parent Company first becomes a party to the contract. An embedded derivative is separated from the host contract and accounted for as 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 modified the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Parent Company 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 Parent Company's bifurcated embedded derivatives pertain to options arising from its 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 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 primarily to the Parent Company's accounts payable and other accrued liabilities, finance lease obligation, short-term debt, long-term debt 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 Parent Company; 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 Parent Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligations, 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 parent company statements of financial position) when:
- The rights to receive cash flows from the asset have expired;
- The Parent Company 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 Parent Company has transferred substantially all the risks and rewards of the asset; or
  - The Parent Company 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 Parent Company recognizes an allowance for 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 Parent Company 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 Parent Company applies a simplified approach in calculating ECLs. Therefore, the Parent Company does not track changes in credit risk, but instead, recognizes a loss allowance based on lifetime ECLs at each reporting date. The Parent Company 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 Parent Company may also consider a financial asset to be in default when internal or external information indicates that the Parent Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Parent Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For other debt financial instruments, e.g., cash and cash equivalents (excluding cash on hand) and refundable deposits ECLs, the Parent Company 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 Parent Company 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 Parent Company uses benchmark approach where the Parent Company finds comparable companies in the same industry having similar characteristics. The Parent Company 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 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 Parent Company 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 Parent Company are as follows:

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

**With residual value of 15.00%*

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

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

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

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

Investments in Joint Ventures and Associates

The Parent Company accounts for investments in JVs and associates under the cost method. Under this method, the investments in JVs and associates are carried in the Parent Company statements of financial position at cost, less any allowance for impairment in value. The Parent Company recognizes income from the investments only to the extent that the Parent Company receives distributions from accumulated profits of the JVs and associates arising after the date of acquisition. Distributions received in excess of such profits are regarded as a recovery of investment and are recognized as a reduction in the cost of the investment.

Aircraft Maintenance and Overhaul Cost

The Parent Company 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 Parent Company recognizes expenses on an accrual basis.

Aircraft-on-Ground (AOG) Credits

The Parent Company is entitled to compensation from engine manufacturers and maintenance service providers for AOG events in accordance with contractual support agreements. Such compensation is typically received in the form of credit notes, which are applied against future maintenance service invoices.

AOG compensation is recognized when a qualifying AOG event has occurred, the Parent Company has an enforceable right to the credit under the contract, and the amount can be reliably measured. The related receivables is recorded as part of ‘Receivables’ in the Parent Company statements of financial position.

These credits are presented as a reduction from ‘Repairs and maintenance’ in the Parent Company statements of comprehensive income, as they represent compensation for maintenance-related performance deficiencies and effectively adjust the cost of engine maintenance and support services.

AOG credits denominated in foreign currency are translated using the applicable exchange rates in accordance with the Parent Company’s foreign currency policy.

Asset Retirement Obligation (ARO)

The Parent Company 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 Parent Company provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is recognized over the remaining term of the leases.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls. The costs are accrued based on estimates made by the Parent Company's engineers using maintenance rates which reflect the latest cost of maintenance and after considering contractual arrangements with lessors. At the reporting date, the cost of restoration is computed based on the Parent Company'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 Parent Company statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Parent Company regularly assesses the provision for ARO and adjusts the liability.

<u>Heavy Maintenance Visits (HMV)</u>
The Parent Company is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advise. 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.

<u>Revenue Recognition</u>
The Parent Company 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 Parent Company expects to be entitled to.

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

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

Ancillary revenue
<u>Flight and booking services</u>
Revenue from services incidental to the transportation of passengers such as baggage fees, inflight sales and rebooking and website administration fees are initially recognized as deferred ancillary revenue under 'Unearned transportation revenue' account in the parent company statements 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.

Travel fund and revenue from estimated breakage (expiration) of unused travel funds
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 customers, the Parent Company recognizes a liability recorded under Travel fund payable account in the amount of the prepayment for its performance obligation to transfer, or to stand ready to transfer, goods or services in the future in relation to the travel fund. The Parent Company derecognizes the travel fund payable and recognizes revenue when it transfers the related goods or services and, therefore, satisfies its performance obligation.

A travel fund gives the passengers a right to receive a good or service in the future (and obliges the Parent Company to stand ready to transfer a good or service). However, passengers may not exercise all of their contractual rights (breakage). If the Parent Company expects to be entitled to a breakage amount in the travel fund, the Parent Company recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the passengers. If the Parent Company does not expect to be entitled to a breakage amount, the Parent Company recognizes the expected breakage amount as revenue when the likelihood of the passengers exercising its remaining rights becomes remote.

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

Other income (loss)
In 2025, the Parent Company received free-of-charge (FOC) engines as support for the mitigation of ongoing AOG issues. The receipt of these engines was not subject to any conditions. The FOC engines are recorded at their fair value at the time the Parent Company obtains control over the assets. The corresponding fair value is recognized as ‘Other income’ in the Parent Company statement of comprehensive income.

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 parent company statements of comprehensive income.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Parent Company's functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) closing rate prevailing as of December 31, 2025 and 2024. 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 Parent Company maintains defined benefit plan covering substantially all of its employees. The cost of providing benefits under the defined benefit plan 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. An actuarial valuation is 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 Parent Company, nor can they be paid directly to the Parent Company. 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 Parent Company'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 Parent Company 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 parent company statements 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 they arise 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 re-assessed 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 Parent Company 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 Parent Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Parent Company will exercise a purchase option, the Parent Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Parent Company 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 Parent Company 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 Parent Company 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.

Short-term leases
The Parent Company 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). 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 Parent Company 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 Parent Company measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained by the Parent Company. 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 Parent Company continues to recognize the asset in its parent company statements 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 Parent Company 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 parent company statements of financial position, unless the possibility of an outflow of resources embodying economic benefits is remote.

Earnings (Loss) Per Share (EPS)
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 Parent Company 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 Parent Company's position at the reporting date (adjusting event) are reflected in the parent company financial statements.
Post year-end events that are not adjusting events are disclosed in the parent company financial statements, when material.

5. Significant Accounting Judgments and Estimates

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

Judgments

a. *Use of going concern assumption*
The underlying assumption in the preparation of the accompanying parent company financial statements is that the Parent Company has the ability to continue as a going concern for at least the next twelve (12) months from December 31, 2025. 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 (see Note 1). Management believes that with the continuing implementation of the comprehensive business transformation program which will reduce operating cost and ensure the Parent Company's competitiveness and with the progress of the steps undertaken to date on the Parent Company's financing plans, the Parent Company will be able to generate sufficient cash flows to enable the Parent Company to meet its obligations when they fall due to address the Parent Company's liquidity requirements and to support its operations. Accordingly, the accompanying Parent Company financial statements have been prepared on a going concern basis of accounting.

b. *Determining the lease term of contracts with renewal and termination options – Parent Company as lessee*
The Parent Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised (see Note 32).

The Parent Company has several lease contracts that include extension and termination options. The Parent Company applies judgement 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 Parent Company 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 Parent Company 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 Parent Company typically exercises its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. Refer to Note 32 for the disclosure of the Parent Company's leases.

c. *Determination of sale and leaseback transaction as true sale or financing transaction – Parent Company as lessee*
The Parent Company 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 Parent Company accounts for the sale and leaseback as a financing transaction in accordance with PFRS 9. The Parent Company entered into sales and leaseback transactions as of December 31, 2025 and 2024 (see Note 32).

d. Determination of functional currency
PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine the Parent Company's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the Parent Company. In making this judgment, the Parent Company 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 of the Parent Company, after considering the criteria stated in PAS 21.

e. Contingencies
The Parent Company 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 Parent Company currently does not believe that these will have a material adverse effect on the parent company statements of financial position and statements of financial performance. It is possible, however, that future financial performance could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 32).

f. Allocation of revenue, costs and expenses for registered and nonregistered 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 (for aircraft under finance lease), lease expense (for aircraft under operating lease) and interest expense based on the related finance lease obligations are specifically identified per aircraft based on an actual basis. For revenue, cost and expense accounts that are not identifiable per aircraft, the Parent Company allocates based on activity factors that closely relate to the earning process of the revenue.

<u>Estimates and Assumptions</u>
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 Parent Company assesses the carrying amounts of deferred income taxes at each reporting date and reduces deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

As of December 31, 2025 and 2024, the Parent Company has deferred tax assets amounting to ₱10,726.2 million and ₱9,225.1 million, respectively. Unrecognized deferred tax assets as of December 31, 2025 and 2024 amounted to ₱2,450.3 million and ₱8,212.7 million, respectively (see Note 27).

b. *Impairment of property and equipment and right-of-use assets*
The Parent Company determines whether property and equipment and right-of-use assets are impaired. Impairment testing is performed when circumstances indicate that the carrying amount is impaired. The impairment testing requires an estimation of the recoverable amounts, which is the FVLCD or VIU of the CGU whichever is higher, to which the property and equipment and right-of-use assets belongs.

In determining the recoverable amount of these assets, the management estimates the VIU of the CGU to which the property and equipment and right-of-use assets belong. Estimating the value-in-use requires the Parent Company 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 Parent Company uses a discount rate based on the weighted average cost of capital adjusted to reflect the way that the market would assess the specific risks associated with the cash flow and exclude risks that are not relevant to the cash flow. Other assumptions used in projecting the future cash flows include passenger load factor, passenger yield and fuel costs, among others.

As of December 31, 2025 and 2024, the Parent Company has determined that property and equipment and right-of-use assets are recoverable based on VIU. Property and equipment and right-of-use assets amounted to ₱44.3 billion and ₱41.8 billion, and ₱161.4 billion and ₱142.4 billion as of December 31, 2025 and 2024, respectively (see Notes 12 and 32).

c. *Estimation of ARO*
The Parent Company is contractually required under certain lease contracts to restore certain leased passenger aircraft 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 Parent Company. As of December 31, 2025 and 2024, the cost of restoration is computed based on the Parent Company's assessment of aircraft utilization.

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

As of December 31, 2025 and 2024, the Parent Company's ARO liability (included under 'Other noncurrent liabilities' account in the Parent Company statements of financial position) has a carrying value of ₱2,358.3 million and ₱3,166.2 million, respectively (see Note 20). The related provisions included under 'Repairs and maintenance' expense for the years ended December 31, 2025 and 2024 amounted to ₱1,261.3 million and ₱3,127.9 million, respectively (see Notes 20 and 24).

d. *Estimation of HMV*
The Parent Company is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advise. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

As of December 31, 2025 and 2024, the Parent Company's HMV (included other 'Other noncurrent liabilities' account in the parent company statements of financial position) has a carrying value of ₱3,363.9 million and ₱2,053.2 million, respectively (see Note 20). The related repairs and maintenance expense for the years ended December 31, 2025 and 2024 amounted to ₱7,545.3 million and ₱2,494.5 million, respectively (see Notes 20 and 24).

e. *Valuation of assets held for sale*
The Parent Company 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 2025, management determined that certain aircraft are available for sale in their present condition within the next 12 months. The aircraft were reclassified from 'Property and equipment' into 'Assets held for sale'. As of December 31, 2025, two (2) aircraft remain unsold and is measured at the lower of their carrying amount and fair value less costs to sell (see Note 12). Management has determined the fair value less costs to sell of the Parent Company's held for sale based on quoted prices from prospective buyers. The carrying value of assets held for sale amounted to ₱368.4 million.

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

As of December 31, 2025 and 2024, the carrying values of the Parent Company's property and equipment amounted to ₱44.3 billion and ₱41.8 billion, respectively (see Note 12).

The Parent Company's depreciation and amortization expense on property and equipment amounted to ₱2.5 billion and ₱2.4 billion for the years ended December 31, 2025 and 2024, respectively (see Note 12).

g. *Estimation of allowance for credit losses on receivables*
The Parent Company 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 Parent Company's relationship with the agents, customers and other counterparties, the payment behavior of agents and customers, other counterparties and other known market factors. The Parent Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The balances of receivables and allowance for credit losses as of December 31, 2025 and 2024 are disclosed in Note 9.

h. *Lessee – estimating the incremental borrowing rate*
The Parent Company 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 Parent Company 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 Parent Company '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 Parent Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (see Note 32).

i. *Fair values of aircraft at sale and operating leaseback transaction*
The Parent Company determines the fair values of its aircraft by relying on a third party's valuation which has a global view of all area 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 its selling price should be accounted as immediate gain in the profit or loss or be deferred over the operating lease term. The Parent Company entered into sale and operating leaseback transactions in 2025 and 2024 (see Notes 12 and 32).

j. *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 Parent Company 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 Parent Company's retirement liability amounted to ₱623.8 million and ₱798.3 million as of December 31, 2025 and 2024, respectively (see Note 26).

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 Parent Company 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 Parent Company uses Cox-Ross-Rubinstein Binomial Option Pricing Method taking into consideration the terms and conditions on which the share options were granted.

6. **Segment Information**

The Parent Company has one reportable operating segment, which is the airline business (system-wide). This is consistent with how the Parent Company's management internally monitors and analyzes the financial information for reporting to the CODM, who is responsible for allocating resources, assessing performance and making operating decisions. The CODM is the CEO of the Parent Company.

The revenue of the operating segment was mainly derived from rendering transportation services.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

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 parent company statements of financial position, which is in accordance with PFRS Accounting Standards.

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

	2025	2024
Segment revenue of reportable segment	**₱111,173,064,055**	₱98,194,484,362
Earnings before interest, taxes, depreciation, and amortization (EBITDA)	**28,704,030,632**	24,440,874,472
Depreciation and amortization (Notes 12 and 32)	**19,021,004,394**	16,082,428,345
Earnings before interest and taxes (EBIT)	**9,683,026,238**	8,358,446,127
Interest income (Note 7 and 29)	**826,046,887**	585,217,114
Financing costs and other charges (Notes 18, 19 and 32)	**7,648,985,530**	6,407,953,824
Pre-tax core net income	**2,860,087,595**	2,535,709,417
Nontransport revenues and other income	**9,940,167,183**	2,680,586,933
Income tax benefit (expense) (Note 27)	**1,229,682,545**	(601,276,024)
Net income	**12,334,638,219**	2,641,355,139
Capital expenditures (Note 12)	**(18,873,975,770)**	(30,453,027,968)

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 dividend income from joint ventures, associates and subsidiaries.

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-PFRS measures to operating income follows:

	2025	2024
Revenues	**₱111,173,064,055**	₱98,194,484,362
Expenses	**(101,490,037,817)**	(89,836,038,235)
Operating income/EBIT	**9,683,026,238**	8,358,446,127
Interest expense - net	**(6,822,938,643)**	(5,822,736,710)
Pre-tax core net income	**₱2,860,087,595**	₱2,535,709,417
Operating income	**₱9,683,026,238**	₱8,358,446,127
Depreciation and amortization	**19,021,004,394**	16,082,428,345
EBITDA	**₱28,704,030,632**	₱24,440,874,472

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

	2025	2024
Total segment revenue of reportable operating segment	**₱111,173,064,055**	₱98,194,484,362
Nontransport revenue and other income	**9,940,167,183**	2,680,586,933
Total revenues and other income	**₱121,113,231,238**	₱100,875,071,295

Nontransport revenue and other income include interest income, gain from insurance claims, gain on disposal of property and equipment and gain on remeasurement of existing interest.

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

	2025	2024
Total segment income of reportable segment	**₱9,683,026,238**	₱8,358,446,127
Add (deduct) unallocated items:		
Nontransport revenue and other income	**9,940,167,183**	2,680,586,933
Nontransport expenses and other charges	**(8,518,237,747)**	(7,796,401,897)
(Provision for) benefit from income tax	**1,229,682,545**	(601,276,024)
Net income	**12,334,638,219**	2,641,355,139
Other comprehensive loss, net of tax	**12,810,450**	(138,725,908)
Total comprehensive income	**₱12,347,448,669**	₱2,502,629,231

The Parent Company's major revenue-producing asset is the fleet of aircraft owned by the Parent Company, which is employed across its route network (see Note 12).

The Parent Company has no significant customer which contributes 10.00% or more to the revenue of the Parent Company.

7. Cash and Cash Equivalents

This account consists of:

	2025	2024
Cash on hand	**₱50,486,655**	₱41,844,920
Cash in banks	**3,658,030,166**	4,896,706,516
Short-term placements	**12,849,274,187**	11,160,479,440
	₱16,557,791,008	₱16,099,030,876

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 Parent Company. Short-term placements denominated in Peso earn an average annual interest of 4.94% and 5.35% in 2025 and 2024, respectively. Moreover, short-term placements in US dollar (USD) earn interest on an average annual interest rate of 4.32% and 4.91% in 2025 and 2024, respectively. In 2025 and 2024, the Parent Company also has outstanding short-term placements in Korean won (KRW) with an average annual interest rate of 1.39% and 1.32%, respectively. The Parent Company also has outstanding short-term placements in Indonesian Rupiah (IDR) with an average annual interest rate of 3.25% in 2025 (nil in 2024).

Interest income earned on cash in banks and short-term placements, presented in the parent company statements of comprehensive income amounted to ₱753.2 million and ₱585.2 million in 2025 and 2024, respectively.

8. Derivative Financial Assets

This account consists of derivative financial assets as of December 31, 2025 and 2024. Details follow:

	2025	2024
Derivative financial assets at FVOCI:		
Fuel derivatives	**₱–**	₱1,297,193

Interest Rate Derivatives
Designated hedges
The Parent Company 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 was also applied.

For the years ended December 31, 2025 and 2024, the Parent Company has recycled the effective portion of its cash flow hedge reserves to 'Financing costs and other charges' in the Parent Company statement of comprehensive income amounting to ₱80.5 million and ₱88.4, respectively.

Fuel Derivatives
Designated Hedges
The Parent Company 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. The collars have various maturity dates through 2025.

As of December 31, 2024, the Parent Company has designated for hedge accounting derivatives with net asset position, which is shown as ‘Derivative financial assets at FVOCI’ and ‘Derivative financial liabilities at FVOCI’ in the Parent Company statement of financial position, amounting to ₱1.3 million (nil in 2025).

For the years ended December 31, 2025 and 2024, the Parent Company has recycled the effective portion of its cash flow hedge reserves to ‘Aviation fuel expense’ recognized under ‘Flying operations’ in the Parent Company statement of comprehensive income amounting to ₱43.9 million and ₱8.0 million, respectively.

Market valuation gains on derivative financial instruments – net is nil for the years ended 2025 and 2024.

<u>Fair Value Changes on Derivatives</u>
The changes in fair value of all derivative financial assets at fair value through other comprehensive income follow:

	2025	2024
Balance at January 1:		
Derivative assets	**₱1,297,193**	₱–
Derivative liabilities	–	(1,291,970)
	₱1,297,193	(₱1,291,970)
Net changes in fair value of derivatives:		
Designated	**(85,843,669)**	2,589,163
Not-designated	–	–
	(85,843,669)	2,589,163
	(84,546,476)	1,297,193
Fair value of settled instruments:		
Designated	**84,546,476**	–
Not-designated	–	–
	84,546,476	–
Balance at December 31:		
Current	–	1,297,193
Non-current	–	–
	–	1,297,193
Attributable to:		
Derivative assets	**₱–**	₱1,297,193
Derivative liabilities	–	–
	₱–	₱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:

	2025	2024
Trade receivables	**₱2,977,830,731**	₱2,437,447,742
Due from related parties (Notes 13 and 29)	**1,656,436,218**	2,139,920,542
Interest receivable	**16,278,629**	14,973,237
Others	**327,851,911**	248,389,736
	4,978,397,489	4,840,731,257
Less allowance for ECL	**(281,070,978)**	(289,841,596)
	₱4,697,326,511	₱4,550,889,661

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 and insurance companies.

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

	2025	2024
Balance at January 1	**₱289,841,596**	₱155,308,948
Provision for expected credit losses	–	164,843,875
Recovery	–	(42,525,125)
Write off	–	–
Unrealized foreign exchange loss (gain)	**(8,770,618)**	12,213,898
Balance at December 31	**₱281,070,978**	₱289,841,596

10. **Expendable Parts, Fuel, Materials and Supplies**

This account consists of:

	2025	2024
At cost:		
Expendable parts	**₱3,597,571,743**	₱3,859,117,709
Fuel	**488,950,233**	391,220,405
Materials and supplies	**98,491,858**	78,997,552
	₱4,185,013,834	₱4,329,335,666

As of December 31, 2025 and 2024, the Parent Company recognized full allowance for inventory write-down on expendable parts with cost of ₱116.0 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 included under 'Repairs and maintenance' account in the parent company statements of comprehensive income for the years ended December 31, 2025 and 2024 amounted to ₱1,670.6 million and ₱1,883.7 million, respectively (see Note 24). The cost of fuel reported as expense under 'Flying operations' account amounted to ₱31,005.2 million and ₱31,092.8 million in 2025 and 2024, respectively (see Note 24).

11. Other Current Assets

This account consists of:

	2025	2024
Current portion of advances to suppliers	**₱7,405,222,941**	₱4,125,555,337
Prepaid insurance	**220,559,491**	62,351,875
Prepaid rent	**89,062,313**	88,774,993
Others	**1,002,308,071**	1,242,494,327
	₱8,717,152,816	₱5,519,176,532

Current portion of advances to suppliers include advances to service maintenance provider for regular maintenance and restoration costs of the aircraft. 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.

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, creditable withholding taxes and prepayments to other suppliers.

12. Property and Equipment

The composition and movements in this account follow:

	2025							
	Passenger Aircraft (Notes 18 and 32)	Engines	Rotables	Ground Support Equipment	EDP Equipment, Mainframe and Peripherals	Leasehold Improvements	Transportation Equipment	Sub-total
Cost								
Balance at January 1, 2025	₱14,299,982,548	₱6,298,460,490	₱8,301,011,377	₱1,729,052,682	₱907,728,683	₱2,203,548,953	₱384,544,965	₱34,124,329,698
Additions	373,288,502	11,272,603,991	1,610,272,431	634,055,602	135,856,037	100,004	72,288,286	14,098,464,853
Reclassification	–	249,194,616	–	–	–	74,017,102	–	323,211,718
Disposals/others	(1,111,451,554)	(9,189,881,712)	(980,762,696)	(16,995,688)	(25,229,058)	–	–	(11,324,320,708)
Balance at December 31, 2025	13,561,819,496	8,630,377,385	8,930,521,112	2,346,112,596	1,018,355,662	2,277,666,059	456,833,251	37,221,685,561
Accumulated Depreciation and Amortization								
Balance at January 1, 2025	6,772,062,190	2,361,188,789	2,272,818,969	1,238,088,017	761,313,664	1,573,850,847	314,190,338	15,293,512,814
Depreciation and amortization	867,670,884	540,523,497	619,789,812	201,767,286	102,175,679	99,942,380	26,656,948	2,458,526,486
Reclassification	–	–	–	–	–	–	–	–
Disposals/others	(893,968,108)	(196,685,067)	(454,400,810)	(16,995,688)	(25,203,002)	–	–	(1,587,252,675)
Balance at December 31, 2025	6,745,764,966	2,705,027,219	2,438,207,971	1,422,859,615	838,286,341	1,673,793,227	340,847,286	16,164,786,625
Net Book Values	6,816,054,530	5,925,350,166	6,492,313,141	923,252,981	180,069,321	603,872,832	115,985,965	21,056,898,936

	2025						
	Furniture, Fixtures and Office Equipment	Communication Equipment	Special Tools	Maintenance and Test Equipment	Other Equipment	Construction in-Progress	Total
Cost							
Balance at January 1, 2025	₱105,565,371	₱12,953,219	₱19,653,638	₱37,437,479	₱43,469,300	₱22,925,710,485	₱57,269,119,190
Additions	14,296,512	5,542,550	12,693,272	1,202,143	8,433,509	11,076,954,531	25,217,587,370
Reclassification	450,893	–	–	–	–	(323,662,611)	–
Disposals/others	(519,254)	–	–	–	–	(10,536,894,760)	(21,861,734,722)
Balance at December 31, 2025	119,793,522	18,495,769	32,346,910	38,639,622	51,902,809	23,142,107,645	60,624,971,838
Accumulated Depreciation and Amortization							
Balance at January 1, 2025	73,677,406	4,710,287	1,019,993	33,762,287	27,885,583	–	15,434,568,370
Depreciation and amortization	9,408,160	3,095,882	5,118,801	1,736,429	3,870,911	–	2,481,756,669
Reclassification	–	–	–	–	–	–	–
Disposals/others	(519,254)	–	–	–	–	–	(1,587,771,929)
Balance at December 31, 2025	82,566,312	7,806,169	6,138,794	35,498,716	31,756,494	–	16,328,553,110
Net Book Values	₱37,227,210	₱10,689,600	₱26,208,116	₱3,140,906	₱20,146,315	₱23,142,107,645	₱44,296,418,728

	2024							
	Passenger Aircraft (Notes 18 and 32)	Engines	Rotables	Ground Support Equipment	EDP Equipment, Mainframe and Peripherals	Leasehold Improvements	Transportation Equipment	Sub-total
Cost								
Balance at January 1, 2024	12,727,143,077	11,308,546,564	7,059,097,584	1,438,130,589	812,736,318	2,126,992,854	353,591,870	35,826,238,856
Additions	338,098,192	7,199,100,406	2,212,078,125	309,689,726	100,038,437	–	58,299,900	10,217,304,786
Reclassification	5,691,471,617	(4,834,134,209)	(857,337,408)	–	4,598,214	76,556,099	–	81,154,313
Disposals/others	(4,456,730,338)	(7,375,052,271)	(112,826,924)	(18,767,633)	(9,644,286)	–	(27,346,805)	(12,000,368,257)
Balance at December 31, 2024	14,299,982,548	6,298,460,490	8,301,011,377	1,729,052,682	907,728,683	2,203,548,953	384,544,965	34,124,329,698
Accumulated Depreciation and Amortization								
Balance at January 1, 2024	11,586,668,191	506,738,007	1,723,954,450	1,110,775,810	709,048,957	1,475,965,855	315,638,005	17,428,789,275
Depreciation and amortization	1,193,210,953	359,220,978	491,470,255	146,008,077	61,905,149	97,884,992	25,899,138	2,375,599,542
Reclassification	(4,205,473,728)	4,041,499,180	163,974,548	–	–	–	–	–
Disposals/others	(1,802,343,226)	(2,546,269,376)	(106,580,284)	(18,695,870)	(9,640,442)	–	(27,346,805)	(4,510,876,003)
Balance at December 31, 2024	6,772,062,190	2,361,188,789	2,272,818,969	1,238,088,017	761,313,664	1,573,850,847	314,190,338	15,293,512,814
Net Book Values	7,527,920,358	3,937,271,701	6,028,192,408	490,964,665	146,415,019	629,698,106	70,354,627	18,830,816,884

	2024						
	Furniture, Fixtures and Office Equipment	Communication Equipment	Special Tools	Maintenance and Test Equipment	Other Equipment	Construction in-Progress	Total
Cost							
Balance at January 1, 2024	₱77,909,994	₱11,311,560	₱–	₱35,953,868	₱32,672,137	₱17,992,015,605	₱53,976,102,020
Additions	27,899,226	1,641,659	19,653,638	1,483,611	10,797,163	20,174,247,885	30,453,027,968
Reclassification	160,714	–	–	–	–	(1,926,197,620)	(1,844,882,593)
Disposals/others	(404,563)	–	–	–	–	(13,314,355,385)	(25,315,128,205)
Balance at December 31, 2024	105,565,371	12,953,219	19,653,638	37,437,479	43,469,300	22,925,710,485	57,269,119,190
Accumulated Depreciation and Amortization							
Balance at January 1, 2024+	68,655,081	2,761,920	–	32,251,500	26,075,539	–	17,558,533,315
Depreciation and amortization	5,426,888	1,948,367	1,019,993	1,510,787	1,810,044	–	2,387,315,621
Reclassification	–	–	–	–	–	–	–
Disposals/others	(404,563)	–	–	–	–	–	(4,511,280,566)
Balance at December 31, 2024	73,677,406	4,710,287	1,019,993	33,762,287	27,885,583	–	15,434,568,370
Net Book Values	₱31,887,965	₱8,242,932	₱18,633,645	₱3,675,192	₱15,583,717	₱22,925,710,485	₱41,834,550,820

Passenger Aircraft and Engines Held as Securing Assets Under Finance Lease Agreements
The Parent Company entered into various Export Credit Agency (ECA) and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2025 and 2024, the Parent Company's passenger aircraft and engines held as securing assets under various commercial loans are as follows:

	2025	2024
Airbus NEO	**–**	–
ATR 72-600	**12**	12
	12	12

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

As of December 31, 2025 and 2024, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱6.3 billion and ₱6.9 billion, respectively.

Sale and Leaseback Transactions
Sale and leaseback transactions
In 2025, the Parent Company entered into sale and leaseback agreements for eight (8) engines where its sales portion resulted to a gain of ₱867.6 million. In 2024, the Parent Company entered into SLB agreement for ten (10) engines where its sale portion resulted to a gain of ₱2,583.6 million.

Sale transactions
In 2025, the Parent Company also entered into an agreement for one (1) ATR 72-500 that resulted into a gain amounting ₱64.9 million.

In 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.

These losses were recorded under 'Gain on disposal - net' in the Parent Company's statement of comprehensive income.

Proceeds from sale of property and equipment for the year ended December 31, 2025 and 2024 amounted to ₱13,382.2 million and ₱12,768.8 million, respectively.

Gain from Insurance Claims
In 2024, the Parent Company received ₱137.1 million, respectively, pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events (nil in 2025).

Gain on Free-of-Charge (FOC) Engines
In 2025, the Parent Company received five (5) FOC engines as support for the mitigation of the ongoing AOG issues. Accordingly, the fair value of the engines, amounting to ₱6.3 billion was recognized in 'Other income' in the 2025 Parent Company statement of comprehensive income. The receipt of FOC engines is treated as noncash additions in the 2025 statement of cashflows.

Operating Fleet
As of December 31, 2025 and 2024, the Parent Company's operating fleet follows:

	2025	2024
Leased aircraft:		
Airbus CEO	**22**	28
Airbus NEO	**41**	37
ATR 72-600	**3**	3
Owned aircraft:		
Airbus NEO	**17**	14
ATR 72-600	**12**	12
ATR 72-500/Freighter*	–	2
	95	96

**This excludes two (2) ATR Freighter as at December 31, 2025 and 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 December 31, 2025 and 2024, the Parent Company's pre-delivery payments capitalized as construction in-progress amounted to ₱23,089.5 million and ₱22,890.0 million, respectively.

For the year ended December 31, 2025 and 2024, the Parent Company received pre-delivery payment refunds for delivered aircraft from Airbus which amounting to ₱10,536.9 million and ₱13,071.5 million, respectively.

In 2022, the Parent Company entered into remarketing of its four (4) ATR 72-500 classifying these as held-for-sale. In March 2023, one of the ATR 72-500 aircraft with manufacturer's serial number 944 was sold at ₱227.0 million, resulting to a gain of ₱0.6 million. 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.

In 2025, the remaining one (1) ATR 72-500 was sold at ₱259.6 million, resulting in a gain amounting to ₱64.9 million.

Further, the Parent Company reclassified two (2) ATR Freighter 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 two (2) ATR Freighter is ₱368.4 million, which is lower than their respective fair value less cost to sell.

As of December 31, 2025 and 2024, the carrying value of assets held for sale that remain unsold is ₱368.4 million and ₱223.9 million, respectively. The remaining aircraft as of December 31, 2025 are expected to be sold before the end of 2026.

As of December 31, 2025 and 2024, the gross amount of fully depreciated property and equipment which are still in use by the Parent Company amounted to ₱5,641.0 million and ₱5,124.5 million, respectively.

13. **Investment in Subsidiaries**

This account consists of investments in the following entities:

	2025	2024
CEBGO	**₱265,109,147**	₱265,109,147
A-Plus	**549,940,849**	549,940,849
AirSWIFT	**120,000,000**	120,000,000
1Aviation	**343,401,406**	–
	₱1,278,451,402	₱935,049,996

Investment in CEBGO
As part of the strategic alliance between the Parent Company and Tiger Airways Holding Limited (TAH), on February 10, 2014, the Parent Company signed a Sale and Purchase Agreement (SPA) to acquire 100% of CEBGO, Inc. with total consideration of ₱265.1 million. CEBGO is a corporation incorporated in the Philippines.

Investment in A-Plus
On October 26, 2020, the Parent Company signed an SPA with SIA Engineering Company Limited (SIAEC) for the acquisition of SIAEC's entire 51% shareholding in A-Plus. The consideration paid was US$5,607,378 and consists of a one-time payment in cash. On November 3, 2020, the Parent Company and SIAEC signed the Deed of Absolute Sale of Shares making A-Plus a wholly owned subsidiary of the Parent Company. The acquisition is in line with Parent Company's overall strategy to more closely align its line maintenance operations and strategic objectives with its network and service requirements, for significant operational efficiencies and optimization of resources for an even stronger competitive advantage. A-Plus is a corporation incorporated in the Philippines.

Investment in 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, comprised of payment ₱120.0 million net payment for equity shares and ₱1,257.6 million in net shareholder advances (recorded under 'Due from related parties' under receivables, refer to Note 9). 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.

Investment in 1Aviation
On October 29, 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription ("debt-to-equity conversion") with 1Aviation Groundhandling Services, Corp. (1Aviation), for the assignment of credit and subscription to 1,130,000 shares, with par value of ₱100 per share, amounting to ₱113.0 million, equivalent to additional 20% ownership. On August 15, 2025, the Securities and Exchange Commission (SEC) approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60%. As a result, the Parent Company obtained control over 1Aviation, which is now accounted for as a subsidiary. At the date control was obtained, the Parent Company remeasured its previously held interest (40%) in 1Aviation to fair value and recognized a gain on remeasurement amounting to ₱184.4 million. The resulting fair value of the 60% controlling interest, amounting to ₱343.4 million, was recognized as "Investment in Subsidiaries" on the date control was obtained.

Investment in subsidiaries is accounted for under the cost method of accounting. No dividends were declared in 2025 and 2024.

As of December 31, 2025 and 2024, no impairment loss was recognized for the investment in subsidiaries.

14. Investments in Joint Ventures and Associates

Investments in Joint Ventures
The Parent Company has investments in joint arrangements as follows:

Investment in PAAT
Investment in PAAT pertains to the Parent Company's 60% 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.

PAAT was created to address the Parent Company'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 Associates
The Parent Company has investments in associates as follows:

Investment in DAVI
Investment in DAVI refers to the Parent Company's 40% investment in shares of the joint venture. 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.

In July 2023, the Parent Company invested an additional ₱20.0 million and another ₱40.0 million in February 2024. The Parent Company's ownership remains to have a 40% shareholding in DAVI after the additional investment.

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.

On October 29, 2024, the Parent Company signed a debt-to-equity conversion agreement with 1Aviation, for the assignment of credit and subscription to 1,130,000 shares, with par value of 100 per share, amounting to ₱113.0 million. On August 15, 2025, the SEC approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60% making it a subsidiary of the Parent Company (Note 1). This resulted in a gain on remeasurement of the previously held interest amounting to ₱184.4 million. The total fair value of the 60% controlling interest, amounting to ₱340.3 million, was reclassified to 'Investment in subsidiaries' account on the date the Parent Company obtained control over 1Aviation. This step-up acquisition 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 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 Jeju Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Value Alliance Travel System Pte. Ltd. (VATS).

In November 2016, the Parent Company acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB. On April 30, 2021, ABB changed its name to Value Alliance Travel System Pte. Ltd. (VATS). The Parent Company has 13% shareholding in VATS. The Parent Company has assessed that it has significant influence over VATS through its representation in the BOD and participation in the policy-making process of VATS. Accordingly, the investment was classified as an investment in an associate and is accounted for at cost method in the parent company financial statements.

In 2021, the Parent Company assessed that its investment in VATS was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. The target growth turned significantly lower than actual. On this basis and following the key requirements of PAS 36, *Impairment of Assets* wherein assets can be carried at no more than their recoverable amount, the Parent Company has recognized impairment provisions of ₱43.7 million.

Subsequently, after incurring further losses, even after the resumption of operations that was previously disrupted by the global pandemic, the management of the Parent Company 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 Parent's investment with VATS amounted to nil. The divestment did not have a significant impact in the Parent Company's financial statements.

The movements in the carrying values of the Parent Company's investments in joint ventures and associates follow:

2025

	Investment in joint ventures			Investment in Associate	
	PAAT	**1Aviation**	**Subtotal**	**DAVI**	**Total**
Cost					
Balance at January 1	**₱134,873,645**	**₱46,000,000**	**₱180,873,645**	**₱492,000,000**	**₱672,873,645**
Reclassification to investment in subsidiary	–	**(46,000,000)**	**(46,000,000)**	–	**(46,000,000)**
	₱134,873,645	**₱–**	**₱134,873,645**	**₱492,000,000**	**₱626,873,645**

2024

	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balance at January 1	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,922	₱452,000,000	₱495,713,922	₱676,587,567
Additional investment	–	–	–	–	40,000,000	40,000,000	40,000,000
Divestment	–	–	–	(43,713,922)	–	(43,713,922)	(43,713,922)
	134,873,645	46,000,000	180,873,645	–	492,000,000	492,000,000	672,873,645
Allowance for impairment loss							
Beginning and ending balances	–	–	–	(43,713,922)	–	(43,713,922)	(43,713,922)
Divestment	–	–	–	43,713,922	–	43,713,922	43,713,922
Net Book Value at December 31	₱134,873,645	₱46,000,000	₱180,873,645	₱–	₱492,000,000	₱492,000,000	₱672,873,645

The Parent Company's equity in the net assets with PAAT, 1Aviation and DAVI is summarized below:

	2025	2024
PAAT	**₱564,340,500**	₱447,444,054
1Aviation*	**–**	–
DAVI**	**–**	–

**Starting August 2025, 1Aviation was reclassified to subsidiary*
***Reduced to zero due to accumulated losses*

15. Other Noncurrent Assets

This account consists of:

	2025	2024
Refundable deposits	**₱1,790,427,154**	₱2,896,844,227
Receivables – net of current portion	**295,644,401**	272,120,226
Intangible assets	**540,000**	540,000
Others	**287,376,515**	400,376,514
	₱2,373,988,070	₱3,569,880,967

Refundable deposits refer to the amount provided to aircraft lessors as security in various operating lease agreements.

Noncurrent receivables pertain to training costs paid by the Parent Company for its "study-now, pay-later" Cadet Pilot Program. These receivables are noninterest-bearing advances and are paid through salary deductions over 10 years.

Others include commitment fees provided to aircraft manufacturer of A321 NEO to be capitalized as part of the cost of A321 NEO upon delivery.

16. Accounts Payable and Other Accrued Liabilities

This account consists of:

	2025	2024
Airport and other related fees payable	**₱7,680,684,089**	₱5,697,421,642
Accrued expenses	**7,720,746,606**	6,728,446,804
Accounts payable	**6,513,561,190**	8,799,302,021
Travel fund payable (Note 21)	**706,797,917**	738,341,991
Advances from agents and others	**550,923,453**	1,995,796,688
Accrued interest payable	**138,762,418**	149,932,816
Refunds payable	**–**	13,988,026
Other payables	**193,231,581**	248,126,209
	₱23,504,707,254	₱24,371,356,197

Accrued Expenses

The Parent Company's accrued expenses include accruals for:

	2025	2024
Maintenance	**₱4,975,201,090**	₱3,576,314,325
Compensation and benefits	**966,660,035**	581,432,005
Airport and traffic costs	**487,220,398**	519,804,251
Insurance	**247,684,746**	157,078,069
Repairs and services	**216,490,606**	277,859,098
Advertising and promotion	**175,652,359**	571,472,844
Travel and transportation	**83,660,159**	155,866,830
Training costs	**45,966,353**	46,541,161
Professional fees	**31,225,526**	35,230,000
Rent	**24,131,051**	177,343,802
Others	**466,854,283**	629,504,419
	₱7,720,746,606	₱6,728,446,804

Others represent accrual of security, utilities 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 non-trade 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, among others, 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 were given options for their cancelled flights, which included free rebooking, full cash refund, or conversion to 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 commission payable and other tax liabilities such as withholding taxes.

17. Unearned Transportation Revenue

This account consists of:

	2025	2024
Unearned transportation revenue	**₱13,643,997,196**	₱12,705,774,088
Deferred ancillary revenue	**4,584,063,996**	3,356,349,355
	₱18,228,061,192	₱16,062,123,443

Recognized deferred transportation revenue as of December 31, 2025 and 2024 follows:

	2025	2024
Balance at January 1	**₱12,705,774,088**	₱9,890,867,489
Deferred during the year	**74,507,556,686**	67,365,274,563
Recognized to income	**(73,569,333,578)**	(64,550,367,964)
Balance at December 31	**₱13,643,997,196**	₱12,705,774,088

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

	2025	2024
Balance at January 1	**₱3,356,349,355**	₱2,232,567,439
Deferred during the year	**28,082,168,317**	23,062,269,849
Recognized to income	**(26,854,453,676)**	(21,938,487,933)
Balance at December 31	**₱4,584,063,996**	₱3,356,349,355

18. Long-term and Short-term Debt

Long-term Debt

Philippine Peso Loans

In various dates from 2016 to 2018, the Parent Company entered into various Philippine peso commercial loan facilities to finance acquisition of ATR 72-600 aircraft and Airbus A330 aircraft.

Key terms of the commercial loan facilities follow:

- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty eight to forty equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippine Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

In August and September 2024, the Parent Company 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.

The long-term debt rollforward is presented as follows:

	2025	2024
Balances at January 1	**₱6,059,980,746**	₱7,979,865,440
Set-ups	**–**	2,012,048,550
Payments	**(1,757,810,985)**	(3,931,933,244)
Balances at December 31	**₱4,302,169,761**	₱6,059,980,746

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

	2025	2024
Current portion of long-term debt	**₱1,757,810,985**	₱1,757,810,985
Noncurrent portion of long-term debt	**2,544,358,776**	4,302,169,761
	₱4,302,169,761	₱6,059,980,746

Interest expense amounted to ₱356.8 million and ₱453.2 million in 2025 and 2024, respectively.

Short-term Debt
In February and March 2024, the Parent Company 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 February 2025 and September 2025, respectively. Interest on the short-term loan from BDO is based on Secured Overnight Financing Rate (SOFR) plus margin, while the short-term loan from BPI is based on a fixed rate. Together, these peso-denominated short-term loans have interest rates ranging from 5.0% to 5.5%.

Interest expense incurred from these short-term loans amounted to ₱205.8 million and ₱275.9 million for year ended December 31, 2025 and 2024, respectively.

Payments for short-term debt during 2025 and 2024 amounted to ₱5.5 billion and ₱207.5 million, respectively.

19. Bonds Payable

On May 10, 2021, the Parent Company issued at face value US$250.0 million convertible bonds (CB) to the International Finance Corporation (IFC), IFC Emerging Asia Fund LP and Indigo Philippines LLC (collectively known as "the CB Holders") due on May 10, 2027. The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year. Net proceeds from issuance of CB in 2021 amounted to ₱11,782.5 million.

The CBs have a conversion option feature which entitles the CB Holders to convert any or all of the outstanding CBs that they hold for the Parent Company's common shares at any time within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions included in the terms and conditions of the CBs. None of the CB Holders have exercised their conversion option as of December 31, 2025 and 2024. The CBs also have an optional redemption feature which gives 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 was carried at amortized cost using the EIR method. Interest expense recognized from the CBs, which is included under 'Interest expense' in the Parent Company statements of comprehensive income for the years ended December 31, 2025 and 2024 amounted to ₱770.7 million and ₱761.4 million, respectively.

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

	2025		2024	
	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
Bond amortization	**2,154,188**	**123,862,771**	2,041,112	116,951,790
Unrealized foreign exchange loss	**–**	**234,052,315**	–	601,772,733
Ending balance	**US$246,884,765**	**₱14,514,355,308**	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 Parent Company statements of financial position.

The fair value and changes in fair value of the derivative liabilities at FVPL is nil for both 2025 and 2024.

The fair value of the embedded derivatives was determined by the Parent Company using the Jarrow-Rudd model.

The inputs used for the calculation of fair value as of specific valuation date are as follows:

	2025	2024
Stock price	**₱32.00**	₱28.25
Risk free rate	**3.41%**	4.25%
Conversion price	**₱38.00**	₱38.00
Term	**5.9 years**	5.9 years
Volatility	**30.64%**	26.24%

20. **Other Noncurrent Liabilities**

This account consists of:

	2025	2024
Asset retirement obligation (ARO)	**₱2,358,269,276**	₱3,166,158,868
Heavy maintenance visits (HMV)	**3,363,866,742**	2,053,233,803
	₱5,722,136,018	₱5,219,392,671

Asset Retirement Obligation (ARO)
The Parent Company 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 Parent Company's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period.

The rollforward analysis of the Parent Company's ARO follows:

	2025	2024
Balance at beginning of year	**₱3,166,158,868**	₱4,058,284,625
Provision for return cost	**1,261,338,640**	3,127,934,839
Accretion expense	**85,398,409**	39,069,713
Applications and other movements	**(2,154,626,641)**	(4,059,130,309)
Balance at end of year	**₱2,358,269,276**	₱3,166,158,868

In 2025 and 2024, provision for ARO included as part of 'Repairs and maintenance' amounted to ₱1,261.3 million and ₱3,127.9 million, respectively (see Note 24).

Heavy Maintenance Visits (HMV)
The Parent Company is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advise. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

The rollforward analysis of the Parent Company's HMV follows:

	2025	2024
Balance at beginning of year	**₱2,053,233,803**	₱2,170,862,294
Provision for HMV	**7,545,333,628**	2,494,496,191
Accretion expense	**64,291,031**	80,039,030
Applications and foreign exchange movement	**(6,298,991,720)**	(2,692,163,712)
Balance at end of year	**₱3,363,866,742**	₱2,053,233,803

In 2025 and 2024, provision for HMV included as part of 'Repairs and maintenance' amounted ₱7,545.3 million and ₱2,494.5 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.

Starting April 2022, in line with the Parent Company's continuous updating of Customer Flexible Options, all created travel fund starting the said date shall be valid for six (6) months from the date of creation or conversion to travel fund.

Effective August 1, 2023, the Parent Company 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.

The current portion of travel fund payable amounted to ₱706.8 million and ₱738.3 million as of December 31, 2025 and 2024 and are presented under "Accounts payable and other accrued liabilities" account in the Parent Company statements of financial position.

For the years ended December 31, 2025 and 2024, the estimated breakage revenue from travel fund amounting to ₱58.6 million and ₱70.6 million are recognized as part of 'Ancillary revenue' in the Parent Company statements of comprehensive income, respectively.

22. Equity

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

	2025	2024
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 Parent Company's issued and outstanding number of common and preferred shares and the movements thereon follow:

	2025		
	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	**(25,099,830)**	**(591,300)**	**(25,691,130)**
	612,602,653	**308,880,301**	**921,482,954**

	2024		
	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 ₱3.8 billion. The Parent Company incurred transaction costs incidental to the IPO amounting to ₱100.4 million, which is charged against 'Capital paid in excess of par value' in the parent company 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 has 111 and 104 existing certified shareholders as of December 31, 2025 and 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 CPS is convertible to common shares at a conversion price of ₱38.00 per share. 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 parent company statements of financial position. The CPS were successfully listed with the PSE last March 29, 2021. As of December 31, 2025 and 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.

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

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

	2025			2024		
	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 December 31	**637,702,483**	**309,471,601**	**947,174,084**	637,355,983	309,471,601	946,827,584

**Gross of 25,099,830 shares and 13,086,650 shares held as treasury shares as of December 31, 2025 and 2024, respectively.*
***Gross of 591,300 shares held as treasury shares as of December 31, 2025.*

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

	2025					
	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**
Listing of vested RSUs	**346,500**	**–**	**346,500**	**13,868,341**	**–**	**13,868,341**
Balances at December 31	**₱637,702,483**	**₱309,471,601**	**₱947,174,084**	**₱1,927,951,135**	**₱2,579,775,722**	**₱4,507,726,857**

	2024					
	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
Listing of vested RSUs	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. This was resumed in August 2018.

On November 13, 2024, the BOD of the Parent Company has approved a new allotment of ₱2.0 billion for an amended SBP. The SBP will apply to both common shares and convertible preferred shares of the Parent Company, with no fixed allocation for each class of shares.

As of December 31, 2025 and 2024, the Parent Company has 25,099,830 and 13,086,650 common shares held in treasury with cost of ₱1,362.6 million and ₱955.7 million, respectively. As of December 31, 2025 (nil in 2024), the Parent Company has 591,300 preferred shares held in treasury with costs of ₱23.1 million. As of December 31, 2025, total cost of treasury shares amounted to ₱1,385.7.0 million and ₱955.7 million, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

<u>Appropriation of Retained Earnings</u>
As of December 31, 2025 and 2024, the Parent Company has no appropriated retained earnings.

<u>Unappropriated Retained Earnings</u>
The income of the joint ventures and associates that are recognized in the parent company statements of comprehensive income are not available for dividend declaration unless these are declared by the joint ventures and associates (see Note 14). Likewise, retained earnings are restricted for the payment of dividends to the extent of the cost of common stock held in treasury amounting to ₱1,385.7 million and ₱955.7 million as of December 31, 2025 and 2024.

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

On August 7, 2025, the Parent Company's Board of Directors approved the declaration of cash dividends on its convertible preferred shares (CEBCP) amounting to ₱9.12 per share, or a total of ₱2.8 billion, payable on October 1, 2025. These dividends represent four (4) years of cumulative preferred dividends for outstanding CEBCP shares, covering the period from issuance on March 29, 2021. The dividends were sourced from the Parent Company's unrestricted retained earnings as of June 30, 2025. No dividends were declared in 2024.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange gains, recognized deferred tax assets and others, and cost of common stocks held in treasury, the Parent Company has no retained earnings available for dividend declaration as of December 31, 2024.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange gains, recognized deferred tax assets and others, and cost of common stocks held in treasury, the Parent Company has retained earnings available for dividend declaration amounting to ₱2.6 billion as of December 31, 2025.

<u>Capital Management</u>
The primary objective of the Parent Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Parent Company considers its equity of ₱16,391.9 million and ₱7,282.6 million as of December 31, 2025 and 2024, respectively, presented in the Parent Company statements of financial position, as its capital. The Parent Company 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 Parent Company 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 Parent Company's ultimate parent monitors the use of capital structure using a debt-to-equity capital 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 which will vest 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.

Additionally, in 2023, 18 eligible persons were granted RSUs with three (3) years vesting period, commencing 2023. These will vest in four (4) tranches: 6%, 23%, 36% and 35% at the end of 2023, 2024, 2025 and 2026, respectively. The fair value of each share varies considering the grant date ranging from ₱32.50 to ₱43.95.

The Parent Company does not pay cash as a form of settlement.

As of December 31, 2025 and 2024, 271,500 and 346,500 RSUs have vested and were subsequently listed with the Philippine Stock Exchange on January 16, 2026 and January 17, 2025, 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 which vested in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating within individual performance rating of "Meets Expectations". These options will expire on December 31, 2027. The Parent Company does not pay cash as a form of settlement.

Additionally, in 2023, three (3) eligible persons were granted SOs with three (3) years vesting period, commencing 2023. These vested in three (3) tranches; 20%, 30% and 50%, where 33% of the granted SOs will vest at the end of 2023, 2024 and 2025, and the rest at the end of 2024, 2025 and 2026.

On December 31, 2025 and 2024, 220,000 and 140,000 stock options have vested, respectively. No options were exercised, forfeited or expired during the year. Thus, a total of 5,365,000 and 5,145,000 vested stock options remain to be outstanding and exercisable as of December 31, 2025 and 2024, respectively.

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

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

The option life is the period between the November 26, 2021 grant date to December 31, 2027 expiry date. The expected volatility was based on the historical daily stock prices for the past five years. Daily stock price data used did not include non-trading days. Standard deviation was used to measure volatility which is a measure of risk associated with the degree of fluctuations in stock price over a period of time.

In 2025 and 2024, the cost of RSUs and stock options charged to operations under the "General and administrative" in the Parent Company statements of comprehensive income amounted to ₱6.1 million and ₱2.7 million and ₱13.1 million and ₱4.2 million, respectively. Outstanding 'Share-based payments' in 2025 and 2024 presented in the Parent Company statements of financial position amounted to ₱129.8 million and ₱135.2 million, respectively. Correspondingly, a credit was made to equity which is presented under "Share-based payments" in the parent company statements of financial position amounting to ₱8.8 million and ₱17.3 million, respectively.

24. Operating Expenses

Flying Operations

Flying operations consists of:

	2025	2024
Aviation fuel expense (Note 10)	**₱31,005,228,917**	₱31,092,774,595
Flight deck	**4,278,052,885**	4,140,340,633
Aviation insurance	**322,041,243**	310,832,150
Others	**1,126,005,944**	981,934,808
	₱36,731,328,989	₱36,525,882,186

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 the aircraft operating lease agreements (see Note 32).

Total amount of repairs and maintenance includes provision for aircraft return condition amounting to ₱1,261.3 million and ₱3,127.9 million in 2025 and 2024, respectively (see Note 20). This also includes provision for heavy maintenance visits amounting to ₱7,545.3 million and ₱2,494.5 million in 2025 and 2024, respectively (see Note 20).

Aircraft and Traffic Servicing
Aircraft and traffic servicing consists of:

	2025	2024
Airport charges	**₱8,028,086,107**	₱6,002,093,346
Ground handling	**5,405,791,806**	4,245,625,818
Others	**1,468,093,790**	1,117,976,909
	₱14,901,971,703	₱11,365,696,073

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 Parent Company 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 passenger such as costs to maintain the Parent Company's web-based booking channel, reservation ticketing office costs and advertising expenses. These amounted to ₱4,227.2 million and ₱3,698.4 million in 2025 and 2024, respectively.

25. General and Administrative Expenses

This account consists of:

	2025	2024
IT and other professional fees	**₱1,311,700,873**	₱1,339,338,152
Staff cost	**1,252,356,145**	1,205,420,656
Security	**706,943,249**	559,868,703
Rent expense	**392,853,611**	149,003,882
Utilities	**143,863,088**	153,790,197
Travel and transportation	**82,341,003**	75,352,648
Others	**689,406,789**	1,008,051,806
	₱4,579,464,758	₱4,490,826,044

Others include membership dues, annual listing maintenance fees, supplies, bank charges and others.

26. Employee Benefits

The Parent Company has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the “Plan”), with Bank of the Philippine Islands (BPI) as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Parent Company, 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. BPI manages the plan based on the mandate as defined in the trust agreement.

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.

<u>Employee Benefit Cost</u>
Total personnel expenses, consisting of salaries expense related to defined benefit plan 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.

<u>Defined Benefit Plan</u>
The Parent Company has funded, noncontributory, defined benefit plan covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

In 2025 and 2024, the assumptions used to determine retirement benefits of the Parent Company follow:

	2025	2024
Average remaining working life	**25.7 years**	25.6 years
Discount rate	**6.38%**	6.10%
Salary rate increase	**5.00%**	5.00%

As of December 31, 2025 and 2024, the discount rate used in determining the retirement liability is 6.38% and 6.10%, respectively, which is determined by reference to market yields at the reporting date on Philippine government bonds.

The amounts recognized as retirement liability follow:

	2025	2024
Present value of defined benefit obligation	**₱1,954,906,675**	₱1,745,113,256
Fair value of plan assets	**1,331,066,569**	946,854,569
	₱623,840,106	₱798,258,687

Remeasurement losses (gains) recognized in OCI:

	2025	2024
Actuarial losses on benefit obligation	**₱38,135,771**	₱191,057,922
Return on plan assets excluding amount included in net interest cost	**(132,812,147)**	(91,292,162)
Amount recognized in OCI	**(₱94,676,376)**	₱99,765,760

Movements in the fair value of plan asset follow:

	2025	2024
Balance at January 1	**₱946,854,569**	₱700,736,292
Interest income included in net interest cost	**63,489,398**	45,988,932
Contributions	**210,000,000**	180,000,000
Benefits paid	**(22,089,545)**	(71,162,817)
Return on plan assets excluding amount included in net interest cost	**132,812,147**	91,292,162
Balance at December 31	**₱1,331,066,569**	₱946,854,569

The plan assets consist of:

	2025	%	2024	%
Cash	**₱228,810,343**	**17.19%**	₱141,744,129	14.97%
Investment in debt securities	**190,209,413**	**14.29%**	162,385,559	17.15%
Investment in equity securities	**659,410,378**	**49.54%**	294,945,198	31.15%
Unit investment trust funds	**255,564,781**	**19.20%**	346,643,458	36.61%
Other receivables (payables)	**(2,928,346)**	**(0.22%)**	1,136,225	0.12%
	₱1,331,066,569	**100.00%**	₱946,854,569	100.00%

The Parent Company contributed ₱210.0 million into the retirement fund for the year ended 2025.

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Parent Company's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

The Parent Company expects to contribute about ₱225.0 million into the retirement fund for the year ending 2026.

The actual gains on plan assets amounted to ₱132.8 million and ₱91.3 million in 2025 and 2024, respectively.

Changes in the present value of the defined benefit obligation follow:

	2025	2024
Balance at January 1	**₱1,745,113,256**	₱1,464,833,966
Current service cost	**156,819,186**	132,571,569
Interest cost	**106,451,909**	89,208,389
Benefits paid	**(91,613,447)**	(132,558,590)
Actuarial loss (gain) due to:		
Experience adjustments	**61,654,485**	176,187,019
Changes in demographic assumptions	**15,120,567**	16,054,731
Changes in financial assumption	**(38,639,281)**	(1,183,828)
Balance at December 31	**₱1,954,906,675**	₱1,745,113,256

Movements in the net defined benefit liability follow:

	2025	2024
Balance at January 1	**₱798,258,687**	₱764,097,674
Retirement expense	**199,781,697**	175,791,026
Recognized in OCI	**(94,676,376)**	99,765,760
Contributions	**(210,000,000)**	(180,000,000)
Benefits paid from book reserves	**(69,523,902)**	(61,395,773)
Balance at December 31	**₱623,840,106**	₱798,258,687

Components of retirement expense included in the Parent Company statements of comprehensive income follow:

	2025	2024
Current service cost	**₱156,819,186**	₱132,571,569
Net interest cost	**42,962,511**	43,219,457
Total retirement expense	**₱199,781,697**	₱175,791,026

Shown below are the sensitivity analyses that have been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period, assuming if all other assumptions were held constant:

	2025	
		PVO
Discount rates	**+100 basis points**	**(₱126,514,610)**
	-100 basis points	**145,278,510**
Salary increase rates	**+100 basis points**	**134,654,857**
	-100 basis points	**(118,827,311)**

	2024	
		PVO
Discount rates	+100 basis points	(₱110,682,760)
	-100 basis points	126,894,668
Salary increase rates	+100 basis points	115,425,946
	-100 basis points	(101,989,281)

Shown below is the maturity profile of the undiscounted benefit payments of the Parent Company as of December 31, 2025 and 2024:

	2025		
Plan Year	**Normal Retirement**	**Other Normal Retirement**	**Total**
Less than one year	**₱259,932,330**	**₱113,514,346**	**₱373,446,676**
One to less than five years	**275,315,873**	**500,715,504**	**776,031,377**
Five to less than 10 years	**365,389,685**	**776,206,275**	**1,141,595,960**
10 to less than 15 years	**513,695,696**	**911,242,644**	**1,424,938,340**
15 to less than 20 years	**574,803,710**	**878,123,105**	**1,452,926,815**
20 years and above	**1,873,215,981**	**1,429,027,939**	**3,302,243,920**

	2024		
Plan Year	Normal Retirement	Other Normal Retirement	Total
Less than one year	₱164,786,567	₱116,311,085	₱281,097,652
One to less than five years	301,630,653	455,456,034	757,086,687
Five to less than 10 years	323,120,652	682,490,801	1,005,611,453
10 to less than 15 years	398,700,296	800,182,369	1,198,882,665
15 to less than 20 years	498,960,427	747,566,783	1,246,527,210
20 years and above	1,434,522,443	1,192,701,906	2,627,224,349

The average duration of the expected benefit payments as of December 31, 2025 and 2024 is 7.0 years.

27. Income Taxes

Benefit from (provision for) income tax consists of:

	2025	2024
Current	**(₱281,826,014)**	(₱75,143,966)
Deferred	**1,511,508,559**	(526,132,058)
	₱1,229,682,545	(₱601,276,024)

The Parent Company has current income tax expense of ₱281.8 million and ₱75.1 million which pertains to the MCIT due on the taxable gross profit for the years 2025 and 2024, respectively. Nevertheless, there is no tax payment due to its available creditable withholding taxes.

Income taxes include corporate income tax. The NIRC of 1997 provides for rules on the imposition of a 2% MCIT on the gross income as of the end of the taxable year beginning on the fourth taxable year immediately following the taxable year in which the Parent Company commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. Under Republic Act No. 11534 or CREATE Act, which became effective last April 11, 2021, the MCIT rate was lowered from 2% to 1% of gross income for three years beginning July 1, 2020 to June 30, 2023. In 2025 and 2024, MCIT due is higher than the RCIT due (taxable loss position), thus, the Parent Company is liable for MCIT.

Under Section 11 of R.A. No. 7151 (Parent Company's Congressional Franchise) known as the "ipso facto clause", the Parent Company is allowed to benefit from the tax privileges being enjoyed by competing airlines. The Parent Company's major competitor, by virtue of P.D. No. 1590, is enjoying tax exemptions which are likewise being claimed by the Parent Company, if applicable, including but not limited to the following:

a. To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b. To carry over as a deduction from taxable income any NOLCO incurred in any year up to five years following the year of such loss.

The Parent Company has outstanding registrations with the BOI as a new operator of air transport on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226) and under CREATE Act (see Note 34). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2025 and 2024, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft registered activity (see Note 34).

Details of the Parent Company's NOLCO and excess MCIT are as follows:

For the years ended December 31, 2025 and 2024, below are the details of additional NOLCO of the Parent Company:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2024	₱2,334,060,931	₱–	₱–	₱2,334,060,931	2029
2023	2,933,604,726	–	–	2,933,604,726	2028
2022	5,892,099,712	–	–	5,892,099,712	2027
	₱11,159,765,369	₱–	₱–	₱11,159,765,369	

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

In compliance with the disclosure requirements of RR No. 25-2020, below shows the unused NOLCO of the Parent Company:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	7,034,132,881	13,992,602,754	–	2025
	₱39,430,470,452	₱7,034,132,881	₱13,992,602,754	₱18,403,734,817	

Excess MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	₱281,826,014	₱–	₱–	₱281,826,014	2028
2024	75,143,966	–	–	75,143,966	2027
2023	109,779,045	–	–	109,779,045	2026
2022	8,646,570	–	8,646,570	–	2025
	₱475,395,595	₱–	₱8,646,570	₱466,749,025	

The components of the Parent Company's deferred tax assets and liabilities follow:

	2025	2024
Deferred tax assets on:		
NOLCO	**₱5,050,402,442**	₱4,553,218,411
Lease liability, net of ROU asset	**3,063,309,534**	2,280,563,535
Provision for HMV	**840,966,685**	513,308,451
Provision for ARO	**589,567,319**	791,539,717
Unrealized foreign exchange loss	**491,745,927**	608,320,231
Deferred charges – MCIT	**356,969,980**	75,143,966
Retirement liability	**83,638,323**	103,573,874
Unrealized gain on derivative asset, net of derivative liability	**83,589,534**	102,664,179
Allowance for credit losses	**70,267,745**	72,460,399
Share-based payment transactions	**23,398,769**	28,325,626
	10,653,856,258	9,129,118,389
Deferred tax liabilities on:		
Double depreciation	**1,690,696,666**	1,646,501,662
Unamortized bond issue costs	**20,352,734**	51,318,427
	1,711,049,400	1,697,820,089
	8,942,806,858	7,431,298,300
Item recognized directly in other comprehensive income (loss)		
Deferred tax asset (liabilities):		
Reserve for retirement plan	**72,321,704**	95,990,798
Reserve for cash flow hedges	**(83,589,534)**	(102,988,478)
	(11,267,830)	(6,997,680)
Net deferred tax assets	**₱8,931,539,028**	₱7,424,300,620

As of December 31, 2025 and 2024, the Parent Company has not recognized deferred tax assets on NOLCO of ₱9,361.9 million and ₱32,377.4 million, respectively. The deferred income tax assets on NOLCO were not recognized because management believes that the Parent Company may not have sufficient taxable profits available to allow all or part of these deferred income tax assets to be utilized prior to their expiration. Unrecognized deferred tax assets on NOLCO as of December 31, 2025 and 2024 amounted to ₱2,340.5 million and ₱8,094.3 million, respectively.

Moreover, as of December 31, 2025 and 2024, the Parent Company has not recognized deferred tax assets on excess MCIT of ₱109.8 million and ₱118.4 million, respectively.

A reconciliation of the Parent Company's statutory income tax rate to the effective income tax rate follows:

	2025	2024
Statutory income tax rate	**25.00%**	25.00%
Adjustments resulting from:		
Unrecognized deferred taxes from MCIT and NOLCO	**(20.31%)**	(34.04%)
Loss/(income) subject to ITH	**(11.44%)**	(66.72%)
Nondeductible/(nontaxable) items	**(1.34%)**	(3.27%)
Others	**(2.98%)**	97.57%
Effective income tax rate	**(11.07%)**	18.54%

Entertainment, Amusement and Recreation (EAR) Expenses
Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.50% of net sales for sellers of goods or properties or 1.00% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Parent Company recognized EAR expenses (allocated under different expense accounts in the parent company statements of comprehensive income) amounting to ₱7.1 million and ₱7.4 million in 2025 and 2024, respectively.

28. **Earnings Per Share**

The following reflects the income and share data used in the basic/dilutive EPS computations:

	2025	2024
Net income	**₱12,334,638,219**	₱2,641,355,139
Less: Cumulative preferred dividends	**(532,097,799)**	(705,595,250)
Net income attributable to common shareholders for basic EPS	**11,802,540,420**	1,935,759,889
Divided by: Weighted average number of common shares	**617,222,435**	624,316,825
Basic earnings per share	**₱19.12**	₱3.10
Net income attributable to common shareholders for diluted EPS	**12,909,121,214**	3,212,403,431
Divided by: Adjusted weighted average number of common shares*	**1,245,129,332**	1,252,538,426
Diluted earnings per share	**₱10.37**	₱2.56
Weighted average number of common shares	**617,222,435**	624,316,825
Add: Dilutive shares arising from convertible preferred shares, bonds payable, stock options	**627,906,897**	628,221,601
Adjusted weighted average number of common shares	**1,245,129,332**	1,252,538,426

29. **Related Party Transactions**

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Parent Company has entered into transactions with its ultimate parent, its JVs and affiliates principally consisting of operating advances, sale of passenger tickets, reimbursement of expenses, regular banking transactions, maintenance and administrative service agreements. In addition to the related information disclosed elsewhere in the parent company financial statements, the following are the year-end balances in respect of transactions with related parties, which were carried out in the normal course of business on terms agreed with related parties during the year.

The significant transactions and outstanding balances of the Parent Company with the related parties follow:

	2025			
Related Party	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	**(₱10,172,738)**	**(₱25,458,948)**	Non-interest bearing	Unsecured
Joint ventures and associates				
(2) PAAT, Inc.				
Due from related parties				
Loans	**(101,141,127)**	–	2% interest per annum	Unsecured; No impairment
Sublease agreement	**70,490,767**	**75,034,478**	Payable monthly	Unsecured; No impairment
Trade payables	**22,810,834**	**(40,382,616)**	Non-interest bearing	Unsecured
(3)Data Analytics Ventures, Inc.				
Due to related parties	**13,365,868**	**(9,993,758)**	Non-interest bearing	Unsecured
Trade receivables	**1,537,634**	**1,949,682**	Non-interest bearing	Unsecured
Subsidiaries				
(4) CEBGO, Inc.				
Due to related parties	**434,429,190**	**300,561,515**	Non-interest bearing	Unsecured, No impairment
(5)A-plus				
Due from related parties	**(9,602,781)**	**196,233,215**	Non-interest bearing	Unsecured, No impairment
Trade payables	**14,003,919**	**(2,673,919)**	Non-interest bearing	Unsecured
(6) AirSWIFT				
Loans	**(236,199,636)**	**1,015,588,961**	Non-interest bearing	Unsecured, No impairment
Interest	**69,413,115**	**33,570,133**	Non-interest bearing	Unsecured, No impairment
Ticket sales	**(581,406,958)**	**(581,406,958)**	Non-interest bearing	Unsecured
Other intercompany charges	**21,630,499**	**21,630,499**		
(7) 1Aviation				
Due from related parties	**32,808,940**	**595,224,375**	Non-interest bearing	Unsecured, No impairment
Sublease agreement	**4,390,618**	–	Non-interest bearing	Unsecured, No impairment
Trade Payables	**(26,505,866)**	**(42,650,788)**	Non-interest bearing	Unsecured
Entities under common control				
(9)Universal Robina Corporation (URC)				
Trade receivables	**(1,288,616)**	**1,817,574**	Non-interest bearing	Unsecured; No impairment
Due to related parties	**(15,417,304)**	**(37,676,911)**	Non-interest bearing	Unsecured
(10) Robinsons Handyman, Inc				
Trade receivables	**9,749**	**308,033**	Interest bearing	Unsecured; No impairment
Trade payables	**(79,048)**	**(79,048)**	Non-interest bearing	Unsecured
(11) Robinsons Supermarket Corporation				
Trade receivables	**1,008,740**	**1,324,332**	Non-interest bearing	Unsecured; No impairment
(12) Robinsons Convenience Store				
Sublease agreement	**127,456 4**	**127,456**	Non-interest bearing	Unsecured; No impairment
(13) ASPEN Business Solutions, Inc.				
Trade receivables	**(13,071)**	–	Non-interest bearing	Unsecured; No impairment
SPEs				
(17) CLCL	**(155,218,963)**	-	Non-interest bearing	Unsecured
(18) DBL	**(145,834,934)**	-	Non-interest bearing	Unsecured
(19) RALL	**(510,372,955)**	-	Non-interest bearing	Unsecured
(20) SLCL	**(153,625,401)**	-	Non-interest bearing	Unsecured
(21) Jin Shan 38 Ireland Company Limited	**(227,242,590)**	-	Non-interest bearing	Unsecured
(22) TLCL	**(153,896,421)**	-	Non-interest bearing	Unsecured
(23) DSL	**(214,299,601)**	-	Non-interest bearing	Unsecured
(24) GLCL	**(224,670,106)**	-	Non-interest bearing	Unsecured
(25) NLCL	**(206,773,702)**	-	Non-interest bearing	Unsecured
(26) Tubbataha LCL	**(235,752,290)**	-	Non-interest bearing	Unsecured
(27) El Nido Leasing 1 Co. Ltd.	**(177,645,485)**	-	Non-interest bearing	Unsecured

Related Party	Amount/ Volume	Outstanding Balance	Terms	Conditions
	2024			
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	(₱85,707,091)	(₱15,286,210)	Non-interest bearing	Unsecured
Joint ventures and associates				
(2)PAAT, Inc.				
Due from related parties				
Loans	5,432,540	101,141,127	2% interest per annum	Unsecured, No impairment
Sublease agreement	46,162,263	(4,496,729)	Payable monthly	Unsecured, No impairment
Trade payables	(349,249,939)	(50,875,175)	Non-interest bearing	Unsecured
(3) 1Aviation				
Due from related parties	42,188,773	558,024,817	Non-interest bearing	Unsecured, No impairment
Trade payables	1,886,556,919	(16,144,922)	Non-interest bearing	Unsecured
Sublease agreement	10,482,175	–	Non-interest bearing	Unsecured, No impairment
Others	11,954,639	–	On-demand	Unsecured
(4)Data Analytics Ventures, Inc.				
Due to related parties	(77,132,742)	(23,359,627)	Non-interest bearing	Unsecured
Trade receivables	9,935,292	3,617,536	Non-interest bearing	Unsecured, No impairment
Wholly owned subsidiary				
(5) CEBGO, Inc.				
Due to related parties	(4,510,380,320)	(133,867,675)	Non-interest bearing	Unsecured, No impairment
(6)A-plus				
Due from related parties	179,308,623	205,835,996	Non-interest bearing	Unsecured, No impairment
Trade payables	(1,110,494,072)	(159,721,535)	Non-interest bearing	Unsecured
(7) AirSWIFT				
Due from related parties	1,279,415,331	1,279,415,331	Interest bearing	Unsecured, No impairment
Entities under common control				
(8) Universal Robina Corporation (URC)				
Trade receivables	51,134,808	3,106,190	Non-interest bearing	Unsecured, No impairment
Trade payables	–	–	Non-interest bearing	Unsecured, No impairment
Due to related parties	(101,563,667)	(22,259,607)	Non-interest bearing	Unsecured, No impairment
(9) Robinsons Land Corporation (RLC)				
Trade payables	(9,674,238)	–	Non-interest bearing	Unsecured
(10) Robinsons Handyman, Inc				
Trade receivables	5,932,869	7,705,083	Interest bearing	Unsecured, No impairment
Trade payables	(8,577,981)	–	Non-interest bearing	Unsecured
(11) Robinsons Supermarket Corporation				
Trade receivables	51,160,823	(535,000)	Non-interest bearing	Unsecured; No impairment
(12) Robinsons Convenience Store				
Sublease agreement	2,040,459	16,128	Non-interest bearing	Unsecured, No impairment
(13) ASPEN Business Solutions, Inc.				
Trade receivables	198,353	13,071	Non-interest bearing	Unsecured, No impairment
Trade payables	(14,136,305)	–	Non-interest bearing	Unsecured
SPEs				
(14) CLCL/DENL	(209,448,434)	–	Non-interest bearing	Unsecured
(15) DBL/MLCL	(193,527,958)	–-	Non-interest bearing	Unsecured
(16) RALL	(541,092,406)	–-	Non-interest bearing	Unsecured
(17) SLCL	(204,447,936)	–-	Non-interest bearing	Unsecured
(18) SCALLTLCL	(204,803,560)	–-	Non-interest bearing	Unsecured
(19) TGLCL	(250,419,227)	–-	Non-interest bearing	Unsecured
(20) TOADACNLCL	(7235,767,481)	–-	Non-interest bearing	Unsecured
(21) GLCLTubbataha Leasing Co.,.Ltd.	(213,687,046)	–-	Non-interest bearing	Unsecured
(22) NLCLDSL	(164,108,493)	–-	Non-interest bearing	Unsecured
(23) Jin Shan 38 Ireland Company Limited	(72,806,299)	–	Non-interest bearing	Unsecured

		Parent Company Statements of Comprehensive Income				
	Year	**Sale of Air Transportation Service**	**Ground handling**	**Ancillary Revenues**	**Repairs and Maintenance**	**Interest income**
Subsidiaries						
CEBGO	**2025**	**₱40,059,699**	**₱–**	**₱1,431,589,000**	**₱1,752,008,664**	–
	2024	33,428,820	–	1,417,121,694	1,588,903,977	–
A-Plus	**2025**	**–**	**–**	**18,893,925**	**–**	–
	2024	–	–	59,850,982	**–**	–
AirSWIFT	**2025**	**–**	**–**	**–**	**–**	**69,413,115**
	2024	–	–	–	–	21,826,370
1Aviation	**2025**	**–**	**983,447,747**	**11,557,135**	**–**	–
JV in which the Parent Company is a venture						
PAAT	**2025**	**–**	**–**	**46,958,268**	**–**	**3,440,969**
	2024	–	–	46,162,263	–	17,927,082
DAVI	**2025**	**24,144,767**	**–**	**–**	**–**	**–**
	2024	9,935,292	–	–	–	–
1Aviation						
	2025	–	**1,051,251,981**	**11,645,489**	–	–
	2024	–	1,886,556,919	24,648,341	–	–
Entities under common control						
URC	**2025**	**58,291,475**	**–**	**–**	**–**	–
	2024	51,134,808	–	–	–	–
RHI	**2025**	**61,926**	–	–	–	–
	2024	5,932,869	–	–	–	–
RSC	**2025**	**49,106,166**	**–**	**–**	**–**	–
	2024	53,160,823	–	–	–	–
Aspen	**2025**	**358,471**	**–**	**–**	**–**	–
	2024	198,353	–	–	–	–
Total	**2025**	**₱172,022,504**	**₱2,034,699,728**	**₱1,520,643,817**	**₱1,752,008,664**	**₱72,854,084**
	2024	₱153,790,965	₱1,886,556,919	₱1,547,783,280	₱1,588,903,977	39,753,452

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. Also, these transactions are short-term in nature. There have been no guarantees provided or received for any related party receivables or payables. The Parent Company has not recognized any impairment losses on amounts due from related parties for the years ended December 31, 2025 and 2024. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Parent Company's significant transactions with related parties follow:

1. JG Summit Holdings, Inc. charges the Parent Company for its share in various charges such as, but not limited to corporate center units (CCU), IT charges and legal fees.

2. In 2012, the Parent Company entered into a sub-lease agreement with PAAT for its office space. The lease agreement is for a period of 15 years from November 29, 2012 until November 19, 2027.

In 2012 and 2013, under the shareholder loan agreement, the Parent Company provided a loan to PAAT to finance the purchase of its Full Flight Simulator, other equipment and other working capital requirements amounting to ₱155.4 million (US$3.5 million). The loans are subject to two percent (2%) interest per annum. As of December 31, 2024, the outstanding loan to PAAT amounted ₱101.1 million (US$2.3 million). In 2025, PAAT fully settled all outstanding loans with the Parent Company.

On June 21, 2012 and December 18, 2019, the Parent Company entered into a 15-year training service agreement with PAAT to conduct pilot training courses and dry lease of its full flight simulators for the Airbus A320 family and ATR 72-600 aircraft, respectively. The costs are recorded as part of the "Flight deck" expenses under "Flying operations" account in the parent company statements of comprehensive income (see Note 24).

3. On March 21, 2018, the Parent Company entered into a Standard Groundhandling Service Agreement (SGHA) with 1Aviation to provide ground handling services to Manila and Davao stations. The initial agreement, valid from March 2018 to May 2023, was renewed effectively from July 1, 2023 to June 30, 2026. Accordingly, the Parent Company's records the groundhandling fees under the Parent Company's trade payables.

4. DAVI is in charge of the management of the Parent Company's loyalty program. As such, all revenue and expenses in relation to the Getgo loyalty points will be recognized by DAVI. The Parent Company accounts for such issued and redeemed points as a payable to and receivable from DAVI, respectively. Accordingly, DAVI also collects service charges from the Parent Company for the management of these loyalty points, which are recorded under the Parent Company's trade payables.

5. The following table summarizes the Parent Company's existing sublease agreements with CEBGO as of December 31, 2025:

No. of Units	Date of Lease Agreement	Date of Leases Expiry*
Two (2) ATR 72-600	October 2016 November 2016	October 2028 November 2028
Six (6) ATR 72-600	February 2017 March 2017 May 2017 August 2017 October 2017 December 2017	February 2029 March 2029 May 2029 August 2029 October 2029 December 2029
Four (4) ATR 72-600	February 2018 June 2018 November 2018 December 2018	February 2030 June 2030 November 2030 December 2030
One (1) ATR 72-600	May 2019	May 2029
One (1) ATR 72-600	December 2021	December 2031
One (1) ATR 72-600	May 2024	May 2032

Additionally, the Parent Company charges CEBGO for aircraft maintenance based on a fixed monthly fee per aircraft to cover all operational and administrative costs, transaction fees for all distribution and ticket sales processed through the cebupacificair.com website based on a fixed amount per available seats, and various intercompany charges such as fuel stock transfer, incurred by the Company that are paid in advance by the Parent Company.

6. The Parent Company entered into a Shared Services Agreement with A-plus. Under the aforementioned agreement, the Parent Company will render certain administrative services to A-plus which include payroll processing and certain information technology-related functions.

   For the aircraft maintenance program, the Parent Company engaged A-plus to render line maintenance, light aircraft checks and technical ramp handling services at various domestic and international airports, and to maintain and provide aircraft heavy maintenance. Cost of services are recorded as 'Repairs and maintenance' in the Parent Company statements of comprehensive income and any unpaid amounts as of reporting date as trade payables under 'Accounts payable and other accrued liabilities' account.

7. On October 7, 2024, Airswift became a wholly owned subsidiary of the Parent Company. At the date of acquisition, part of the consideration transferred by Parent Company to Airswift was a shareholder loan amounting to ₱1.3 billion. This loan bears interest of 5.75% and is due and demandable.

   For the years ended December 31, 2025, the Parent Company earned interest income on shareholder loan amounting to ₱69.4 million and ₱21.8 million, respectively.

   In 2025, all distribution and ticket sales are processed through the Parent Company's reservation system and collections are coursed through Parent Company. Collections from tickets, cargo and ancillary sales, net of transaction fees, are recorded as part of 'Due from related parties' account.

8. The Parent Company provides air transportation services to certain related parties, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the Parent Company statements of financial position.

   The Parent Company also purchases goods from URC for in-flight sales and are recorded as trade payables, if unpaid, in the Parent Company statements of financial position. Total amount of purchases in 2025 and 2024 amounted to ₱75.7 million and ₱101.6 million, respectively.

   Additionally, the Parent Company also incurs liabilities to URC primarily for the rendering of payroll service to the Parent Company which are recorded under 'Due to related parties' account.

9. The Parent Company enters into finance lease arrangements with various Special Purpose Entities (SPEs) established to facilitate the acquisition of aircraft and engines. Lease payments made by the Parent Company are used by the SPEs to service principal and interest obligations on the related loans.

10. The Parent Company provides air transportation services to certain related parties, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the Parent Company statements of financial position.

11. The compensation of the Parent Company's key management personnel by benefit type follows:

	2025	2024
Short-term employee benefits	**₱593,748,246**	₱542,347,813
Post-employment benefits	**114,601,915**	74,749,272
Share-based benefits	**8,828,077**	17,321,121
	₱717,178,238	₱634,418,206

There are no agreements between the Parent Company 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 Parent Company's retirement plan.

Approval requirements and limits on the amount and extent of related party transactions
Material related party transactions (MRPT) refer to any related party transactions, either individually, or in aggregate over a twelve (12)–month period with the same related party, amounting to ten percent (10%) or higher of the Parent Company's total assets based on its latest audited financial statements.

All individual MRPTs shall be approved by at least two-thirds (2/3) vote of the BOD, with at least a majority of the Independent Directors voting to approve the MRPT. In case that a majority of the Independent Directors' vote is not secured, the MRPT may be ratified by the vote of the stockholders representing at least two thirds (2/3) of the outstanding capital stock.

Aggregate RPT transactions within a 12-month period that meet or breach the materiality threshold shall require the same BOD approval mentioned above.

30. Financial Risk Management Objectives and Policies

The Parent Company's principal financial instruments, other than derivatives, comprise cash and cash equivalents, derivative financial assets and financial liabilities, receivables, payables and interest-bearing borrowings. The main purpose of these financial instruments is to finance the Parent Company's operations and capital expenditures. The Parent Company has various other financial assets and liabilities, such as trade receivables and trade payables which arise directly from its operations.

The Parent Company's BOD reviews and approves policies for managing each of these risks and they are summarized in the succeeding paragraphs, together with the related risk management structure.

Risk Management Structure
The Parent Company's risk management structure is closely aligned with that of JGSHI. The Parent Company has its own BOD which is ultimately responsible for the oversight of the Parent Company's risk management process, which 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 Parent Company's Audit Committee assists the Parent Company's BOD in its fiduciary responsibility for the overall effectiveness of risk management systems, and the internal audit functions of the Parent Company. Furthermore, it is also 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 Parent Company'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 Parent Company's goals.
c. Event Identification - it identifies both internal and external events affecting the Parent Company'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 Parent Company's earnings and capital.
e. Risk Response – the Parent Company'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 Parent Company'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 Parent Company's operations thus increasing their accountability and ownership in the execution of the internal control framework. To accomplish the established goals and objectives, the Parent Company 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 monitoring market risk exposures and effectively manage 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 Parent Company's Executive Committee. Part of the program is to mainly manage these market risks using derivatives that are solely for the purpose of hedging. Hedging activities are regularly reviewed and monitored by the Chief Executive Adviser and Chief Strategy Officer to ensure alignment of hedging strategies and objectives with the Parent 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 Parent Company may incur within a certain frequency over a certain time frame.
c. Risk control represents the activities and programs the Parent 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 Parent 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 Parent Company 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.
b. 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 Parent Company's ability to achieve its goals and objectives.
   1. Risk Indicator - is a potential event or action that may prevent the continuity/action
   2. Risk Driver - is an event or action that triggers the risk to materialize
   3. Value Creation Opportunities - is the positive benefit of addressing or managing the risk
c. Identification of Existing Control Measures - activities, actions or measures already in place to control, prevent or manage the risk.

d. Risk Rating/Score - is the quantification of the likelihood and impact to the Company if the risk materialized. The rating has two (2) components:
    1. Probability - the likelihood of occurrence of risk
    2. Severity - the magnitude of the consequence of risk
e. Risk Management Strategy - is the structured and coherent approach to managing the identified risk.
f. 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 is 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 Parent Company's BOD created the following departments within the Parent Company to support the risk management activities of the Parent Company 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 Parent Company.

<u>Risk Management Policies</u>
The main risks arising from the use of financial instruments are credit risk, liquidity risk and market risk, namely foreign currency risk, commodity price risk and interest rate risk. The Parent Company'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 Parent Company. The Parent Company trades only with recognized, creditworthy third parties. It is the Parent Company'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 Parent Company, which comprise cash in banks and cash equivalents and financial assets at FVPL, the Parent Company's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Parent Company has no concentration of risk with regard to various industry sectors. The major industry relevant to the Parent Company is the transportation sector and financial intermediaries.

Maximum exposure to credit risk without taking account of any credit enhancement
The table below shows the gross maximum exposure to credit risk of the Parent Company as of December 31, 2025 and 2024, without considering the effects of collaterals and other credit risk mitigation techniques.

	2025	2024
Cash and cash equivalents*	**₱16,507,304,353**	₱16,057,185,596
Derivative financial assets at FVOCI	**–**	1,297,193
Receivables		
Trade receivables	**2,977,830,731**	2,437,447,742
Due from related parties	**1,656,436,218**	2,139,920,542
Interest receivable	**16,278,629**	14,973,237
Others**	**327,851,911**	248,389,736
Refundable deposits***	**1,790,427,154**	2,896,844,227
	₱23,276,128,996	₱23,796,058,273

* *Excluding cash on hand*
** *Include nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the parent company statements of financial position*

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Parent Company's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Parent Company's financial strength and undermine public confidence. In order to avoid excessive concentrations of risk identified concentrations of credit risks are controlled and managed accordingly.

The Parent Company's credit risk exposures, before taking into account any collateral held or other credit enhancements are categorized by geographic location as follows:

	2025				
	Philippines	**Asia (excluding Philippines)**	**Europe**	**Others**	**Total**
Cash and cash equivalents*	**₱5,217,010,838**	**₱11,107,211,617**	**₱–**	**₱183,081,898**	**₱16,507,304,353**
Receivables					
Trade receivables	**1,519,624,021**	**728,742,948**	**30,895,589**	**698,568,173**	**2,977,830,731**
Due from related parties	**1,656,436,218**	**–**	**–**	**–**	**1,656,436,218**
Interest receivable	**5,504,244**	**233,598**	**–**	**10,540,787**	**16,278,629**
Others**	**257,154,689**	**70,694,010**	**1,176**	**2,036**	**327,851,911**
Refundable deposits***	**–**	**1,790,427,154**	**–**	**–**	**1,790,427,154**
	₱8,655,730,010	**₱13,697,309,327**	**₱30,896,765**	**₱892,192,894**	**₱23,276,128,996**

* *Excluding cash on hand*
** *Include nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the parent company statements of financial position*

	2024				
	Philippines	Asia (excluding Philippines)	Europe	Others	Total
Cash and cash equivalents*	₱3,194,912,820	₱12,647,393,351	₱–	₱214,879,785	₱16,057,185,956
Derivative financial assets at FVOCI	1,297,193	–	–	–	1,297,193
Receivables					
Trade receivables	1,689,152,186	696,605,072	506,760	51,183,723	2,437,447,741
Due from related parties	2,139,920,542	–	–	–	2,139,920,542
Interest receivable	14,973,237	–	–	–	14,973,237
Others**	94,770,297	1,619,624	156,148,401	(4,148,586)	248,389,736
Refundable deposits***	–	2,896,844,227	–	–	2,896,844,227
	₱7,135,026,275	₱16,242,462,274	₱156,655,161	₱261,914,922	₱23,796,058,632

* *Excluding cash on hand*
** *Include nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the parent company statements of financial position*

Credit quality per class of financial assets
The Parent Company 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 Parent Company implements external credit rating system which uses available public information and international credit ratings. The management does not expect default from its counterparty banks given their high credit standing.

The tables below show the credit quality by class of financial assets based on internal credit rating of the Parent Company (gross of allowance for impairment losses) as of December 31, 2025 and 2024.

	2025				
	Neither Past Due Nor Specifically Impaired			**Past Due or Individually Impaired**	**Total**
	High Grade	**Standard Grade**	**Substandard Grade**		
Cash and cash equivalents*	**₱16,507,304,353**	**₱–**	**₱–**	**₱–**	**₱16,507,304,353**
Receivables					
Trade receivables	**2,697,279,651**	**–**	**–**	**280,551,080**	**2,977,830,731**
Due from related parties	**1,656,436,218**	**–**	**–**	**–**	**1,656,436,218**
Interest receivable	**16,278,629**	**–**	**–**	**–**	**16,278,629**
Others**	**327,332,013**	**–**	**–**	**519,898**	**327,851,911**
Refundable deposits***	**1,790,427,154**	**–**	**–**	**–**	**1,790,427,154**
	₱22,995,058,018	**₱–**	**₱–**	**₱281,070,978**	**₱23,276,128,996**

* *Excluding cash on hand*
** *Include nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the parent company statements of financial position.*

	2024				
	Neither Past Due Nor Specifically Impaired			Past Due or Individually Impaired	Total
	High Grade	Standard Grade	Substandard Grade		
Cash and cash equivalents*	₱16,057,185,956	₱–	₱–	₱–	₱16,057,185,956
Derivative financial assets at FVOCI	1,297,193	–	–	–	1,297,193
Receivables					
Trade receivables	2,148,126,044	–	–	289,321,698	2,437,447,742
Due from related parties	2,139,920,542	–	–	–	2,139,920,542
Interest receivable	14,973,237	–	–	–	14,973,237
Others**	247,869,838	–	–	519,898	248,389,736
Refundable deposits***	2,896,844,227	–	–	–	2,896,844,227
	₱23,506,217,037	₱–	₱–	₱289,841,596	₱23,796,058,633

* *Excluding cash on hand*
** *Include nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the parent company statements of financial position.*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top ten banks in terms of resources and profitability.

The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

The following tables show the aging analysis of the Parent Company's receivables:

	2025							
	Neither Past Due Nor Impaired	**Past Due But Not Impaired**					**Past Due and Impaired**	
		1-30 days	**31-60 days**	**61-90 days**	**91-180 days**	**Over 180 days**		**Total**
Trade receivables	**₱2,461,754,156**	**₱207,404,946**	**₱15,783,755**	**₱4,237,026**	**₱3,510,584**	**₱4,589,184**	**₱280,551,080**	**₱2,977,830,731**
Due from related parties	**1,656,436,218**	**–**	**–**	**–**	**–**	**–**	**–**	**1,656,436,218**
Interest receivable	**16,278,629**	**–**	**–**	**–**	**–**	**–**	**–**	**16,278,629**
Others*	**247,394,188**	**627,778**	**23,731,290**	**797,954**	**37,333,156**	**17,447,647**	**519,898**	**327,851,911**
	₱4,381,863,191	**₱208,032,724**	**₱39,515,045**	**₱5,034,980**	**₱40,843,740**	**₱22,036,831**	**₱281,070,978**	**₱4,978,397,489**

**Include nontrade receivables from insurance, employees and counterparties*

	2024							
	Neither Past Due Nor Impaired	Past Due But Not Impaired					Past Due and Impaired	
		1-30 days	31-60 days	61-90 days	91-180 days	Over 180 days		Total
Trade receivables	₱1,678,405,458	₱258,921,999	₱109,264,392	₱35,612,872	₱6,654,992	₱59,266,331	₱289,321,698	₱2,437,447,742
Due from related parties	2,139,920,542	–	–	–	–	–	–	2,139,920,542
Interest receivable	14,973,237	–	–	–	–	–	–	14,973,237
Others*	160,346,764	51,883,330	4,615,657	23,821,505	824,275	6,378,307	519,898	248,389,736
	₱3,993,646,001	₱310,805,329	₱113,880,049	₱59,434,377	₱7,479,267	₱65,644,638	₱289,841,596	₱4,840,731,257

**Include nontrade receivables from insurance, employees and counterparties*

For the past due and impaired receivables, allowance for impairment losses amounted to ₱281.1 million and ₱289.8 million as of December 31, 2025 and 2024, respectively.

Collateral or credit enhancements
As collateral against trade receivables from sales ticket offices or agents, the Parent Company requires cash bonds from major sales ticket offices or agents ranging from ₱50,000 to ₱2.1 million depending on the Parent Company's assessment of sales ticket offices and agents' credit standing and volume of transactions. As of December 31, 2025 and 2024, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' account in the Parent Company statements of financial position) amounted to ₱71.9 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. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (that is, 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 Parent Company applies the general approach of which it track 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 Parent Company 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 Parent Company uses benchmark approach where the Parent Company finds comparable companies in the same industry having similar characteristics. The Parent Company 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 Parent Company in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Parent Company 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 Parent Company 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 Parent Company's inability to meet its obligations when they become due without recurring unacceptable losses or costs.

The Parent Company'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 Parent Company's business operations or unanticipated events created by customer behavior or capital market conditions. The Parent Company maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Parent Company 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 the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Parent Company can be required to pay. When the Parent Company is committed to make amounts available in installments, each installment is allocated to the earliest period in which the Parent Company can be required to pay.

The tables below summarize the maturity profile of financial instruments based on remaining contractual undiscounted cash flows as of December 31, 2025 and 2024:

	2025					
	Less than one month to 1 month	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**>5 years**	**Total**
Financial Assets						
Loans and receivables						
Cash and cash equivalents	**₱15,466,753,074**	**₱1,040,551,279**	**₱–**	**₱–**	**₱–**	**₱16,507,304,353**
Receivables:						
Trade receivables	**2,742,284,636**	**227,425,728**	**8,120,367**	**–**	**–**	**2,977,830,731**
Due from related parties*	**1,656,436,218**	**–**	**–**	**–**	**–**	**1,656,436,218**
Interest receivable	**16,278,629**	**–**	**–**	**–**	**–**	**16,278,629**
Others **	**68,403,011**	**25,157,022**	**234,291,878**			**327,851,911**
Refundable deposits	**–**	**–**	**–**	**–**	**1,790,427,154**	**1,790,427,154**
	₱19,950,155,568	**₱1,293,134,029**	**₱242,412,245**	**₱–**	**₱1,790,427,154**	**₱23,276,128,996**
Financial Liabilities						
Lease liability****	**₱1,844,335,940**	**₱6,027,668,868**	**₱16,110,071,900**	**₱108,843,401,879**	**₱73,034,524,245**	**₱205,860,002,832**
Long-term debt*****	**124,647,007**	**504,017,328**	**1,367,249,113**	**2,349,955,772**	**811,083,808**	**5,156,953,028**
Bonds payable*****	**56,952,812**	**108,394,063**	**496,040,625**	**14,934,497,188**	**–**	**15,595,884,688**
Accounts payable and other accrued liabilities***	**18,703,415,983**	**123,507,220**	**70,927,391**	**39,725,278**	**77,133,803**	**19,014,709,675**
Due to related parties*	**73,129,617**	**–**	**–**	**–**	**–**	**73,129,617**
	₱20,802,481,359	**₱6,763,587,479**	**₱18,044,289,029**	**₱126,167,580,117**	**₱73,922,741,856**	**₱245,700,679,840**

* *Receivable and payable on demand*
** *Include nontrade receivables from insurance, employees and counterparties*
*** *Excluding government-related payables*
**** *Consist of undiscounted minimum lease payments*
******Including future undiscounted interest payments*

	2024					
	Less than one month to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	Total
Financial Assets						
Loans and receivables						
Cash and cash equivalents	₱16,057,185,596	₱–	₱–	₱–	₱–	₱16,057,185,596
Derivative financial assets at FVOCI	1,297,193	–	–	–	–	1,297,193
Receivables:						
Trade receivables	1,436,806,199	403,799,263	596,842,280	–	–	2,437,447,742
Due from related parties*	2,139,920,542	–	–	–	–	2,139,920,542
Interest receivable	14,973,237	–	–	–	–	14,973,237
Others **	75,674,165	165,512,989	7,202,582	–	–	248,389,736
Refundable deposits	–	–	–	–	2,896,844,227	2,896,844,227
	₱19,725,856,932	₱569,312,252	₱604,044,862	₱–	₱2,896,844,227	₱23,796,058,273
Financial Liabilities						
Lease liability****	₱1,603,255,495	₱3,701,327,277	₱16,466,353,648	₱89,911,969,964	₱102,133,605,708	₱213,816,512,092
Long-term debt*****	134,779,594	471,945,592	1,293,495,986	3,989,660,281	1,397,238,787	7,287,120,240
Bonds payable*****	56,037,344	106,651,719	488,067,188	15,345,193,906	–	15,995,950,157
Accounts payable and other accrued liabilities***	20,004,262,147	1,276,418,631	379,903,412	49,965,915	112,396,117	21,822,946,222
Due to related parties*	194,773,119	–	–	–	–	194,773,119
	₱21,993,107,699	₱5,556,343,219	₱18,627,820,234	₱109,296,790,066	₱103,643,240,612	₱259,117,301,830

* *Receivable and payable on demand*
** *Include nontrade receivables from insurance, employees and counterparties*
*** *Excluding government-related payables*
**** *Consist of undiscounted minimum lease payments*
******Including future undiscounted interest payments*

Refer to Note 1 on the measures taken by the Parent Company to address liquidity gap as at December 31, 2025 and 2024.

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 Parent Company'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 Parent Company has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the Parent Company's functional currency. During the years ended December 31, 2025 and 2024, approximately 19.3% and 19.1% respectively, of the Parent Company's total sales are denominated in currencies other than the functional currency. Furthermore, the Parent Company's capital expenditures are substantially denominated in USD.

As of December 31, 2025 and 2024, 77.9% and 71.6%, respectively, of the Parent Company's financial liabilities were denominated in USD, respectively.

The Parent Company has foreign currency hedging arrangements as of December 31, 2025 and 2024.

The tables below summarize the Parent Company's exposure to foreign currency risk. Included in the tables are the Parent Company's financial assets and liabilities at carrying amounts, categorized by currency.

	2025					
	US Dollar	**Hong Kong Dollar**	**Singaporean Dollar**	**Japanese Yen**	**Other Currencies***	**Total**
Financial assets						
Loans and receivables						
Cash and cash equivalents	**₱9,386,664,672**	**₱367,628,861**	**₱214,586,818**	**₱557,399,704**	**₱946,232,710**	**₱11,472,512,765**
Derivative financial assets at FVOCI	–	–	–	–	–	–
Receivables	**459,125,979**	**334,739,704**	**13,528,443**	**78,489,810**	**2,814,462,428**	**3,700,346,364**
Refundable deposits**	**1,790,427,154**	–	–	–	–	**1,790,427,154**
	₱11,636,217,805	**₱702,368,565**	**₱228,115,261**	**₱635,889,514**	**₱3,760,695,138**	**₱16,963,286,283**
Financial Liabilities						
Bonds payable	**₱14,514,355,308**	–	–	–	–	**₱14,514,355,308**
Financial liabilities at FVPL	–	–	–	–	–	–
Lease liabilities	**168,331,548,207**	–	–	–	–	**168,331,548,207**
Accounts payable & other accrued liabilities***	**1,846,149,893**	**9,146,338**	**27,281,582**	**58,772,667**	**3,676,395,433**	**5,617,745,913**
	₱184,692,053,408	**₱9,146,338**	**₱27,281,582**	**₱58,772,667**	**₱3,676,395,433**	**₱188,463,649,428**

* *Other currencies include Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*
** *Included under 'Other noncurrent assets' account in the parent company statements of financial position*
****Excluding government-related payables*

	2024					
	US Dollar	Hong Kong Dollar	Singaporean Dollar	Japanese Yen	Other Currencies*	Total
Financial assets						
Loans and receivables						
Cash and cash equivalents	₱11,226,597,713	₱542,666,256	₱244,544,162	₱202,730,927	₱729,621,311	₱12,946,160,369
Derivative financial assets at FVOCI	1,297,193	–	–	–	–	1,297,193
Receivables	663,115,265	289,619,337	48,423,326	57,981,754	319,215,661	1,378,355,343
Refundable deposits**	2,896,844,227	–	–	–	–	2,896,844,227
	₱14,787,854,398	₱832,285,593	₱292,967,488	₱260,712,681	₱1,048,836,972	₱17,222,657,132
Financial Liabilities						
Bonds payable	₱14,156,440,222	–	–	–	–	₱14,156,440,222
Financial liabilities at FVPL	–	–	–	–	–	–
Lease liabilities	141,071,213,458	–	–	–	–	141,071,213,458
Accounts payable & other accrued liabilities***	2,564,469,550	2,131,878	27,011,213	59,095,821	119,215,242	2,771,923,704
	₱157,792,123,230	₱2,131,878	₱27,011,213	₱59,095,821	₱119,215,242	₱157,999,577,384

* *Other currencies include Malaysian ringgit, Korean won, New Taiwan dollar, Japanese Yen, Australian dollar and Euro*
** *Included under 'Other noncurrent assets' account in the parent company statements of financial position*
*** *Excluding government-related payables*

The exchange rates used to restate the Parent Company's foreign currency-denominated assets and liabilities as of December 31, 2025 and 2024 follow:

	2025	2024
US dollar	**₱58.790 to US$1.00**	₱57.845 to US$1.00
Singapore dollar	**₱45.820 to SGD1.00**	₱42.692 to SGD1.00
Hong Kong dollar	**₱7.5669 to HKD1.00**	₱7.4684 to HKD1.00
Japanese yen	**₱0.3756 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 Parent Company's pre-tax income for the years ended December 31, 2025 and 2024 (in thousands).

	2025		2024	
Changes in foreign exchange value	**₱2**	**(₱2)**	₱2	(₱2)
Change in pre-tax income	**(₱6,243,994)**	**₱6,243,994**	(₱3,929,716)	₱3,929,716

Other than the potential impact on the Parent Company's pre-tax income, there is no other effect on equity.

The Parent Company does not expect the impact of the volatility on other currencies to be material.

Commodity price risk
In 2025 and 2024, the Parent Company enters 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 Parent Company's fuel costs in pre-tax income by ₱3,151.3 million and ₱2,833.7 million for the years ended December 31, 2025 and 2024, respectively, assuming no change in volume of fuel is consumed.

Commodity derivative contracts maturing three (3) months from reporting date are designated for hedge accounting. Derivative financial instruments which are part of hedging relationships do not expose the Parent Company 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.

These hedging activities are in accordance with the risk management strategy and objectives outlined in the TRM policies and guidelines which have been approved by the Executive Committee on September 1, 2019.

There is an economic relationship between the hedged items and hedging instruments as the terms of the foreign exchange forward contracts and commodity swaps and zero cost collars match the terms of the expected highly probable forecast transactions. The Parent Company 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 Parent Company 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.

Hedge ineffectiveness arises from the use of off-market derivatives when hedge accounting is first applied on September 1, 2019. The hedge ineffectiveness arising from the differences on the counterparty and own credit risk incorporated in the hedging instrument and zero credit risk on the hedged item are deemed insignificant given that all counterparties are given investment grade ratings by the major credit rating agencies.

Outstanding derivative contracts
The tables below summarize the maturity profile of outstanding derivative contracts as of December 31, 2024 (nil in 2025):

	December 31, 2024					
	1 to 3 months	4 to 6 months	7 to 12 months	13 to 15 months	More than 15 months	Total
Interest rate swap contracts:						
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 impact of the hedge accounting on the parent company statements of financial position as of December 31, 2025 and 2024 follows:

December 31, 2025

	Change in fair value used in measuring ineffectiveness for the period	**Cash flow hedge reserve**
Interest rate derivatives	**₱329,572,814**	**₱329,572,814**

December 31, 2024

	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

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

	2025	2024
Balances at January 1	**₱20,993,041**	₱159,718,949
Effective portion of cash flow hedges:		
Fuel hedges	**(163,614,079)**	(3,180,828)
Interest rate hedge	**–**	(1,687,404)
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense	**166,510,541**	8,049,060
Interest expense (Note 8)	**(80,492,238)**	(88,382,945)
Actuarial gain (loss) on retirement liability	**94,676,376**	(99,765,760)
Tax effect	**(4,270,150)**	46,241,969
Balances at December 31	**₱33,803,491**	₱20,993,041

Interest rate risk
Interest rate risk arises on interest-bearing financial instruments recognized in the parent company statements of financial position and on some financial instruments not recognized in the parent company statements of financial position (i.e., some loan commitments, if any). The Parent Company's policy is to manage its interest cost using a mix of fixed and variable rate debt (see Note 18). Furthermore, the Parent Company enters into interest rate derivative contracts to manage exposure to the volatility of interest rates on the leases of the expected aircraft deliveries (see Note 8).

The following tables show information about the Parent Company’s commercial loans that are exposed to interest rate risk and are presented by maturity profile (see Note 18).

	2025							
	<1 year	**>1-2 years**	**>2-3 years**	**>3-4 years**	**>4-5 years**	**>5 years**	**Total**	**Fair Value**
Commercial loans from banks	**₱1,757,810,985**	**₱1,073,641,798**	**₱263,487,851**	**₱251,506,069**	**₱201,204,855**	**₱754,518,203**	**₱4,302,169,761**	**₱4,186,446,370**

	2024							
	<1 year	>1-2 years	>2-3 years	>3-4 years	>4-5 years	>5 years	Total	Fair Value
Commercial loans from banks	₱1,757,810,985	₱1,757,810,985	₱1,073,641,797	₱313,789,064	₱201,204,855	₱955,723,060	₱6,059,980,746	₱5,262,800,387

The following table sets forth the impact of the range of reasonably possible changes in interest rates on the Parent Company's pre-tax income for the years ended December 31, 2025 and 2024.

	2025		2024	
Changes in interest rates	**1.50%**	**(1.50%)**	1.50%	(1.50%)
Changes in pre-tax income	**(₱170,928,391)**	**₱170,928,391**	(₱285,304,345)	₱285,304,345

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 Parent Company's exposure to interest rate risk relates primarily to the Parent Company's financial liabilities at fair value through profit or loss.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Parent Company's income before tax and the relative impact on the Parent Company's net assets as of December 31, 2025 and 2024:

	Change in Basis Points	Effect on profit before tax
2025	**+200%**	**(₱254,283,434)**
	-200%	**277,040,521**
2024	+200%	(₱137,373,748)
	-200%	274,525,650

31. Fair Value Measurement

The carrying amounts approximate fair values for the Parent Company's financial assets and liabilities due to its short-term maturities except for the following financial asset and other financial liabilities as of December 31, 2025 and 2024:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Refundable deposits (Note 15)	**₱1,790,427,154**	**₱1,611,790,447**	₱2,896.844,227	₱2,436,333,766
Financial Liabilities				
Long-term debt* (Note 18)	**₱4,302,169,761**	**₱4,186,446,370**	₱6,059,980,746	₱5,262,800,387

** Includes current portion*

The methods and assumptions used by the Parent Company in estimating the fair value of financial asset 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 Parent Company used average discount rates of 3% to 5% and 3% to 6% in 2025 and 2024, respectively.

Long-term debt
The fair value of finance lease obligation and long-term debt is determined using the discounted cash flow methodology, with reference to the Parent Company's current incremental lending rates for similar types of loans. The discount rates used ranged from 5% to 6% and 2% to 5% as of December 31, 2025 and 2024.

The tables below show the Parent Company's financial instruments carried at fair value hierarchy classification:

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value:				
Derivative financial liabilities at fair value through OCI (Note 8)	₱–	₱–	₱–	₱–
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	₱–	₱–	**₱1,611,790,447**	**₱1,611,790,447**
Long-term debt	–	**4,186,446,370**	–	**4,186,446,370**

	2024			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:				
Derivative financial liabilities at fair value through OCI (Note 8)	₱–	₱1,297,193	₱–	₱1,297,193
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	₱–	₱–	₱2,470,476,536	₱2,470,476,536
Long-term debt	–	7,943,294,365	–	7,943,294,365

There were no transfers within any hierarchy level of fair value measurements for the years ended December 31, 2025 and 2024, respectively.

32. Commitments and Contingencies

Leases
The Parent Company has aircraft and non-aircraft leases. Leases of aircraft generally have lease terms between 1.25 and 8 years, while leases of non-aircraft items generally have lease terms between 3 and 18 years. The Parent Company's obligations under its leases are secured by the lessor's title to the leased assets.

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

The movements in right-of-use asset follow:

	2025	2024
Cost		
Balance at January 1	**₱173,517,640,423**	₱137,470,000,368
Additions (non-cash investing activity)	**37,810,109,329**	57,253,293,883
Deferred gain on sale and leaseback	**282,299,732**	(2,987,237,408)
Retirement	**(5,225,010,241)**	(18,218,416,420)
	206,385,039,243	173,517,640,423
Accumulated amortization		
Balance at January 1	**31,133,729,525**	32,457,076,486
Amortization expense	**16,539,247,725**	13,695,112,724
Retirement	**(2,652,901,502)**	(15,018,459,685)
	45,020,075,748	31,133,729,525
	₱161,364,963,495	₱142,383,910,898

The movements in lease liability follow:

	2025	2024
Balance at January 1	**₱147,830,913,568**	₱109,299,138,710
Additions (non-cash investing activity)	**37,810,109,329**	57,253,293,877
Accretion of interest	**6,246,611,313**	4,886,699,094
Realized foreign exchange loss (gain)	**664,699,290**	(119,326,577)
Payment	**(22,003,384,947)**	(21,226,200,210)
Retirement	**(511,339,423)**	(2,262,691,326)
Balance at December 31	**170,037,609,130**	147,830,913,568
Less: Current portion	**18,470,120,224**	16,683,308,884
Noncurrent portion	**₱151,567,488,906**	₱131,147,604,684

The maturity analysis of lease liabilities is disclosed in Note 30.

The following are the amounts recognized in the parent company statements of comprehensive income:

	2025	2024
Amortization expense on right-of-use asset	**₱16,539,247,725**	₱13,695,112,724
Interest expense on lease liability	**6,246,611,313**	4,886,699,094
Rent expense on short term leases	**2,130,222,876**	2,155,320,780
	₱24,916,081,914	₱20,737,132,598

Details of the Parent Company's lease commitments follows:

Aircraft Lease Commitments

The Parent Company 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 Parent's Airbus A320CEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
December 2021	Avolon Leasing Ireland 3 Limited	3	September 2026 - September 2027
May 2023	Banc of America Leasing Ireland Co., Limited	1	May 2026
June 2023	AWAS 3896 Trust	1	June 2026
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
November - December 2025	Wilmington Trust SP Services (Dublin) Limited	4	October 2026, January 2028 – April 2028

In November to December 2025, the operating lease agreements with Wilmington Trust SP Services (Dublin) Limited Trust for four (4) Airbus A320 CEO, have been duly amended to reflect a transfer of beneficial interest. Specifically, the existing beneficial owner, VMO Aircraft Leasing 27 (Ireland) Limited, has transferred and assigned its beneficial interest in the aircraft and the related lease agreements to AS Air Lease 205 (Ireland) Limited.

In 2025, the Parent Company pre-terminated its lease agreement with CAI Limited for three (3) A320CEO aircraft following the lessor's sale of these aircraft to third parties. Consequently, the Parent Company derecognized the net book value of the related right-of-use assets amounting to ₱2.3 billion. The Parent Company also received proceeds from the transaction totaling ₱3.7 billion, resulting in a net gain of ₱1.4 billion, which was recognized under "Gain on disposal – net" in the Parent Company's statement of comprehensive income.

A320NEO aircraft
The following table summarizes the specific lease agreements on the Parent'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
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
August 2025	Orix Aviation Systems Limited	1	December 2032

In April 2024, the Parent Company 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 Parent Company 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.

In August 2025, the lease rights for one (1) Airbus A320NEO, originally established under a 10-year lease agreement with Sky High 135 Leasing Company Limited in December 2022, were amended and officially novated to the current lessor, Orix Aviation Systems Limited.

A321CEO aircraft
In December 2024, the Parent Company pre-terminated its lease arrangement with TOADAC. As a result, the Parent Company has derecognized the net book value of its right-of-use assets and lease liabilities, including ARO provision, amounting to ₱2.9 billion and ₱2.6 billion, respectively. The resulting loss from the transaction amounted to ₱314.9 million. This was recorded under 'Gain on disposal – net' in the Parent Company's statement of comprehensive income. Following the transaction, TOADAC was dissolved as SPE of the Parent Company.

The Parent Company then entered into a new operating lease arrangement for the same seven (7) A321CEO aircraft with Jackson Square Aviation Ireland, Ltd. Accordingly, the Parent Company recognized right-of-use assets and lease liability amounting to ₱6.0 billion.

A321NEO aircraft
The following table summarizes the specific lease agreements on the Parent'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 June 2024, the Parent Company entered into a 12-year lease agreement with Aviation Capital Group LLC for one (1) Airbus A321NEO delivered in the same month.

ATR 72-600 aircraft
On May 10, 2019, the Parent Company entered into a 10-year lease agreement with AVAP AIRCRAFT TRADING III PTE. Ltd. for one (1) ATR 72-600 aircraft which was delivered in May 2019.

In December 2021, the Parent entered into a 10-year lease agreement with MSO 1628 Leasing Designated Activity Company for one (1) ATR-600 delivered on December 15, 2021.

In December 2023, the Parent Company 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 Parent Company's Airbus A330NEO aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
July 2019	Avolon Leasing Ireland 3 Limited	1	December 2033
November 2019	Avolon Leasing Ireland 3 Limited	1	December 2035
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
April 2024	Jackson Square Aviation Ireland Limited	1	July 2037
April 2024	Avolon Leasing Ireland 3 Limited	1	December 2037
July 2024	Iniserkin Leasing Limited	1	October 2037
August 2024	Jackson Square Aviation Ireland Limited	1	December 2036
December 2024	SMBC Aviation Capital Limited	1	February 2036
September 2025	ACG Aircraft Leasing Limited	1	July 2036

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. The amendment and novation did not result to any change to the lease term.

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

In April 2024, the Parent Company entered into a 12-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A330NEO delivered in July 2025.

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

In July 2024, the Parent Company entered into a 12-year lease agreement with Inisherkin Leasing Limited for one (1) Airbus A330NEO delivered in October 2025.

In August 2024, the Parent Company entered into a 12-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A330NEO delivered in 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. The amendment and novation did not result to any change to the lease term.

In September 2025, the lease rights for one (1) Airbus A330NEO delivered in July 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, ACG Aircraft Leasing Limited. The amendment and novation did not result to any change to the lease term.

Engine Lease Commitments

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

Date of Lease Agreement	Lessors	No. of Units	Lease Term
June 2019	RRPF Engine Leasing Limited	Rolls-Royce Trent 700	1
September 2020 October 2020	SMBC Aero Engine Lease B.V.	CFM 56	3
September 2020	Sunrise Non-US PO 1 Ltd	CFM 56	1
December 2021	Sunrise Non-US PO 1 Ltd	CFM 56	1
August 2022	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1
September 2022	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	4
March 2023	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1
July 2023	RRPF Engine Leasing Limited	Pratt & Whitney PW1133G-JM	1
October 2023	NAC Aviation 57 Limited	CFM 56	1
May 2024	Total Engine Asset Management PTE. LTD.	Pratt & Whitney PW1133G-JM	4
July 2024	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1
September 2024 & November 2024	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	5
November 2024	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1
December 2024	SMBC Aero Engine Lease B.V.	Pratt & Whitney PW1133G-JM	1
March 2025	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1
April 2025	RRPF Engine Leasing Limited	Rolls-Royce Trent 7000	1
June 2025	RRPF Engine Leasing (No. 2) Limited	Pratt & Whitney PW1133G-JM	1
September-November 2025	JLPS Ireland Limited	Pratt & Whitney PW1133G-JM	5

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

In September and November 2024, the Parent Company 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 RRPF Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited. The amendment and novation did not result to any change to the lease term.

In December 2024, the Parent Company 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 RRPF Engine Leasing Limited in November 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited. The amendment and novation did not result to any change to the lease term.

In April 2025, the Parent Company received one (1) Trent 7000 engine from RRPF 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 RRPF Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited. The amendment and novation did not result to any change to the lease term.

In September 2025, the Parent Company entered into operating lease agreements as part of a sale and leaseback transaction with JLPS Ireland Limited for three (3) PW1133G-JM engines with lease term arrangements of 10 years.

In November 2025, the Parent Company entered into operating lease agreements as part of a sale and leaseback transaction with JLPS Ireland Limited for two (2) PW1133G-JM engines with lease term arrangements of 10 years.

As of December 31, 2025 and 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 parent company statements of comprehensive income) amounted to ₱363.5 million and ₱900.1 million in 2025 and 2024, respectively.

In 2025, the Parent Company entered into a Termination and Settlement Agreement with SMBC Aero Engine Lease B.V. in respect of leasing of the engine with serial number ESN 697582. The related ROU asset and lease liability were derecognized, resulting to a loss of ₱2.0 million, which was recognized under ‘Gain on disposal – net’ in the Parent Company statement of comprehensive income.

In 2025, the Parent Company terminated its lease with RRPF for a Trent 700 engine following the exit of all A330CEO aircraft from the operating fleet. The related ROU asset and lease liability were derecognized, resulting to a gain of ₱45.3 million, which was recognized under 'Gain on disposal – net' in the Parent Company statements of comprehensive income.

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

	2025		2024	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$404,664,690**	**₱23,790,237,143**	US$373,320,659	₱21,594,733,518
After one year but not more than five years	**1,840,151,777**	**108,182,522,966**	1,542,255,248	89,211,754,795
Over five years	**1,206,017,640**	**70,901,777,082**	1,726,136,317	99,848,355,237
	US$3,450,834,107	**₱202,874,537,191**	US$3,641,712,224	₱210,654,843,550

Non-Aircraft Lease Commitments

The Parent Company has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge \ranging from 5.00% to 10.00%.

Future minimum lease payments under these non-cancellable leases follow:

	2025	2024
Within one year	**₱520,266,144**	₱232,731,429
After one year but not more than five years	**2,013,313,389**	994,694,898
Over five years	**4,317,865,628**	3,840,389,291
	₱6,851,445,161	₱5,067,815,618

Lease expenses relating to both cancellable and noncancellable non-aircraft leases (allocated under different expense accounts in the Parent Company statements of comprehensive income) amounted to ₱1,896.0 million and ₱1,255.3 million in 2025 and 2024, respectively.

In 2025, the Parent Company transitioned the leasing of a parcel of land from Manila International Authority (MIAA) / Philippine Aerospace Development Corporation (PADC) to New NAIA Infrastructure Corporation (NNIC). The related ROU asset and lease liability were derecognized resulting in a gain of ₱151.9 million recognized under 'Gain on disposal – net' in the Parent Company statements of comprehensive income.

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.

On September 16, 2025, the Parent Company entered into a 5-year Integrated Materials Services Agreement (initial period), to be followed by another 5-year renewal period subject to mutual agreement, with Satair Pte. Ltd. The agreement covers the supply, on a consignment-stock basis, of covered expendable materials for line, base, and shop maintenance of the aircraft, as well as the provision of service support for the management of these materials.

Aircraft and Spare Engine Purchase Commitments
In August 2011, the Parent Company 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 Parent Company 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 Parent Company 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 Parent Company 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 Parent Company also signed with International Aero Engines (Pratt & Whitney) to power the aircraft with its engines, which includes a comprehensive engine maintenance program.

As of December 31, 2025, the Parent Company is set to take delivery of four (4) A320NEO aircraft, thirteen (13) A321NEO aircraft, two (2) 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 Parent Company is set to take delivery of ten (10) PW1133G-JM engines until 2033.

The above-indicated commitments relate to the Parent Company's re-fleeting and expansion programs. These agreements remain in effect as of December 31, 2025.

Capital Expenditure Commitments

The Parent Company's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱448.0 billion and ₱436.5 billion as of December 31, 2025 and 2024, respectively.

	2025		2024	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$ 875,895,123**	**₱51,493,874,264**	US$ 849,610,022	₱49,145,691,700
After one year but not more than five years	**3,793,028,981**	**222,992,173,816**	2,947,290,413	170,486,013,958
More than five years	**2,952,127,438**	**173,555,572,083**	3,749,357,665	216,881,594,136
	US$ 7,621,051,542	**₱448,041,620,163**	US$ 7,546,258,100	₱436,513,299,794

Contingencies

The Parent Company 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 Parent Company's position.

33. Supplemental Disclosures to the Parent Company Statements of Cash Flows

The changes in liabilities arising from financing activities in 2025 and 2024 are as follows:

			Noncaash		
	January 1, 2025	**Cash Flows**	**Foreign exchange movement**	**Others***	**December 31, 2025**
Short-term debt	**₱5,568,447,189**	**(₱5,505,259,205)**	**(₱63,187,984)**	**₱–**	**₱–**
Current portion of long-term debt	**1,757,810,985**	**(1,757,810,985)**	**–**	**1,757,810,985**	**1,757,810,985**
Long-term debt – net of current portion	**4,302,169,761**	**–**	**–**	**(1,757,810,985)**	**2,544,358,776**
Bonds payable	**14,156,440,222**	**–**	**234,052,315**	**123,862,771**	**14,514,355,308**
Lease liability	**147,830,913,568**	**(22,003,384,947)**	**664,699,290**	**43,545,381,219**	**170,037,609,130**
Dividends payable	**–**	**(2,816,988,345)**	**–**	**2,816,988,345**	**–**
Total liabilities from financing activities	**₱173,615,781,725**	**(₱32,083,443,482)**	**₱835,563,621**	**₱46,486,232,335**	**₱188,854,134,199**

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

			Noncash		
	January 1, 2024	Cash Flows	Foreign exchange movement	Others*	December 31, 2024
Short-term debt	₱–	₱5,389,625,398	₱178,821,791	₱–	₱5,568,447,189
Current portion of long-term debt	2,190,872,905	(3,931,933,244)	–	3,498,871,324	1,757,810,985
Long-term debt – net of current portion	5,788,992,535	2,012,048,550	–	(3,498,871,324)	4,302,169,761
Bonds payable	13,437,715,699	–	116,951,790	601,772,733	14,156,440,222
Lease liability	109,299,138,710	(21,226,200,210)	(119,326,577)	59,877,301,645	147,830,913,568
Total liabilities from financing activities	₱130,716,719,849	(₱17,756,459,506)	₱176,447,004	₱60,479,074,378	₱173,615,781,725

**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 19 and 32 for noncash operating and financing activities in 2025 and 2024.

34. Registration with the BOI

The Parent Company is registered with the BOI as an operator of air transport on a non-pioneer status. As of December 31, 2025, the Parent Company has outstanding registrations for thirty-nine (39) aircraft. Out of the total outstanding registrations with the BOI, eleven (11) aircraft were registered under CREATE Act and additional three (3) during CREATE MORE Act.

Based on the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives (see Notes 1, 12, 27 and 32), among others:

a. An ITH for a period of two to four years.

b. Employment of foreign nationals occupying supervisory, technical or advisory positions for five (5) years from date of registration.

c. Importation of capital equipment, spare parts and accessories at zero duty from date of effectivity of Executive Order (E.O.) No. 70 and its Implementing Rules and Regulations for a period of five years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier, as applicable or importation of capital equipment, spare parts and accessories at zero duty under E.O. No. 22, No.57, or No. 85, and related Implementing Rules and Regulations, as applicable.

d. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and suppliers.

Furthermore, for those registered during effectivity of the CREATE Act and the CREATE MORE Act, the registered projects are entitled to Enhanced Deductions for five (5) years and ten (10) years, respectively, from the end of ITH period.

As of December 31, 2025 and 2024, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft of registered activity.

35. Approval of the Parent Company Financial Statements

The Parent company financial statements were approved and authorized for issue by the BOD on March 27, 2026.

36. Standards Issued But Not Yet Effective

Pronouncements issued but not yet effective are listed below. The Parent Company 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 Parent Company's 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 Parent Company aims to identify all impacts of the amendments will have on the Parent Company 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*

37. Events After the Reporting Period

Listing of Vested RSUs

On January 16, 2026, the Parent Company advised the Philippine Stock Exchange that 271,500 common shares have been availed under Restricted Stock Units of its Long-Term Incentive Plan. These shares were listed on January 16, 2026. The RSUs vested on December 31, 2025 (see Note 23).

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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited, in accordance with Philippine Standards on Auditing, the parent company financial statements of Cebu Air, Inc. (the Parent Company) as at December 31, 2025 and 2024 and for the years then ended and have issued our report thereon dated March 27, 2026. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The schedules listed in the Index to Parent Company Financial Statements and Supplementary Schedules are the responsibility of the Parent Company's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic parent company financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic parent company financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic parent company financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
Valid to cover audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

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INDEPENDENT AUDITOR'S REPORT
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the parent company financial statements of Cebu Air, Inc. (the Parent Company) as at December 31, 2025 and 2024 and for the years then ended December 31, 2025, and have issued our report thereon dated March 27, 2026. Our audits were made for the purpose of forming an opinion on the basic parent company financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Parent Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic parent company financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the parent company financial statements as at December 31, 2025 and 2024 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
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BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

CEBU AIR, INC.
INDEX TO PARENT COMPANY FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

PARENT COMPANY FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

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

II.	Map of the relationships of the Companies within the Group (Part 1, 4H)
III.	Reconciliation of Retained Earnings Available for Dividend Declaration
IV.	Map of the relationships of the companies within the group
V.	Schedule of Financial Ratios

CEBU AIR, INC.
SCHEDULE A - FINANCIAL ASSETS
(CURRENT MARKETABLE EQUITYAND DEBT SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)
DECEMBER 31, 2025

Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/ Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Various / USD Short-term cash investments	₱9,050,807,597	₱9,050,807,597	₱483,487,822
Various / PHP Short-term cash investments	3,517,756,590	3,517,756,590	251,388,623
Various / IDR Short-term cash investments	150,150,000	150,150,000	287,248
Various / KRW Short-term cash investments	130,560,000	130,560,000	2,333,409
	₱12,849,274,187	₱12,849,274,187	₱737,497,102

CEBU AIR, INC.
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Various employees	₱344,334,873	₱373,359,416	(₱376,721,532)	₱–	₱70,805,406	₱270,167,351	₱340,972,757

CEBU AIR, INC.
SCHEDULE E – PROPERTY AND EQUIPMENT
DECEMBER 31, 2025

Classification	Balance at Beginning of Period	Additions at Cost	Reclassification	Transfers, Disposals and Others	Balance at End of Period
Passenger Aircraft	₱14,299,982,548	₱373,288,502	₱–	(₱1,111,451,554)	₱13,561,819,496
Engines	6,298,460,490	11,272,603,991	249,194,616	(9,189,881,712)	8,630,377,385
Rotables	8,301,011,377	1,610,272,431	–	(980,762,696)	8,930,521,112
Ground Support Equipment	1,729,052,682	634,055,602	–	(16,995,688)	2,346,112,596
EDP Equipment, Mainframe and Peripherals	907,728,683	135,856,037	–	(25,229,058)	1,018,355,662
Leasehold Improvements	2,203,548,953	100,004	74,017,102	–	2,277,666,059
Transportation Equipment	384,544,965	72,288,286	–	–	456,833,251
Furniture, Fixtures and Office Equipment	105,565,371	14,296,512	450,893	(519,254)	119,793,522
Communication Equipment	12,953,219	5,542,550	–	–	18,495,769
Special Tools	19,653,638	12,693,272	–	–	32,346,910
Maintenance and Test Equipment	37,437,479	1,202,143	–	–	38,639,622
Other Equipment	43,469,300	8,433,509	–	–	51,902,809
Construction in-Progress	22,925,710,485	11,076,954,531	(323,662,611)	(10,536,894,760)	23,142,107,645
	₱57,269,119,190	₱25,217,587,370	₱–	(₱21,861,734,722)	₱60,624,971,838

See Note 12 of the Parent Company Financial Statements.

CEBU AIR, INC.
SCHEDULE F - ACCUMULATED DEPRECIATION
DECEMBER 31, 2025

Description	Balance at Beginning of Period	Depreciation and Amortization	Reclassification	Disposals and Others	Balance at End of Period
Passenger Aircraft	₱6,772,062,190	₱867,670,884	₱–	(₱893,968,108)	₱6,745,764,966
Engines	2,361,188,789	540,523,497	–	(196,685,067)	2,705,027,219
Rotables	2,272,818,969	619,789,812	–	(454,400,810)	2,438,207,971
Ground Support Equipment	1,238,088,017	201,767,286	–	(16,995,688)	1,422,859,615
EDP Equipment, Mainframe and Peripherals	761,313,664	102,175,679	–	(25,203,002)	838,286,341
Leasehold Improvements	1,573,850,847	99,942,380	–	–	1,673,793,227
Transportation Equipment	314,190,338	26,656,948	–	–	340,847,286
Furniture, Fixtures and Office Equipment	73,677,406	9,408,160	–	(519,254)	82,566,312
Communication Equipment	4,710,287	3,095,882	–	–	7,806,169
Special Tools	1,019,993	5,118,801	–	–	6,138,794
Maintenance and Test Equipment	33,762,287	1,736,429	–	–	35,498,716
Other Equipment	27,885,583	3,870,911	–	–	31,756,494
	₱15,434,568,370	₱2,481,756,669	₱–	(₱1,587,771,929)	₱16,328,553,110

See Note 12 of the Parent Company Financial Statements.

CEBU AIR, INC.
SCHEDULE H – FINANCE LEASE OBLIGATION
DECEMBER 31, 2025

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Current Portion of Finance Lease Obligation" and "Long-term Debt" in Related Balance Sheet	Amount Shown under Caption "Finance Lease Obligation" and "Long-term Debt" in Related Balance Sheet
Commercial loans from banks	6.26% to 7.96% (PH BVAL)	Various dates Through 2028	₱1,757,810,985	₱2,544,358,776

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Bonds Payable" in Related Balance Sheet
Convertible bonds	4.5%	May 10, 2027	₱14,514,355,308

See Notes 18 and 19 of the Parent Company Financial Statements.

CEBU AIR, INC.
SCHEDULE K
CAPITAL STOCK
DECEMBER 31, 2025

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	1,340,000,000	612,602,653	324,486,500	407,412,031	8,147,685	197,042,937
Preferred Stock	400,000,000	308,880,301	308,880,301	245,181,064	–	63,699,237

See Notes 22 and 23 of the Parent Company Financial Statements.

CEBU AIR, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
FOR THE YEAR ENDED DECEMBER 31, 2025

The table below presents the retained earnings available for dividend declaration as of December 31, 2025:

Unappropriated Retained Earnings, January 1, 2025 available for dividend		(₱4,934,207,439)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of retained earnings appropriation	₱–	
Effect of restatements or prior-period adjustments	–	
Others (Quasi-reorganization)	–	
		(4,934,207,439)
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(2,816,988,345)	
Retained Earnings appropriated during the reporting period	–	
Effects of restatements or prior-period adjustments	–	
Others (Quasi-reorganization)	–	(2,816,988,345)
Unappropriated Retained Earnings, January 1, 2025 as adjusted		(7,751,195,784)
Add/Less: Net income (loss) for the current year		12,334,638,219
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	–
Sub-total		–

(Forward)

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

FOR THE YEAR ENDED DECEMBER 31, 2025

Add:	**Category C.2: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to Cash and cash equivalents	₱–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Add:	**Category C.3: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
	Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Reversal of previously recorded fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Adjusted Net Income/Loss			**12,334,638,219**

(Forward)

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION

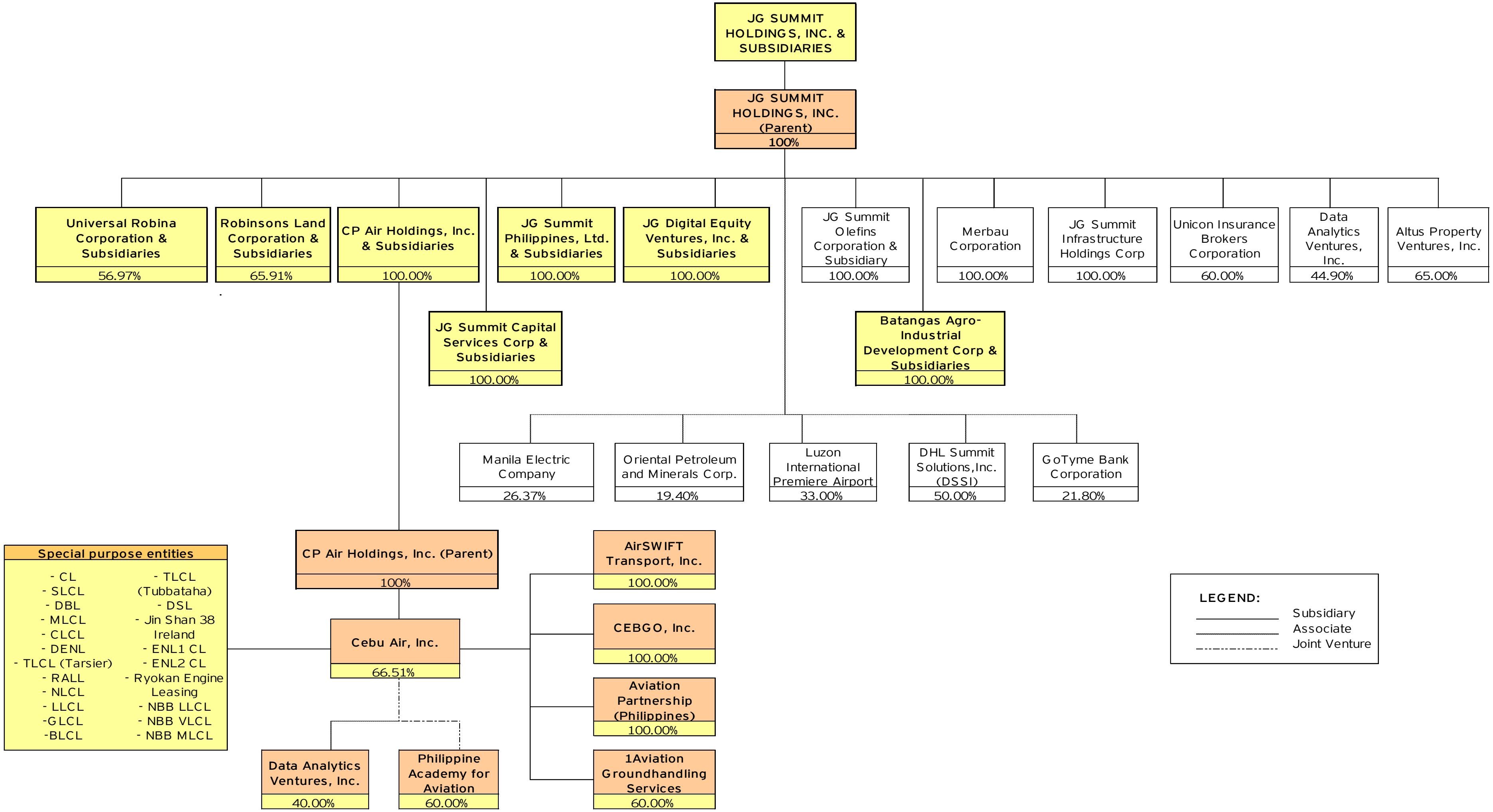
FOR THE YEAR ENDED DECEMBER 31, 2025

Add:	**Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
	Depreciation on revaluation increment (after tax)	₱–	
	Others	–	
	Sub-total		₱–
Add/Less:	**Category E: Adjustments related to relief granted by the SEC and BSP**		
	Amortization of the effect of reporting relief	–	
	Total amount of reporting relief granted during the year	–	
	Others	–	
	Sub-total		–
Less:	**Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	(429,954,930)	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(616,306,034)	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, i.e., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(908,431,835)	
	Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
	Others	–	
	Sub-total		**(1,954,692,799)**
Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2025			**₱2,628,749,636**

CEBU AIR, INC.

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

AS OF DECEMBER 31, 2025



CEBU AIR, INC.
SCHEDULE OF FINANCIAL RATIOS
FOR THE YEARS ENDED DECEMBER 31, 2025 and 2024

The following are the financial ratios that the Parent Company monitors in measuring and analyzing its financial soundness:

	Formula	2025	2024
Liquidity Ratios			
Current Ratio	Current assets / Current liabilities	**56%**	48%
Quick Ratio	Current assets – Inventories and other current assets / Current liabilities	**34%**	32%
Capital Structure Ratios			
Asset to Equity Ratio (x)	Total assets / Total equity	**15.46**	31.24
Interest Coverage Ratio (x)	Total revenues – Operating expenses / Interest Expense	**1.27**	1.44
Profitability Ratios			
EBITDA Margin	Total revenues – Operating expenses + Depreciation and amortization / Total Revenue	**26%**	25%
EBIT Margin	Total revenues – Operating expenses / Total revenues	**9%**	9%
Pre-tax core net income margin	Total revenues – Operating expenses + Interest Income – Interest expense / Total revenue	**3%**	3%
Return on asset	Net income (loss) / Average total assets	**5%**	1%
Return on equity	Net income (loss) / Average total equity	**104%**	44%

Cebu Air, Inc. and Subsidiaries

Consolidated Financial Statements
and Supplementary Schedules
December 31, 2025 and 2024
and Years Ended December 31, 2025, 2024
and 2023

and

Independent Auditor’s Report

COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	5	4	6	7	5					

COMPANY NAME

CEBU AIR, INC. AND SUBSIDIARIES

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

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

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

COMPANY INFORMATION

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

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
111	5/9	12/31

CONTACT PERSON INFORMATION

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

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

CONTACT PERSON's ADDRESS

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

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

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

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

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

1. For the fiscal year ended **December 31, 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 as of December 31, 2025

Title of Each Class	Number of Outstanding Shares and Amount of Debt Outstanding
Common Stock, ₱1.00 Par Value	612,602,653 shares
Convertible Preferred Stock, ₱1.00 Par Value	308,880,301 shares

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

    Yes [✓] No [ ]

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

    Philippine Stock Exchange
    Common stock and Preferred stock

12. Check whether the registrant:

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

Yes [✓] No [ ]

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

Yes [✓] No [ ]

13. **The aggregate market value of stocks held by non-affiliates is ₱6,073,642,411 (based on closing price of Cebu Air, Inc.'s common shares as of March 27, 2026 and outstanding shares owned by the public as of December 31, 2025).**

TABLE OF CONTENTS

1. PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

Cebu Air, Inc. (the Parent Company) is an airline that operates under the trade names "Cebu Pacific" and "Cebu Pacific Air". 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 270 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 with its first domestic flight from Manila to Cebu, and began its international operations in 2001 with its first international flight from Manila to Hong Kong. The Parent Company's common stock was listed with the Philippine Stock Exchange (PSE) on October 26, 2010, the Parent Company's initial public offering (IPO).

The Parent Company has twenty-one (21) 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.
18. Ryokan Engine Leasing Limited
19. NBB Luzon Lease Co., Ltd.
20. NBB Visayas Lease Co., Ltd.
21. NBB Mindanao Lease Co., Ltd.

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

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, and leveraging its operational expertise to be able to offer more cost-effective options for its growing customer base.

On October 29, 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, with 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").

On August 15, 2025, the Securities and Exchange Commission (SEC) approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60%. As a result, the Parent Company obtained control over 1Aviation, which is now accounted for as a subsidiary. 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 Transport, Inc. (the "Airline Group"), A-Plus, 1Aviation and the 21 SPEs (collectively known as "the Group") are consolidated for financial reporting purposes.

As of December 31, 2025, the Airline Group operates a route network serving 83 domestic routes and 42 international routes with over 3,800 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 December 31, 2025, the Airline Group has fleet of 100 aircraft. The fleet excludes two (2) ATR Freighters classified as other assets as these are currently not operating and are held for sale. The average aircraft age of the Airline Group's fleet is approximately 5.74 years as of December 31, 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 the following ancillary services:

- CEB fare bundles
- CEB prepaid baggage
- CEB seat selector
- CEB superpass
- CEB travelsure powered by CHUBB
- CEB meals
- Funshop and fun cafe
- CEB transfers

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

1Aviation is engaged in the business of providing ground handling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private. 1Aviation is authorized to provide ground handling services to 34 domestic airports with Cebu Pacific flights.

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

	For the Years Ended December 31		
	2025	2024	2023
Passenger Services	**67.3%**	68.0%	68.9%
Cargo Services	**6.0%**	5.4%	4.5%
Ancillary Services*	**26.7%**	26.6%	26.6%
	100.0%	100.0%	100.0%

**includes A-Plus and 1Aviation's revenue from rendering line, light and base maintenance services and ground handling services to third party customers, respectively*

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

2025 Performance, Business Updates and Outlook

The Group displayed strong growth and resilience in 2025.

The Group's revenue reached ₱119.9 billion in 2025, a 14.3% increase year-on-year. Passenger business generated ₱80.8 billion, while ancillary business generated ₱32.0 billion, recording increases of 13.3% and 14.5%, respectively. Revenue from the cargo business likewise grew strongly to ₱7.2 billion, a 26.8% increase year-on-year.

The Airline Group flew 26.9 million passengers on over 169 thousand flights in 2025, up 9.5% and 6.4%, respectively, year-on-year. The Group also transported 215,000 tonnes of cargo, 27.5% higher than the previous year. By the end of 2025, it had the largest network in the Philippines, flying to 63 destinations through 125 routes and operating over 3,800 weekly flights.

The Group's growth remains healthy, and its trajectory continues to outpace competitors across the domestic market as well as most regional routes. Demand conditions remain favorable, and market fundamentals continue to support expansion. The Group also strategically enhanced its network connectivity by expanding its hubs in Cebu, Davao, Clark, and Iloilo, and increasing frequencies in high-demand destinations. For the full year 2025, the Airline Group strengthened its market leadership, increasing its domestic market share to 56%, higher than its 54% share in 2024, and its international market share to 22% from 21% in 2024. For the month of December 2025, its domestic market share further increased to 59%, while its international market share rose to 24%.

The Group maintained its profitability in 2025 with an operating income of ₱11.5 billion, despite challenges in the global aviation industry related to supply chain disruptions, aircraft delivery delays, and aircraft on ground (AOG) due to engine reliability issues. Average On-Time Performance (OTP) was at 70.8%, a decrease from 74.3% in 2024 due to operational challenges and airport congestion, particularly during peak holiday travel. To ensure operational resiliency alongside its growth, the Group added new, larger wide-body and NEO aircraft, replacing CEO aircraft, as well as several spare engines to the fleet. By the end of 2025, the Group had 100 aircraft in its fleet.

In 2026, the Group plans to continue modernization of its fleet and expects to receive 7 aircraft deliveries - comprising 5 narrow-body and 2 wide-body NEO aircraft - while retiring 7 older aircraft. This will maintain the Airline Group's fleet size at 100, but will increase the proportion of seats on new-generation aircraft by 32% year-on-year. This shift meaningfully enhances fuel efficiency, reduces unit costs, and supports sustainable growth in the years ahead.

The Group also maintains close coordination with equipment manufacturers and service providers to ensure a sufficient balance between growth and operational reliability. Encouragingly, the Group is seeing stabilization in engine shop visit turnaround times, providing confidence that AOG issues will progressively ease through 2026 and 2027. These initiatives reflect the Group's long-term strategic vision, positioning it well to capitalize on the Philippines' long-term travel potential.

Overall, Cebu Pacific remains both commercially and financially resilient, supported by its low-cost model and its critical role in connecting an archipelago of over 7,000 islands. These advantages position CEB to sustain leadership in the Philippines and drive continued growth as a leading low-cost carrier in the region over the medium to long term.

Distribution Methods of Products or Services

As of December 31, 2025, the Airline Group has three (3) principal distribution channels: the internet; direct sales through booking sales offices, government/corporate client accounts; and third-party sales outlets.

Internet

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

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

Booking and Regional Branch Offices

The Airline Group has closed down its booking offices located in the Philippines. The Airline Group also has seven (7) regional branch offices in Australia, Brunei, Hong Kong, Japan, Macau, Singapore, and South Korea.

Government/Corporate Client Accounts

The Airline Group has government and corporate accounts for passenger sales. It provides these accounts with direct access to its reservation system and seat inventory as well as credit lines and certain incentives.

Third Party Sales Outlets

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

Publicly Announced New Product or Service

In January 2025, the Airline Group launched its maiden Manila-Chitose route. It is scheduled to fly three (3) times weekly. The launch of this direct flight increased the Airline Group's operations in Japan, now totaling with five (5) destinations.

In March 2025, the Airline Group expanded its Clark hub with the launch of flights from Clark to El Nido, Siargao and Masbate. Also, as part of the rebasing of turboprop fleet in Clark, the Airline Group launched direct flights to Siargao, Masbate and Busuanga (Coron). An expansion was also made to its Iloilo hub with the launch of Iloilo to Bangkok via Don Mueang International Airport, flying three (3) times weekly.

In April 2025, the Airline Group also launched direct flights from Cebu to Ho Chi Minh. The flight was scheduled to fly three (3) times a week.

In October 2025, the Airline Group further expands its Clark hub with the launch of turboprop flights from Clark to San Jose (Mindoro) and Naga.

Known for its affordable promos, the Airline Group also offered seat sales on various dates in 2025 which allowed passengers to book ahead for their domestic or international destinations, and score value-for-money fares, making the low fares even more affordable.

Competition

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

In the domestic market, the Airline Group is the leading domestic airline in the Philippines by passengers carried. For full year 2025, it strengthened its market share to 56% from 54% in previous year. In the fourth quarter of 2025, this increased further to 57%. Its major competitors in the Philippines are Philippine Airlines ("PAL"), PAL Express; and Philippines Air Asia (PAA).

Internationally, the Airline Group competes with the following LCC's and full-service airlines in its international operations: AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines, Scoot, Jeju Air and Thai Airways, among others. For full year 2025, the Airline Group continued to expand its market share to 22.0% from 21% in previous year, despite the heightened competitive activity. In the fourth quarter of 2025, this increased further to 22.7%.

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

1Aviation's major competitors are Transnational Aviation Support Services, Inc. (TASSI), MacroAsia Corporation and Dubai National Air Travel Agency (DNATA).

Raw Materials

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

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

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

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

A-Plus' and 1Aviation's major customer is Cebu Pacific, its Parent Company.

Transactions with and/or Dependence on Related Parties

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

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

Trademarks

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

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

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

JURISDICTION	MARK	DESCRIPTION
Philippines	CEBU PACIFIC	Word mark
Philippines	CEBU PACIFIC AIR	Word mark

JURISDICTION	MARK	DESCRIPTION
Philippines	Cebu Pacific Eagle Head Logo	
Philippines	Cebu Pacific (with Eagle Head)	CEBU PACIFIC
Philippines	Cebu Pacific Air.Com	CEBU PACIFIC AIR.COM
Philippines	Cebu Pacific Mascot	
Philippines	CEBGO	CEBGO
Philippines	Cebu Pacific Logo (Eagle Head)	
Philippines	Cebu Pacific	cebu pacific
Philippines	CEBGO	cebgo
Philippines	1AVIATION	Word mark
Philippines	1AV	Word mark
Philippines	1 Aviation Logo	Aviation
Philippines	Super Seat Fest	SUPER SEAT FEST
Philippines	Travel Sure	TraVeL SuRE
Philippines	CEBU PACIFIC TRAVEL SURE YEAR-ROUND PROTECT	
Philippines	CEBU PACIFIC TRAVEL SURE FLY ME NEXT	TraVeL SuRE
Philippines	CEB TravelSure	ceb travelsure
Philippines	CEBU PAC	CEBU PAC
Philippines	CEB	CEB
Philippines	CEB PAC	CEB PAC
Philippines	Cebu Pacific	CEB PACIFIC
Philippines	CEB Getaways	ceb getaways
Philippines	CEB Meals	ceb meals
Philippines	CEB Moments	ceb moments

JURISDICTION	MARK	DESCRIPTION
Philippines	CEB Prepaid Baggage	
Philippines	CEB Seat Selector	
Philippines	CEB Sports Equipment	
Philippines	CEB Surfboard	
Philippines	CEB Transfers	
Philippines	CEB Wi-Fi Kit	
Philippines	Eco Plane	
Philippines	Every Juan	
Philippines	EveryJuan	
Philippines	Fly Easy	
Philippines	Go Ahead	
Philippines	Go Basic	
Philippines	Go Easy	
Philippines	Go Flexi	
Philippines	Juan for Fun	
Philippines	Juan for Fun Cebu Pacific	
Philippines	P1so Club	
Philippines	The Juan Effect	
Philippines	It’s Time Every Juan Flies	Word mark
Philippines	It’s Time Everyone Flies	Word mark
Philippines	Cebu Pacific and Device	
Philippines	Cebupacificair.com and logo	
Philippines	AVIATION PARTNERSHIP PHILIPPINES & DESIGN	
Philippines	Let's Fly every Juan	
Philippines	AirSwift standard character mark	Word mark

JURISDICTION	MARK	DESCRIPTION
Philippines	AirSWIFT logo	AirSWIFT
Philippines	AirSWIFT logo-stylized	
China	CEBU PACIFIC AIR	Word mark
China	CEBU PACIFIC	Word mark
China	IT'S TIME EVERYONE FLIES	Word mark
China	Cebu Pacific (Eagle Head Logo)	
China	Cebu Pacific Mascot	
China	Cebu Pacific (With Eagle Head)	CEBU PACIFIC
China	Cebu Pacific Air.Com (With Eagle Head)	CEBU PACIFIC AIR.COM
Japan	Ceppie	
Singapore	Cebu Pacific Mascot	
Singapore	Cebu Pacific Eagle Head Logo	
Singapore	Cebu Pacific with Eagle Head Logo	CEBU PACIFIC
WIPO Cambodia	Cebu Pacific Air	Word mark
WIPO	Cebu Pacific	Word mark
WIPO	Cebu Pacific	cebu pacific
WIPO US	Cebu Pacific (Eagle Head Logo)	
Japan	Cebu Pacific figurative mark	cebu pacific
Japan	Cebu Pacific Eagle Head Logo	
Japan	Cebu Pacific wordmark	CEBU PACIFIC
Singapore	Cebu Pacific Eagle Head Logo	
Singapore	Cebu Pacific word mark	CEBU PACIFIC
Singapore	Cebu Pacific in figurative wordmark	cebu pacific

JURISDICTION	MARK	DESCRIPTION
Singapore	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Cambodia	Cebu Pacific	CEBU PACIFIC
Cambodia	Cebu Pacific Eagle Head	
Cambodia	Cebu Pacific in figurative mark	cebu pacific
WIPO US	Cebu Pacific wordmark	CEBU PACIFIC
WIPO US	Cebu Pacific in figurative mark	cebu pacific
WIPO US	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Australia	Cebu Pacific (Eagle Head Logo	
Australia	Cebu Pacific wordmark	CEBU PACIFIC
Australia	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Australia	Cebu Pacific in figurative mark	cebu pacific
Brunei	Cebu Pacific (Eagle Head Logo	
Brunei	Cebu Pacific wordmark	Cebu Pacific wordmark
Brunei	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Brunei	Cebu Pacific in figurative mark	cebu pacific

Vietnam	Cebu Pacific (Eagle Head Logo)	
Vietnam	Cebu Pacific wordmark	Cebu Pacific wordmark
Vietnam	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Vietnam	Cebu Pacific in figurative mark	cebu pacific
Korea	Cebu Pacific (Eagle Head Logo	
Korea	Cebu Pacific Air wordmark	CEBU PACIFIC AIR
Korea	Cebu Pacific in figurative mark	cebu pacific
Korea	Cebu Pacific wordmark	CEBU PACIFIC
Malaysia	Cebu Pacific with Eagle Head Logo in figurative mark	CEBU PACIFIC
Malaysia	Cebu Pacific in figurative mark	cebu pacific
Malaysia	Eagle Head Logo	
Malaysia	Eagle Head Logo	
Malaysia	Cebgo in figurative mark	cebgo
Malaysia	Cebu Pacific wordmark	CEBU PACIFIC
Malaysia	Cebu Pacific wordmark	CEBGO

Franchise

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

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

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

Government Approval of Principal Products or Services

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

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

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

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

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

Effects of Existing or Probable Government Regulations on the Business

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

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

The Parent Company completed its renewal of IATA Operational Safety Audit (IOSA) certification. IOSA is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline.

In pursuit of maintaining and improving its safety procedures, the Airline Group has also invested in various technologies that would improve its capability to manage safety risks, including the following:

- On-board Runway Overrun Prevention System (ROPS) - a cockpit technology for its Airbus fleet for purposes of calculating whether the aircraft can safely stop in the runway length remaining ahead of the aircraft.

- Area Navigation (RNAV) data - used for more accurate navigation and approaches to various airports.
- Fatigue Risk Management System - used to ensure that pilots are at adequate levels of alertness.
- Ground Proximity Warning System (GPWS) -provides automated alert to pilots when an aircraft is in danger of colliding with terrain or obstacles
- Traffic Collision Avoidance System (TCAS) - continuously monitors nearby aircraft and provides real-time traffic advisories and resolution maneuver to pilots, reducing the risk of mid-air collisions by ensuring safe separation between aircraft.
- Flight Data Monitoring (FDM) - a proactive safety management tool that continuously records and analyzes flight data to identify operational trends, deviation from standard procedures and potential risks.

Through the integration of these advances safety systems, strict compliance with regulations and ongoing investment in crew training and operational oversight, the Airline Group reinforces its commitment to maintaining the highest safety standards.

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

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

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

Research and Development

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

Cost and Effects of Compliance with Environmental Laws

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

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

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

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

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

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

Compliance with the foregoing laws does not have a material effect to the Group's capital expenditures, earnings and competitive position. The Group spent over ₱94.6 million in connection with its compliance with applicable environmental laws for the above.

Employees

As of December 31, 2025, the Group has 12,788 permanent full time employees, categorized as follows:

Division:	**Employees**
Operations[1]	11,544
Commercial[2]	292
Support Departments[3]	952
	12,788

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

Cabin crew members belong to a union and account for 13% of the Group's total employees. The Group has not experienced any labor strikes or work stoppages in the past three years.

Risk

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

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

The major business risks facing the Group are as follows:

1) Original Equipment Manufacturers (OEM) Risk

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

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

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

2) Regulatory and Geopolitical

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

Moreover, the current global geopolitical environment, including heightened regional tensions, armed conflicts, sanctions regimes, and airspace restrictions in key international aviation corridors, presents additional operational and compliance risks. These developments may result in rerouting requirements, longer flight times, higher fuel and insurance costs, restricted overflight rights, delays in strategic initiatives, or loss of access to certain markets. Failure to anticipate or respond to such developments could adversely affect the Group's growth plans, operating costs, and financial performance

3) Economic Stability Risk

The Group's financial performance is exposed to macroeconomic conditions and volatility in fuel prices, financing availability, foreign exchange rates, and interest rates. Fuel represents a significant portion of operating expenses, and increases in fuel prices or supply disruptions may adversely affect profitability. While fare adjustments and Passenger Fuel Surcharges are used to partially offset fuel cost increases, competitive pressures and demand elasticity may limit full cost recovery. The Group manages fuel price exposure through hedging, although such activities remain subject to market volatility and fair value risk.

The Group relies on debt and lease financing to fund aircraft acquisitions and expansion. Its ability to meet financing obligations depends on operating performance, cash flow, and access to capital markets. Adverse economic conditions or tighter credit markets may increase financing costs or constrain funding availability, and financing arrangements that grant lenders security interests in aircraft may expose the Group to operational disruption in the event of default.

The Group also has significant U.S. Dollar-denominated debt, lease liabilities, and operating costs. Depreciation of the Philippine peso or increases in interest rates may raise operating and financing expenses. To manage these risks, the Group may use derivative instruments and maintains an appropriate mix of fixed and floating rate debt, subject to prevailing market conditions.

4) Third-Party Risk

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

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

5) Safety and Climate Risk

As the Airline Group continues to scale its operations, maintaining high levels of safety, reliability, and regulatory compliance remains critical. Increased operational complexity arising from fleet expansion, route growth, and high aircraft utilization may strain systems, processes, and workforce capacity, potentially affecting service reliability and operational efficiency if not actively managed.

In addition, the Group is exposed to climate-related physical risks, such as the increasing frequency and severity of extreme weather events, which may disrupt flight operations, airport infrastructure, and network stability. Transition risks arising from evolving environmental regulations, carbon emission standards, and sustainability requirements may also increase compliance costs and require changes in operating practices.

To mitigate these risks, the Group has implemented a comprehensive safety management system aligned with international aviation standards, supported by proactive risk management, workforce readiness, and technology-enabled efficiencies. The Group has also advanced sustainability initiatives under its Five F Decarbonization Pillar—covering Fundamentals, Fleet, Fuel, Footprint, and Finance—to improve fuel efficiency, reduce environmental impact, and support long-term operational resilience..

6) Digitalization Risk

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

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

7) Infrastructure Constraints Risk

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

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

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

8) Brand and Reputational Risk

The brand perception and reputation of the Airline Group is crucial to its long-term operational and strategic success. Negative sentiments arising from customer sentiment, public disclosure, and digital engagements may have an impact to the brand equity of the Airline Group. To mitigate this risk, the Airline Group focuses on proactive brand engagement, and continuous investment in improving customer service.

9) Other Material Risks and Events Outside the Group's Control that could have an Adverse Effect on the Group's Business, Financial Condition and Results of Operation

The Group's business consists substantially of the carriage of passengers and freight across domestic and international markets. As such, its operations and financial performance may be affected by external events and conditions beyond its control, including adverse weather conditions, natural disasters, geopolitical developments, regional or international conflicts, political instability, sanctions, airspace restrictions, acts of terrorism, territorial disputes, and other similar disruptions.

The current global environment remains characterized by heightened geopolitical uncertainty and periodic volatility in international relations, which may lead to sudden changes in operating conditions. These may include restricted access to airspace, longer or less efficient routings, increased fuel and insurance costs, higher compliance and security requirements, and disruptions to passenger demand or supply chains. The occurrence of any such events may materially and adversely affect the Group's business, financial condition, results of operations, and prospects.

Economic Downturn and Market Volatility

Demand for air travel is closely linked to overall economic activity. Periods of economic slowdown, inflationary pressure, higher interest rates, or weakened consumer and business confidence may adversely affect travel demand and cargo volumes, while simultaneously increasing operating and financing costs. The airline industry has historically experienced pressure on profitability during periods of economic downturn.

Global economic uncertainty may also contribute to volatility in key cost drivers, including fuel prices and foreign exchange rates. While these risks are addressed under the Group's Economic Stability Risk, sudden or severe market dislocations arising from geopolitical or macroeconomic events may magnify their impact and affect short-term financial performance beyond planned assumptions.

In response, the Group focuses on efficient service delivery, prudent cost management, operational flexibility, and continuous process improvement to remain resilient under changing market conditions.

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

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

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

Item 2. Properties

As of December 31, 2025, the Group does not own any land. Parent Company however owns an office building that serves as its corporate headquarters and training center, and the buildings on either side of the corporate headquarters that serves as additional offices and storage of some departments, office of 1Aviation, and office of A-Plus, all located at the Domestic Road, Barangay 191, Zone 20, Pasay City. The land on which said office buildings stand is leased from the New NAIA Infra Corp. (NNIC). The Group also leases its hangar, aircraft parking and other operational space from NNIC.

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

As of December 31, 2025, the Group has 100 aircraft (excluding two (2) ATR Freighter aircraft classified as held for sale). Kindly refer to Notes 12, 18 and 32 of the Notes to Consolidated Financial Statements for the detailed discussions on properties, leases, purchases and capital expenditure commitments.

Item 3. Legal Proceedings

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

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

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

PART II - OPERATIONAL AND FINANCIAL INFORMATION

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

Market Information

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

Sales prices of the common stock follow:

	High	Low
Year 2025		
October to December 2025	₱34.95	₱28.80
July to September 2025	38.65	32.00
April to June 2025	35.45	31.30
January to March 2025	34.50	27.60

	High	Low
Year 2024		
October to December 2024	₱38.00	₱35.90
July to September 2024	36.00	34.55
April to June 2024	32.40	31.95
January to March 2024	34.40	33.80

Sales prices of the preferred stock follow:

	High	**Low**
Year 2025		
October to December 2025	₱36.00	₱32.00
July to September 2025	48.95	35.20
April to June 2025	38.95	35.10
January to March 2025	39.00	34.50

	High	Low
Year 2024		
October to December 2024	₱40.00	₱39.35
July to September 2024	39.50	39.70
April to June 2024	35.00	34.75
January to March 2024	35.00	39.35

As of March 27, 2026, the latest trading date prior to the completion of this annual report, sales price of the common and preferred stock is at ₱29.60 and ₱31.10, respectively.

Holders

The number of shareholders of record and outstanding shares as of December 31, 2025 is as follows:

	Number of Stockholders	**Number of Shares Outstanding**
Common Stock	111	612,602,653
Preferred Stock	10	308,880,301

List of Top 20 Stockholders of Record
As of December 31, 2025

A. Common Stock

Name of Stockholders	Number of Shares Held	% to Total Outstanding
1. CPAir Holdings, Inc.	400,816,841	65.43%
2. PCD Nominee Corporation (Filipino)*	161,369,162	26.34%
3. PCD Nominee Corporation (Non-Filipino)	43,273,175	7.06%
4. JG Summit Holdings, Inc.	6,595,190	1.08%
5. William T. Enrile or Nelly R. Enrile or Edwin R. Enrile or William R. Enrile II	311,300	0.05%
6. Pablo M. Pagtalunan and/or Francisca P. Pagtalunan	50,000	0.01%
7. Leyla Agro-Industries Corporation	17,000	0.00%
8. Raul Veloso Del Mar	16,000	0.00%
9. Hitesh M. Tejwani	11,400	0.00%
10. Luis Gantioqui Romero	10,300	0.00%
11. Emeriza G. Borja	8,000	0.00%
12. Lisa Gokongwei Cheng	6,667	0.00%
13. Lance Yu Gokongwei	6,667	0.00%
14. Faith Gokongwei Lim	6,667	0.00%
15. Robina Gokongwei Pe	6,667	0.00%
16. Hope Gokongwei Tang	6,667	0.00%
17.Roseller A. Mendoza	6,500	0.00%
18. Eric Macario Bernabe	5,000	0.00%
19. Estevez Villaruz (Esvill) Inc.	5,000	0.00%
20. John T. Lao	5,000	0.00%
Other stockholders	69,450	0.01%
Total Outstanding	**612,602,653**	**100.00%**

** The number of shares reflected excludes Cebu Air, Inc.'s 5,636,630 treasury shares under PCD Nominee Filipino Corporation and Cebu Air, Inc's buybacks amounting to 12,179,980 shares.*

B. Preferred Stock

Name of Stockholders	Number of Shares Held	% to Total Outstanding
1. CPAir Holdings, Inc.	219,625,666	71.10%
2. PCD Nominee Corp. (Filipino)	57,281,598	18.54%
3. JG Summit Holdings, Inc.	25,555,398	8.27%
4. PCD Nominee Corp. (Non-Filipino)	6,300,654	2.04%
5. William Tycangco Enrile	100,000	0.03%
6. PGI Retirement Fund Inc.	15,000	0.00%
7. David Go Securities Corp.	1,000	0.00%
8. Myra P. Villanueva	767	0.00%
9. Milagros P. Villanueva	109	0.00%
10. Myrna P. Villanueva	109	0.00%
Total Outstanding	**308,880,301**	**100.00%**

** The number of shares reflected excludes Cebu Air, Inc's buybacks amounting to 591,830 shares.*

Summary of Trading in Shares of Directors and Key Officers

TRADING IN COMPANY SHARES BY DIRECTORS AND KEY OFFICERS
As of December 31, 2025

Trading In Company Shares by Directors				
Name	**Shareholdings as of 31 December 2024**	**% to Total Outstanding Shares**	**Shareholdings as of 31 December 2025**	**% to Total Outstanding Shares**
Lance Y. Gokongwei	1,006,668	16.00%	1,006,668	16.00%
Jose Fernando B. Buenaventura	1	0.00%	1	0.00%
Robina Gokongwei Pe	6,668	0.01%	6,668	0.00%
David Gulliver G. Go	15,000	0.00%	30,000	0.00%
Alexander G. Lao	100,000	0.02%	100,000	0.02%
Brian H. Franke	436,401	0.06%	856,401	0.14%
Bernadine T. Siy	63,200	0.01%	63,200	0.01%
Brian Mathew P. Cu	100	0.00%	100	0.00%
Richard Raymond B. Tantoco	1	0.00%	122,701	0.02%
Trading In Company Shares by Key Officers				
Name	**Shareholdings as of 31 December 2024**	**% to Total Outstanding Shares**	**Shareholdings as of 31 December 2025**	**% to Total Outstanding Shares**
Michael B. Szucs	691,780	0.11%	691,780	0.11%
Mark Julius V. Cezar	95,000	0.01%	95,000	0.01%
Anne Romadine P. Tieng	95,000	0.01%	95,000	0.01%
Ma. Elynore J. Villanueva	85,000	0.01%	-	-
Aileen M. Isidro	55,000	0.00%	55,000	0.00%
Pamela Rae A. Chua	-	-	35,000	0.00%
Josine Ma. V. Protasio-Mendoza	0	0.00%	0	0.00%
Ederlyn S. Agustin	-	-	0	0.00%

Dividends

On August 7, 2025, the Parent Company's Board of Directors approved the declaration of cash dividends on its convertible preferred shares (CEBCP) amounting to ₱9.12 per share, or a total of ₱2,816,988,345, payable on October 1, 2025. These dividends represent four (4) years of cumulative preferred dividends for outstanding CEBCP shares, covering the period from issuance on March 29, 2021. The dividends were sourced from the Parent Company's unrestricted retained earnings as of June 30, 2025.

No dividends were declared in 2024 and 2023.

Recent Sales of Unregistered Securities

A. Stock Rights Offering

On March 29, 2021, the Parent Company issued Convertible Preferred Shares through a rights offering solely to shareholders of record as of February 26, 2021. The transaction relates to ₱12,499,999,984 rights offer of 328,947,368 Convertible Preferred Shares with a par value of ₱1.00 per share which was offered at the offer Price of ₱38.00 per entitlement right, with ratio of one entitlement right for every 1.8250 Common Shares held as of the said record date (the “Rights Offer”). There were no entitlement rights that remain unsubscribed after the Rights Offer.

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

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

As of December 31, 2025, 308,880,301 shares remain as outstanding Convertible Preferred Shares.

B. Long Term Incentive Plan

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

The LTIP aims to provide performance-based incentives for certain grantees, which include senior executives and/or directors.

<u>Restricted Stock Units (RSU)</u>
In various dates in 2021, 2022, and 2023, RSUs were granted to eligible persons with one (1) to three (3) years vesting period (see Notes 23 and 36). In 2024 and 2025, RSUs were also granted to additional grantees. Vesting is conditional on the eligible person’s employment and achievement of a minimum individual performance rating of “Meets Expectations”. The Group does not pay cash as a form of settlement.

As of December 31, 2025, 2024 and 2023, 271,500, 346,500 and 2,222,666 RSUs have vested and were subsequently listed with the Philippine Stock Exchange on January 20, 2026, January 17, 2025 and January 17, 2024, respectively (see Notes 23 and 36).

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

which vested in full at the end of 2021. In May 2023, stock options were granted again to three (3) eligible persons with the same terms and conditions.

All these options will expire on December 31, 2027.

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

For the years ended December 31, 2025, 2024 and 2023, 220,000, 140,000 and 2,352,500 stock options have vested. No options were exercised, forfeited or expired during all years. Thus, as of December 31, 2025, a total of 5,582,923 vested stock options remain to be outstanding and exercisable.

No underwriters were involved for this transaction.

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

C. Convertible Bonds

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

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

No underwriters were involved for this transaction.

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

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

Results of Operations

	For the year ended December 31			Horizontal Inc (Dec)				Vertical		
	2025	2024	2023	2025 vs 2024		2024 vs 2023		2025	2024	2023
REVENUE										
Sale of air transportation services										
Passenger	**80,759**	71,303	62,458	**9,456**	**13%**	8,845	14%	**67%**	68%	60%
Cargo	**7,154**	5,641	4,057	**1,513**	**27%**	1,584	39%	**6%**	5%	4%
Ancillary revenues	**32,015**	27,964	24,087	**4,051**	**14%**	3,877	16%	**27%**	27%	23%
	119,928	104,908	90,602	**15,020**	**14%**	14,306	16%	**100%**	100%	86%
EXPENSES										
Flying operations	**39,482**	39,126	35,371	**356**	**1%**	3,755	11%	**33%**	37%	34%
Repairs and maintenance	**20,900**	15,960	13,333	**4,940**	**31%**	2,627	20%	**17%**	15%	13%
Depreciation and amortization	**19,416**	16,293	13,260	**3,123**	**19%**	3,033	23%	**16%**	16%	13%
Aircraft and traffic servicing	**15,405**	12,013	8,286	**3,392**	**28%**	3,727	45%	**13%**	11%	8%
General and administrative	**5,338**	4,909	4,354	**429**	**9%**	555	13%	**4%**	5%	4%
Reservation and sales	**4,500**	3,889	3,364	**611**	**16%**	525	16%	**4%**	4%	3%
Passenger service	**3,023**	2,644	2,390	**379**	**14%**	254	11%	**3%**	3%	2%
Aircraft and engine lease	**364**	900	1,664	**(536)**	**-60%**	(764)	-46%	**0%**	1%	2%
	108,428	95,734	82,022	**12,694**	**13%**	13,712	17%	**90%**	91%	78%
OPERATING INCOME	**11,500**	9,174	8,580	**2,326**	**25%**	594	7%	**10%**	9%	8%
OTHER INCOME (EXPENSES) – NET										
Financing costs and other charges	**(7,626)**	(6,805)	(5,260)	**(821)**	**12%**	(1,545)	29%	**-6%**	-6%	-5%
Gain on disposal – net	**1,496**	2,088	1,192	**(592)**	**-28%**	896	75%	**1%**	2%	1%
Foreign exchange losses – net	**(938)**	(79)	(707)	**(859)**	**1087%**	628	-89%	**-1%**	0%	-1%
Interest income	**809**	644	813	**165**	**26%**	(169)	-21%	**1%**	1%	1%
Gain on remeasurement of existing interest in investment in joint venture	**231**	-	-	**231**	**100%**	-	0%	**0%**	0%	0%
Equity in net income of joint ventures and associates	**117**	107	59	**10**	**9%**	48	81%	**0%**	0%	0%
Other income (Note 12)	**6,344**	-	-	**6,344**	**100%**	-	0%	**5%**	0%	0%
Gain from insurance claims (Note 12)	**-**	137	18	**(137)**	**-100%**	119	661%	**0%**	0%	0%
Market valuation gains on derivative financial instruments – net	**-**	-	880	**-**	**100%**	(880)	-100%	**0%**	0%	1%
	433	(3,908)	(3,005)	**4,341**	**-111%**	(903)	30%	**0%**	-4%	-3%
INCOME BEFORE INCOME TAX	**11,933**	5,266	5,575	**6,667**	**127%**	(309)	-6%	**10%**	5%	5%

BENEFIT FROM INCOME TAX (Note 27)	**(381)**	(136)	(2,349)	**(245)**	**180%**	2,213	-94%	**0%**	0%	-2%
NET INCOME	**11,552**	5,130	3,226	**6,422**	**125%**	1,904	59%	**10%**	5%	3%
NET INCOME ATTRIBUTABLE TO:										
Equity holders of the Parent Company	**12,293**	5,401	7,923	**6,892**	**128%**	(2,522)	-32%	**10%**	5%	8%
Non-controlling interest (Note 22)	**21**	-	-	**21**	**100%**	-	0%	**0%**	0%	0%
	12,314	**5,401**	**7,923**	**6,913**	**128%**	(2,522)	-32%	**10%**	5%	8%
Earnings per Share Attributable to Equity Holders of the Parent Company (Note 28)										
Basic	**14.44**	4.56	11.64	9.88	217%	(7)	19%			
Diluted	**7.94**	3.03	6.79	4.91	162%	(4)	24%			

Year Ended December 31, 2025 Compared with Year Ended December 31, 2024

Revenues
The Group's revenues reached ₱119.9 billion for the year ended December 31, 2025, a 14.3% increase from ₱104.9 billion earned in the same period last year. This growth was primarily driven by a 9.5% year-on-year increase in passengers carried. Revenue growth was driven by the following:

Passenger Revenues
Passenger revenues increased by ₱9.456 billion or 13.3% to ₱80.759 billion, from ₱71.303 billion in 2024. This increase was due to higher number of passengers carried supported by increased capacity, and improved average fares.

Cargo Revenues
Cargo revenues increased by ₱1.513 billion or 26.8% to ₱7.154 billion, from ₱5.641 billion in 2024. This growth was driven by a 27.5% increase in cargo volume, partially offset by a 0.5% decrease in yield.

Ancillary Revenues
Ancillary revenues increased by ₱4.051 billion or 14.5% to ₱32.015 billion, from ₱27.964 billion in 2024, mainly due to an increase in passengers carried and improved yields.

Expenses
The Group incurred operating expenses of ₱108.426 billion, 13.2% higher than ₱95.736 billion in 2024.

The increase was mainly driven by higher operating activity, since a material portion of its expenses is based on flights and flight hours. The depreciation of the Philippine peso against the U.S. Dollar also contributed to the increase in operating expenses. The Philippine peso depreciated to an average of ₱ 57.51 per U.S. Dollar for 2025 from an average of ₱57.30 per U.S. Dollar in 2024, based on Philippine Bloomberg Valuation (PH BVAL) weighted average rates.

Flying Operations
Flying operations expenses increased by ₱356.043 million or 0.9% to ₱39.482 billion from ₱39.125 billion in 2024. This was mainly due to a 6.4% increase in flights, which resulted to higher fuel consumption and crew costs, partially offset by lower fuel prices. Average jet fuel price decreased to U.S. $86.65 per barrel from U.S. $95.19 per barrel in 2024. The weakening of the Philippine Peso against the U.S. Dollar also contributed to higher costs.

Depreciation and Amortization
Depreciation and amortization expenses increased by ₱3.123 billion or 19.2% to ₱19.416 billion from ₱16.293 billion incurred in 2024, primarily due to new aircraft and engine acquisitions, and other capital expenditures.

Repairs and Maintenance
Repairs and maintenance expenses increased by ₱4.939 billion or 30.9% to ₱20.900 billion from ₱15.961 billion in 2024, mostly due to increase in maintenance checks and provisions in line with in fleet and operational growth.

Aircraft and Traffic Servicing
Aircraft and traffic servicing expenses increased by ₱3.392 billion or 28.2% to ₱15.405 billion from ₱12.013 billion in 2024, in line with increased flight activity, higher airport charges, and depreciation of the Philippine Peso against the U.S. Dollar.

General and Administrative
General and administrative expenses increased by ₱428.354 million or 8.7% to ₱5.338 billion from ₱4.909 billion in 2024, mostly attributable to increase in staff , security, and rental expenses.

Reservation and Sales
Reservation and sales expenses increased by ₱611.186 million or 15.7% to ₱4.500 billion from ₱3.889 billion in 2024, due to higher distribution and advertising costs.

Passenger Service
Passenger service expenses increased by ₱377.806 million or 14.2% to ₱3.023 billion from ₱2.645 billion in 2024, driven by higher cabin crew costs in line with increased flight activity.

Aircraft and Engine Lease
Aircraft and engine lease expenses decreased by ₱536.546 million or 59.6% to ₱363.525 million from ₱900.071 billion in 2024 due to the lower number of aircraft under short-term leases.

Operating Income
As a result, the Group earned an operating income of ₱11.501 billion for the year ended December 31, 2025, a ₱2.329 billion or 25.4% increase compared to ₱9.172 billion in 2024.

Other Income (Expenses)

Interest Income
Interest income increased by ₱164.619 million or 25.6% to ₱808.311 million from ₱643.692 million in 2024 largely due to higher short-term placements.

Gain from Insurance Claims
No gains from insurance claims were recorded in 2025, as compared to ₱137.147 million recorded in 2024.

Gain on Disposal of Property and Equipment – net
Net gain of ₱1.496 billion and ₱2.088 billion from outright sale and leaseback transactions were recorded in 2025 and 2024, respectively.

Foreign Exchange Losses – net
Net losses of ₱937.711 million were recorded in 2025, driven by the depreciation of the Philippine Peso against the US Dollar and Japanese Yen, which affected the translation of foreign currency denominated loans. The Philippine Peso exchange rate closed at ₱58.79 per US Dollar as at end of 2025 compared to ₱57.85 in 2024, and at ₱0.3756 per Japanese Yen from ₱0.3672 in 2024.

Equity in Net Income of Joint Ventures and Associates
The Group earned equity in net income of joint ventures and associates of ₱116.896 million in 2025, compared to ₱106.999 million in 2024.

Gain on remeasurement of interest in investment in joint venture
In 2025, the SEC approved the debt-to-equity conversion of 1Aviation which increased the Parent Company's ownership from 40% to 60%. As a result of the acquisition, the Group recognized a gain of ₱230.401 million from the remeasurement of its previously held interest in the joint venture.

Financing Costs and Other Charges
Interest expense increased by ₱820.674 million or 12.1% to ₱7.626 billion from ₱6.805 billion in 2024, due to financing of additional aircraft and engine deliveries during the year, as well as Peso depreciation.

Other Income
The Group recognized ₱6.344 billion in other income from five (5) free-of-charge engines received to support AOG issues.

Income before Income Tax
As a result, income before income tax reached ₱11.933 billion, as compared to ₱5.265 billion in 2024.

Benefit from Income Tax
Benefit from income tax amounted to ₱380.685 million, as compared to ₱135.834 billion in 2024, mainly due to higher recognition of deferred tax assets.

Net Income
Net income for 2025 reached ₱12.314 billion, more than double the ₱5.401 billion recorded in 2024.

Year Ended December 31, 2024 Compared with Year Ended December 31, 2023

Revenues
The Group's revenues reached ₱104.9 billion for the year ended December 31, 2024, a 15.8% increase from ₱90.6 billion revenues earned in the same period last year. This growth was primarily driven by a 17.6% year-on-year increase in passengers carried. Revenue growth was driven by the following:

Passenger Revenues
Passenger revenues increased by ₱8.845 billion or 14.2% to ₱71.303 billion from ₱62.458 billion in 2023. This increase was driven by higher number of passengers carried, partially offset by lower average fares.

Cargo Revenues
Cargo revenues increased by ₱1.584 billion or 39.0% to ₱5.641 billion from ₱4.057 billion in 2023. This growth was driven by a 32.2% increase in cargo volume carried coupled with 5.2% increase in yield .

Ancillary Revenues
Ancillary revenues increased by ₱3.877 billion or 16.1% to ₱27.964 billion from ₱24.087 billion in 2023, mainly due to increase in passengers carried.

Expenses

The Group incurred operating expenses of ₱95.736 billion, higher by 16.7% compared to ₱82.024 billion in 2023.

The increase was mainly driven by higher operating activity, since a material portion of its expenses is based on flights and flight hours. The depreciation of the Philippine peso against the U.S. Dollar also contributed to the increase in operating expenses. The Philippine Peso depreciated to an average of ₱57.30 per U.S. Dollar for 2024 from ₱55.63 in 2023, based on Philippine Bloomberg Valuation (PH BVAL) weighted average rates.

Flying Operations

Flying operations expenses increased by ₱3.754 billion or 10.6% to ₱39.125 billion from ₱35.371 billion in 2023. This was largely due to a 13.1% increase in flights, which resulted to higher fuel consumption and crew costs, partially offset by lower fuel prices. Average jet fuel prices decreased to U.S. $95.19 per barrel from U.S. $104.63 in 2023. The weakening of the Philippine Peso against the U.S. Dollar also contributed to higher costs.

Depreciation and Amortization

Depreciation and amortization expenses increased by ₱3.033 billion or 22.9% to ₱16.293 billion from ₱13.260 billion in 2023, due to new aircraft and engine acquisitions, and other capital expenditures.

Repairs and Maintenance

Repairs and maintenance expenses increased by ₱2.627 billion or 19.7% to ₱15.961 billion from ₱13.334 billion in 2023, mostly due to increase in maintenance checks and provisions in line fleet and operational growth.

Aircraft and Traffic Servicing

Aircraft and traffic servicing expenses increased by ₱3.727 billion or 45.0% to ₱12.013 billion from ₱8.286 billion in 2023 in line with increased flight activity, higher airport charges, and the depreciation of the Philippine Peso against the U.S. Dollar.

General and Administrative

General and administrative expenses increased by ₱555.158 million or 12.8% to ₱4.909 billion from ₱4.354 billion in 2023, mostly attributable to increase in staff, security, and rental expenses.

Reservation and Sales

Reservation and sales expenses increased by ₱525.189 million or 15.6% to ₱3.889 billion from ₱3.364 billion in 2023, due to higher distribution and advertising costs.

Passenger Service

Passenger service expenses increased by ₱254.439 million or 10.6% to ₱2.645 billion from ₱2.391 billion in 2023, driven by an increase in cabin crew costs in line with increased flight activity.

Aircraft and Engine Lease

Aircraft and engine lease expenses decreased by ₱763.805 million or 45.9% to ₱900.071 million from ₱1.664 billion in 2023 due to the lower number of aircraft under short-term leases.

Operating Income
As a result, the Group earned an operating income of ₱9.172 billion for the year ended December 31, 2024, a ₱593.325 million or 6.9% increase compared to the ₱8.579 billion in 2023.

Other Income (Expenses)

Interest Income
Interest income decreased by ₱169.252 million or 20.8% to ₱643.692 million from ₱812.944 million in 2023 largely due to a shorter average period of short-term placements.

Gain from Insurance Claims
In 2024 and 2023, the Group received ₱137.147 million and ₱17.875 million, respectively, pertaining to insurance proceeds claimed for damages sustained from incidents and loss events in prior periods.

Market Valuation Gains on Derivative Financial Instruments – net
No market valuation gains on derivative financial instruments was reported in 2024, as compared to ₱880.160 million in 2023, which originated from the Group's convertible bonds' embedded derivative and fuel derivatives.

Gain on Disposal of Property and Equipment – net
In 2024 and 2023, the Group entered into outright sale and sale-and-leaseback transactions that resulted to a net gain of ₱2.088 billion and ₱1.192 billion, respectively.

Foreign Exchange Losses – net
Net losses of ₱78.574 million were recorded in 2024, driven by the depreciation of the Philippine Peso against the US Dollar, partly offset by the appreciation of Philippine Peso against the Japanese Yen, which affected the translation of foreign currency denominated loans. The Philippine peso exchange rate closed at ₱57.85 per US Dollar as at the end of 2024 from ₱55.37 in 2023, and at ₱0.3672 per Japanese Yen from ₱0.3930 in 2023.

Equity in Net Income of Joint Ventures and Associates
The Group earned equity in net income of joint ventures and associates of ₱106.999 million, compared to the ₱58.564 million in 2023.

Financing Costs and Other Charges
Interest expense increased by ₱1.545 billion or 29.4% to ₱6.805 billion from ₱5.260 billion in 2023, due to financing of additional aircraft and engine deliveries during the year, as well as Peso depreciation.

Impairment Loss
The Group did not incur any impairment losses for the years ended December 31, 2024 and 2023.

Income before Income Tax
As a result, the Group's income before income tax reached ₱5.265 billion, as compared to ₱5.574 billion in 2023.

Benefit from Income Tax
Benefit from income tax amounted to ₱135.834 million, as compared to ₱2.349 billion in 2023, mainly resulting from higher recognition of deferred tax assets in the previous year.

Net Income
Net income for 2024 amounted to ₱5.401 billion, as compared to ₱7.923 billion recorded in 2023.

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

Revenues
The Group's revenues reached ₱90.603 billion for the year ended December 31, 2023, a 59.6% increase from ₱56.751 billion in the same period last year. This growth was primarily driven by a significant increase in passengers carried. Revenue growth was driven by the following:

Passenger Revenues
Passenger revenues increased by ₱27.319 billion or 77.7% to ₱62.458 billion from ₱35.139 billion in 2022. This increase was due to higher number of passengers carried, particularly for international market, which improved average fares.

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

Ancillary Revenues
Ancillary revenues increased by ₱9.594 billion or 66.2% to ₱24.087 billion from ₱14.493 billion in 2022, mainly due to increase in passengers carried and improved yields.

Expenses
The Group incurred operating expenses of ₱82.024 billion, 20.3% higher than ₱68.180 billion in 2022.

The increase was mainly driven by higher operating activity, since a material portion of its expenses is based on flights and flight hours. The depreciation of the Philippine peso against the U.S. Dollar also contributed to the increase in operating expenses. The Philippine peso depreciated ₱55.63 per U.S. Dollar for 2023 from ₱54.50 per U.S. Dollar in 2022, based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates

Flying Operations
Flying operations expenses increased by ₱7.351 billion or 26.2% to ₱35.371 billion from ₱28.020 billion in 2022. This was mainly due to the increase in flights, which resulted to higher fuel and crew costs, partially offset by lower fuel prices. Average jet fuel price decreased U.S. $104.63 per barrel from U.S. $126.65 in 2022 based on published MOPS prices. The depreciation of the Philippine Peso against the U.S. Dollar also contributed to higher costs.

Repairs and Maintenance
Repairs and maintenance expenses decreased by ₱1.352 billion or 9.2% to ₱13.334 billion from ₱14.686 billion in 2022, mostly due to the decrease in provisions for asset retirement obligation and heavy maintenance visits.

Depreciation and Amortization
Depreciation and amortization expenses increased by ₱1.168 billion or 9.6% to ₱13.260 billion from ₱12.092 billion in 2022, primarily due to new aircraft acquisitions and other capital expenditures.

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

General and Administrative
General and administrative expenses increased by ₱1.212 billion or 38.6% to ₱4.354 billion from ₱3.142 billion in 2022, mostly attributable to higher IT services and professional fees.

Reservation and Sales
Reservation and sales expenses increased by ₱972.265 million or 40.7% to ₱3.364 billion from ₱2.392 million in 2022, due to higher distribution costs and advertising costs.

Passenger Service
Passenger service expenses increased by ₱897.332 million or 60.1% to ₱2.391 billion from ₱1.493 billion in 2022, driven by higher cabin crew costs in line with increased flight activity.

Aircraft and Engine Lease
Aircraft and engine lease expenses increased by ₱570.448 million or 52.2% to ₱1.664 billion from ₱1.093 billion in 2022 due to more aircraft and engine leases.

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

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

Interest Income
Interest income increased by ₱504.661 million or 163.7% to ₱812.944 million from ₱308.283 million in 2022 largely due to increased placements and higher average interest rates.

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

Market Valuation Gains on Derivative Financial Instruments – net
Market valuation gains decreased to ₱880.160 million from ₱997.908 million in 2022, driven by market valuation of the Group's convertible bonds' embedded derivative and fuel derivatives. ₱?.

Gain on Disposal of Property and Equipment – net
Gains of ₱1.192 billion from sale-and-leaseback transactions and ₱814.2 million from sale and lease back, swap and buyback transactions was recognized in 2023 and 2022, respectively.

Foreign Exchange Losses – net
Net losses of ₱707.278 million were recorded in 2023, driven by the appreciation of the Philippine Peso against the US Dollar, which affected the transaction of foreign currency denominated assets. The Philippine peso exchange rate closed at ₱55.37 per US Dollar as at the end of 2023, ₱55.76 in 2022.

Equity in Net Income (Loss) of Joint Ventures and Associates
The Group earned equity in net income of joint ventures and associates of ₱58.564 million, a reversal from the ₱113.288 million losses in 2022.

Financing Costs and Other Charges
Interest expense increased by ₱1.879 billion or 55.5% to ₱5.260 billion from ₱3.381 billion in 2022, due to financing of additional aircraft deliveries during the year, coupled with the increase in interest rates for debts and the Peso depreciation.

Impairment Loss
No impairment losses were recorded in 2023 , as compared to ₱86.747 million in 2022 which arose from the reclassification of four (4) ATR aircraft as asset held for sale.

Income (Loss) before Income Tax
As a result, the Group recorded income before income tax of ₱5.574 billion for 2023, a reversal from the ₱16.228 billion loss reported in 2022.

Benefit from Income Tax
Benefit from income tax amounted to ₱2.349 billion, mainly resulting from the recognition of deferred tax assets.

Net Income (Loss)
Net income for 2023 amounted to ₱7.923 billion, a turnaround from the ₱13.979 billion net loss incurred in 2022.

Financial Position

	As of December 31		Horizontal		Vertical	
	2025	2024	Inc (Dec)		2025	2024
ASSETS						
Current Assets						
Cash and cash equivalents	**21,683**	19,916	1,767	9%	**8%**	8%
Derivative financial assets at fair value through other comprehensive income (FVOCI)	**–**	1	(1)	-100%	**0%**	0%
Receivables	**3,433**	3,154	279	9%	**1%**	1%
Expendable parts, fuel, materials and supplies	**4,571**	4,634	(63)	-1%	**2%**	2%
Other current assets	**9,166**	5,837	3,330	57%	**3%**	3%
	38,853	33,541	5,312	16%	**15%**	15%
Assets held for sale	**368**	3,541	(3,173)	-90%	**0%**	1%
Total Current Assets	**39,221**	37,082	2,139	6%	**15%**	16%
Noncurrent Assets						
Right-of-use assets (ROU)	**114,880**	103,583	11,297	11%	**43%**	43%
Property and equipment	**94,954**	81,997	12,957	16%	**36%**	34%
Deferred tax assets - net	**9,127**	8,404	723	9%	**3%**	4%
Goodwill	**1,546**	1,034	512	50%	**1%**	1%
Investments in joint ventures and an associate	**564**	447	117	26%	**0%**	0%
Other noncurrent assets	**4,380**	5,620	(1,240)	-22%	**2%**	2%
Total Noncurrent Assets	**225,451**	201,085	24,366	12%	**85%**	84%
TOTAL ASSETS	**264,672**	238,167	26,505	11%	**100%**	100%
LIABILITIES AND EQUITY						
Current Liabilities						
Accounts payable and other accrued liabilities	**25,331**	26,597	(1,266)	-5%	**10%**	11%
Unearned transportation revenue	**21,549**	18,808	2,741	15%	**8%**	8%
Short-term debt	**-**	5,568	(5,568)	-100%	**0%**	2%
Current portion of long-term debt	**4,746**	4,024	722	18%	**2%**	2%
Current portion of lease liability	**14,782**	13,470	1,312	10%	**5%**	6%
Due to related parties	**73**	61	12	20%	**0%**	0%
Income tax payable	**5**	5	-	0%	**0%**	0%
Total Current Liabilities	**66,486**	68,533	(2,047)	-3%	**25%**	29%
Noncurrent Liabilities						
Long-term debt - net of current portion	**46,876**	38,775	8,101	21%	**18%**	16%
Lease liability - net of current portion	**110,544**	100,160	10,384	10%	**42%**	42%
Bonds payable	**14,514**	14,156	358	3%	**6%**	6%
Retirement liability	**928**	998	(70)	-7%	**0%**	1%
Other noncurrent liabilities	**6,303**	5,520	783	14%	**2%**	2%
Total Noncurrent Liabilities	**179,165**	159,609	19,556	12%	**68%**	67%
Total Liabilities	**245,651**	228,142	17,509	8%	**93%**	96%
Equity						
Equity attributable to equity holders of the Parent Company:						
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	**130**	135	(5)	-4%	**0%**	0%
Treasury stock	**(1,386)**	(956)	(430)	45%	**-1%**	0%
Retained earnings	**14,880**	5,404	9,476	175%	**6%**	2%
Other comprehensive income	**38**	1	37	3700%	**0%**	0%
	19,117	10,025	9,092	91%	**7%**	4%
Non-controlling interest	**(96)**	–	(96)	100%	**0%**	0%
Total Equity	**19,021**	10,025	8,996	90%	**7%**	4%
TOTAL LIABILITIES AND EQUITY	**264,672**	238,167	26,505	11%	**100%**	100%

December 31, 2025 versus December 31, 2024

As of December 31, 2025, the Group's consolidated assets increased to ₱264.670 billion, from ₱238.167 billion as of December 31, 2024. The growth was mainly driven by higher right-of-use assets, property and equipment, cash and cash equivalents, and other current assets.

The Group's net equity position rose to ₱19.021 billion, from ₱10.025 billion, primarily due to net income recognized during the year. Book value per common share increased to ₱25.45, from ₱7.18 in 2024.

The Group's cash requirements were primarily funded by operating cash flows. For the year ended December 31, 2025:

- Net cash from operating activities totaled ₱27.079 billion.
- Net cash used in investing activities amounted to ₱6.370 billion, mainly for property and equipment acquisitions, partly offset by proceeds from sale-and-leaseback transactions and refunds of pre-delivery payments.
- Net cash used in financing activities reached 19.304 billion, driven by repayments of debt and lease liabilities, partially offset by proceeds from new borrowings.

As of December 31, 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.

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 – December 31, 2025 versus December 31, 2024

8.9% increase in Cash and Cash Equivalents
Due to higher cash generated from operations and receipt of proceeds from long-term debt, offset by the disbursements related to debt and lease payments, dividend payments and capital expenditures

100% decrease in Derivative Financial Assets at Fair Value through Other Comprehensive Income
Due to settlement of the Group's fuel hedge derivatives

8.8% increase in Receivables
Due to the increased sales of the Group arising from increased flights and travel demand

89.6% decrease in Assets Held for Sale
Due to sale of aircraft held for sale, partly offset by two (2) ATR Freighters classified as held for sale in 2025

57.1% increase in Other Current Assets
Due to increase in advances made to suppliers for future engine shop visits and other maintenance services

15.8% increase in Property and Equipment
Due to aircraft and engine acquisitions, partly offset by deprecation

10.9% increase in Right of Use Asset
Due to new aircraft and engine deliveries, partly offset by depreciation

26.1% increase in Investment in Joint Ventures and Associates
Due to the recognized share in net income of joint venture

49.5% increase in Goodwill
Due to additional goodwill recognized from the step-up acquisition of 1Aviation in 2025

22.1% decrease in Other Noncurrent Assets
Due to refunds of security deposits

20.1% increase in Due to Related Parties
Due to additional advances from affiliates

100.0% decrease in Short-Term Debt
Due to full repayment of short-term loans from local banks

14.6% increase in Unearned Transportation Revenue
Due to higher forward bookings, in line with the growth in demand, increased capacity and introduction of new routes

12.0% decrease in Income Tax Payable
Due to the application of tax credits

20.6% increase in Long-Term Debt (including Current Portion)
Due to additional loans for various aircraft and engine deliveries, offset by the repayment of outstanding long-term debt in accordance with the repayment schedule

10.3% increase in Lease Liability (including Current Portion)
Due to additional lease liability set up for various aircraft and engines deliveries offset by payments made

7.0% decrease in Retirement Liability
Due to the remeasurement gains recognized and contributions net of accrual of retirement costs

14.2% increase in Other Noncurrent Liabilities
Due to additional provisions aligned with a bigger fleet, offset by applications of asset retirement obligation and heavy maintenance visits

6,045.4% increase in Other Comprehensive Income
Due to remeasurement gains recognized from pension liabilities net of recycling of the effective portion of the Group's cash flow hedge reserves

45.0% increase in Treasury Stocks
Due to the Group's share buy-back initiatives in 2025

175.4% increase in Retained Earnings
Due to net income recognized during the year, offset by dividend payments

100% increase in Non-controlling Interest
Due to step-up acquisition of 1Aviation in 2025

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 32 of the Notes to Consolidated Financial Statements for the detailed discussion on Purchase and Capital Expenditure Commitments.

December 31, 2024 versus December 31, 2023

As of December 31, 2024, the Group's consolidated assets increased to ₱238.167 billion, from ₱187.185 billion as of December 31, 2023. The increase was mainly driven by higher right-of-use assets, property and equipment, cash and cash equivalents, and other current and noncurrent assets.

The Group's net equity position improved to ₱10.025 billion, from ₱4.778 billion, primarily due to net income recognized during the year. Book value per common share increased to ₱7.18, from a deficit of ₱14.32 per share in 2023.

On August 2, 2024, the SEC approved the Parent Company's equity restructuring through a quasi-reorganization, which eliminated the ₱16.3 billion deficit as of December 31, 2023 through a corresponding reduction in capital paid in excess of par value. This had no impact on par value, number of shares issued, or total paid-in capital. The deficit was allocated between common and preferred shares based on their respective paid-in capital.

The Group's cash requirements were primarily funded by operating cash flows. For the year ended December 31, 2024:

- Net cash from operating activities totaled ₱25.069 billion.
- Net cash used in investing activities amounted to ₱15.613 billion, mainly for property and equipment acquisitions, partly offset by proceeds from sale-and-leaseback transactions and refunds of pre-delivery payments.
- Net cash used in financing activities reached ₱5.854 billion, driven by repayments of debt and lease liabilities, partially offset by proceeds from new borrowings.

As of December 31, 2024, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

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

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

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

27.7% increase in Cash and Cash Equivalents
Due to higher cash generated from operations and receipt of proceeds from long-term and short-term debt, offset by the disbursements related to debt and lease payments and capital expenditures.

100.0% decrease in Restricted Cash
Due to release of all holdouts from cash in banks and money market placements

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

24.0% increase in Receivables
Due to the increased sales of the Group arising from increased flights and travel demand

15.4% increase in Expendable Parts, Fuel, Materials and Supplies
Due to increased expendable parts, materials and supplies kept in stock for operations

496.8% increase in Assets Held for Sale
Due to the reclassification of three (3) A320CEOs to assets held for sale

38.1% increase in Other Current Assets
Due to increase in advances made to suppliers for future engine shop visits and other maintenance services

17.2% increase in Property and Equipment
Due to aircraft and engine acquisitions, partly offset by deprecation

36.1% increase in Right of Use Asset
Due to new aircraft and engine deliveries, partly offset by depreciation

48.9% increase in Investment in Joint Ventures and Associates
Due to the recognized share in net income of joint venture

43.2% increase in Goodwill
Due to additional goodwill recognized from the acquisition of AirSWIFT in 2024.

53.0% increase in Other Noncurrent Assets
Due to additional deposits made to various counterparties and additional intangible assets recognized arising from acquisition of AirSWIFT

7.5% increase in Due to Related Parties
Due to additional advances from affiliates

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

36.7% increase in Unearned Transportation Revenue
Due to higher forward bookings in line with the increased demand and introduction of new routes.

80.6% increase in Income Tax Payable
Due to the increase in the Group's taxable income

10.6% increase in Long-Term Debt (including Current Portion)
Due to additional loans for various aircraft and engine deliveries, offset by the repayment of outstanding long-term debt in accordance with the repayment schedule, along with other prepayments

37.5% increase in Lease Liability (including Current Portion)
Due to additional lease liability set up for various aircraft and engines deliveries offset by payments made during

100% decrease in Travel Fund Payable – net of current portion
Due to reclassification of remaining travel fund payable to current liabilities

11.8% increase in Retirement Liability
Due to the accrual of retirement costs and remeasurement losses recognized net of contributions

7.3% decrease in Other Noncurrent Liabilities
Due to applications of asset retirement obligation and heavy maintenance visits, offset by additional provisions

78.2% decrease in Capital paid in excess of par value
Due to the quasi-reorganization undertaken to eliminate the deficit from accumulated losses in prior years

39.8% decrease in Share-Based Payments
Due to the listing of 2.2 million vested restricted stock units (RSU) to the Philippine Stock Exchange last January 17, 2024

99.6% decrease in Other Comprehensive Income
Due to remeasurement loss recognized from pension liabilities and recycling of the effective portion of the Group's cash flow hedge reserves

133.2% increase in Retained Earnings
Due to the quasi-reorganization, where the deficit of ₱16.269 billion was eliminated against capital paid in excess of par value and net income recognized during the period amounting to ₱5.169 billion

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

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

December 31, 2023 versus December 31, 2022

As of December 31, 2023, the Group's consolidated assets increased to ₱187.185 billion, from ₱147.156 billion as of December 31, 2022. The growth was mainly driven by higher right-of-use assets, property and equipment, deferred tax assets, and inventories (expendable parts, fuel, and materials).

The Group's financial position improved to a net equity of ₱4.778 billion, from a capital deficiency of ₱2.885 billion, primarily due to net income recognized during the year. Book value per common share improved to (₱14.32), from (₱26.04) in 2022.

The Group's cash requirements were primarily funded by operating cash flows. For the year ended December 31, 2023:

- Net cash from operating activities totaled ₱17.454 billion.
- Net cash used in investing activities amounted to ₱9.385 billion, mainly for property and equipment acquisitions, net of proceeds from sale-and-leaseback transactions and refunds of pre-delivery payments.
- Net cash used in financing activities reached ₱11.333 billion, driven by repayments of debt and lease liabilities, partially offset by proceeds from new borrowings.

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

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

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

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

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

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

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

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

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

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

8.3% increase in Property and Equipment
Due to aircraft acquisitions, partly offset by depreciation

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

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

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

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

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

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

19.1% increase in Unearned Transportation Revenue
Due to higher forward bookings in line with the increased travel demand

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

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

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

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

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

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

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

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

32.8% decrease in Deficit
Due to net income recognized

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

Key Performance Indicators

The Group sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are major performance measures, which the Group has identified as reliable performance indicators. Analyses are employed by comparisons and measurements based on the financial data for the years ended December 31, 2025 and 2024:

Key Financial Indicators	**2025**	2024
Total Revenue	**₱119.928 billion**	₱104.909 billion
Pre-tax Core Net Income	**₱4.800 billion**	₱3.118 billion
EBITDA	**₱30.917 billion**	₱25.466 billion
EBITDA Margin	**25.78%**	24.27%
Cost per Available Seat Kilometer (ASK) (PHP)	**3.05**	3.09
Cost per ASK (U.S. cents)	**5.31**	5.39
Seat Load Factor	**84.0%**	84.4%

The manner by which the Group calculates the above key performance indicators for both year-end 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.
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 Kilometres (ASK) where the ASK is computed by multiplying the number of seats available per flight to the total distance (in kilometres) those seats are flown over a specified period.
Seat Load Factor	Total number of passengers divided by the total number of actual seats on actual flights flown.

Item 7. Financial Statements

The financial statements and schedules listed in the accompanying Index to Financial Statements and Supplementary Schedules (page 74) are filed as part of this Form 17-A.

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

None.

Independent Public Accountants and Audit Related Fees

SyCip Gorres Velayo & Co. (SGV & Co.) has acted as the Group's independent public accountant. The same accounting firm is tabled for reappointment for the current year at the annual meeting of stockholders. The representatives of the principal accountant have always been present at prior year's meetings and are expected to be present at the current year's annual meeting of stockholders. They may also make a statement and respond to appropriate questions with respect to matters for which their services were engaged. The current handling partner of SGV & Co. has been engaged by the Group in 2025 and is expected to be rotated every seven (7) years.

Audit Fees

The following table sets out the aggregate fees billed for each of the last three years for professional services rendered by the Group's external auditors.

	2025	2024	2023
Total audit fees	**₱9,700,000**	₱8,826,912	₱7,378,781
Non-audit service fees			
Other assurance services	**–**	–	–
Tax services	**–**	98,508	112,467
All other services	**2,500,000**	3,320,000	–
	2,500,000	3,418,508	112,467
Total audit and non-audit fees	**₱12,200,000**	₱12,245,420	₱7,491,248

**Low carbon policy risk assessment report for 2025; Financial and Tax due diligence on acquisition of AirSWIFT for 2024*

PART III - CONTROL AND COMPENSATION INFORMATION

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

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

A. Board of Directors

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

Name	Age	Position	Citizenship
Lance Y. Gokongwei	59	Director, Chairman	Filipino
Alexander G. Lao	50	Director	Filipino
Jose F. Buenaventura	91	Director	Filipino
Robina Gokongwei Pe	64	Director	Filipino
David Gulliver G. Go	54	Director	Filipino
Brian H. Franke	62	Director	American
Bernadine T. Siy	66	Independent Director	Filipino
Brian Mathew P. Cu	43	Independent Director	Filipino
Richard Raymond B. Tantoco	59	Independent Director	Filipino

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

B. Executive Officers

Name	Age	Position	Citizenship
Michael B. Szucs	60	Chief Executive Officer	British
Alexander G. Lao	50	President and Chief Commercial Officer	Filipino
Mark Julius V. Cezar	46	Chief Financial Officer	Filipino
Anne Romadine P. Tieng	49	General Counsel and Compliance Officer	Filipino
Pamela Rae A. Chua	35	Treasurer*	Filipino
Aileen M. Isidro	41	Risk Officer	Filipino
Josine Ma. V. Protasio-Mendoza	35	Corporate Secretary	Filipino
Ederlyn S. Agustin	40	Assistant Corporate Secretary	Filipino

** Ms. Pamela Rae A. Chua was appointed Treasurer of the Company effective December 1, 2025, following the retirement of Ms. Ma. Elynore J. Villanueva effective on the same date.*

Unless otherwise stated herein, the above directors and executive officers have served their respective offices since May 8, 2025.

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

Name/Position	Age	Citizenship	Current Affiliations, Business Experience in the last 5 years and Academic Qualification	Term of Office/ Period Served
Lance Y. Gokongwei Chairman of the Board of Directors	59	Filipino	Chairman of the Board of Directors; President and Chief Executive Officer of the Parent Company He serves as the Chairman of Cebu Air, Inc. He has likewise been serving as President, Chief Executive Officer, and Executive Director of JGSHI since May 14, 2018. He also holds the position of Chairman of Universal Robina Corporation and Robinsons Land Corporation, and, effective October 1, 2025, serves as Chairman, President, and Chief Executive Officer of JG Summit Olefins Corporation. He is a Director and Vice Chairman of Manila Electric Company, Vice Chairman of Maxicare Corporation, and a member of the Advisory Council of Bank of the Philippine Islands since April 2023. He is also a Director of Oriental Petroleum and Minerals Corporation, Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., SP New Energy Corporation, and was elected Director of Robinsons Retail Holdings, Inc. on July 25, 2025. He is a Trustee and the Chairman of the Gokongwei Brothers Foundation, Inc. He holds a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.	2023 to present; 1997 to 2022
Alexander G. Lao President and Chief Commercial Officer	50	Filipino	President and Chief Commercial Officer; Chief Commercial Officer; Chief Strategy Officer of the Parent Company He became Chief Commercial Officer last May 10, 2021. Prior that, he was previously the Chief Strategy Officer since August 16, 2019. Prior to this, he served as Vice President for Commercial Planning since February 2012 and Director of Revenue Management from October 8, 2007 to February 2012. Before joining the Group, he worked as Assistant Vice President of Philamlife from August 2001 to September 2007 and as Business Development Assistant of Ayala Life from 1998 to 1999. He graduated from Ateneo De Manila University with a Bachelor of Science degree in Legal Management. He also received his Master's degree in Business Administration from the Asian Institute of Management.	2023 to present; 2021 to 2022; 2019 to 2020

Jose F. Buenaventura Director	91	Filipino	Director of the Parent Company He is also Chairman and Director of Consolidated Coconut Corporation, Gladtobehome, Inc. and GROW, Inc. He is a member of the Board of Grow Holdings, Inc., Hicap Properties Corportion, Himap Properties Corporation, La Concha Land Investment Corp., Philplans First, Inc., Techzone Philippines, Inc., Total Consolidated Asset Management, Inc., and Turner Entertainment Manila, Inc. He is also a member of the Board of Advisors of BDO Unibank, Inc. He has a Bachelor of Laws degree from the Ateneo de Manila University and his Master of Laws degree from Georgetown University Law Center, Washington D.C.	1999 to present
Robina Gokongwei Pe Director	64	Filipino	Director of the Parent Company She has been a director of Cebu Air, Inc. since August 1, 2007. She is also a Non-Executive and Non-Independent Director of JGSHI since April 15, 2009. She is the Chairman of Robinsons Retail Holdings, Inc. (RRHI). Operating a diverse portfolio of brands, RRHI is one of the largest multi-format retailers in the country. She is also a Director of Robinsons Land Corporation. She is a Trustee and the Secretary of the Gokongwei Brothers Foundation, Inc. and a Trustee and Vice Chairman of the Immaculate Concepcion Academy Scholarship Fund. She is also a member of the Xavier School Board of Trustees. She attended the University of the Philippines-Diliman from 1978 to 1981 and obtained a Bachelor of Arts degree (Journalism) from New York University in 1984. She has two children, Justin, 30 and Joan, 20. She is married to Perry Pe, a lawyer.	2007 to present
David Gulliver G. Go Director	54	Filipino	Director of the Parent Company He has been a director of Cebu Air, Inc. and Luzon International Premier Airport Development Corp. (LIPAD) since 2024. For the past 6 years, he has been the Chief Human Resources Officer of JG Summit Holdings, Inc., the publicly-listed parent holding company of Cebu Air, Inc. Beginning January 2026, he serves as a Director of the Cebu Pacific Foundation, Inc. Previously, he was the Head of Executive Education at the Asian Institute of Management (AIM), serving both local and international corporate organizations for their executive training programs. Prior to this, he was engaged in other roles in the education sector, with Enderun Colleges as Business Administration Head and with Binus University Indonesia as Visiting	2024 to present

			Faculty. He also held executive director positions at endowed research centers for banking (Jose B. Fernandez Jr. Center for Banking and Finance) and tourism (Andrew L. Tan Center for Tourism). He received his Masters in Business Administration from the Asian Institute of Management and a Doctorate Degree from Ritsumeikan University.	
Brian H. Franke Director	62	American	Director of the Parent Company He has been a director of Cebu Air, Inc. since July 15, 2021. Mr. Franke has been a principal of Indigo Partners LLC, a private equity fund focused on air transportation, since April 2004. He has served as a member of the Frontier Airlines Board of Directors since December 2013. Mr. Franke has served on the boards of directors of Concesionaria Vuela Compañía de Aviación, S.A.B. de C.V., an airline based in Mexico doing business as Volaris, since July 2010, including as board chair since April 2020; several entities within the JetSMART SpA group, an airline based in South America, since March 2017; and APiJET, LLC, a software company focused on providing real-time cost saving analytics to airlines, since November 2020. He previously served on the boards of Tiger Aviation Pte. Ltd, a Singapore-based airline, from 2008 to 2010, and Tiger Airways Australia Pty Ltd., an Australian-based airline, from 2009 to 2010. Mr. Franke also served on the University of Arizona Foundation board and its investment and executive committees. Mr. Franke holds a B.S. from the University of Arizona and a Masters of International Management from the Thunderbird School of Global Management.	2021 to present

Bernadine T. Siy Independenxt Director	66	Filipino	Independent director of the Parent Company She has been a Non-Executive and Independent Director of JGSHI since June 3, 2024. She serves as an Independent Director of PLDT, Inc. and Anvaya Cove Golf and Country Club, Inc. She is currently the Chairperson of the Board of Trustees of Ateneo de Manila University, and a fellow and trustee of the Foundation for Economic Freedom, an economic policy advocacy organization. She is also a current member of the Board of Directors of Epicurean Partners Exchange Inc., the operators of the Kenny Rogers restaurant chain which she founded in 1994, and Seattle's Best Coffee which she introduced to the Philippine market in 2000. She also holds the position of President and Director of Interworld Properties Corporation and B289 Properties Inc. She previously served as a director of Security Diners International Corporation, which was then a wholly-owned subsidiary of Security Bank operating the Diners Card business, from 1986 to 1992. She was the President and Chief Executive Officer of Fil-Pacific Apparel Corporation (one of the country's leading garment corporations) from 1987 to 1995, and again from 2004 to 2013, EPEI from 1994 to 2011, and Consultant to the Board of Directors of Development Bank of the Philippines from November 2012 to June 2014. She obtained her Bachelor of Arts Degree in Economics, Magna Cum Laude in 1980 from Ateneo de Manila University and Master's Degree in Management with Majors in Finance and Accounting in 1984 from the J.L. Kellogg Graduate School of Management of Northwestern University in Chicago, Illinois, USA.	2021 to present
Brian Mathew P. Cu Independent Director	43	Filipino	Independent director of the Parent Company He started his career as a management consultant with the Boston Consulting Group. He co-founded GoJe in Indonesia and jumped full time into the world of entrepreneurship in 2012 when he co-founded Zalora Philippines. He left in mid-2013 to co-found Grab Philippines and served as its President until August 2020. He received his Bachelor of Business Administration with Major in Finance from the National University of Singapore.	2021 to present
Richard Raymond B. Tantoco Independent Director	59	Filipino	Independent Director of the Parent Company He has been a director of Cebu Air, Inc. since May 12, 2021. He is the President of CleanEdge Resources Philippines, Inc. He is also a member of	2021 to present

			the Board of Directors of First Philippine Holdings Corporation, First Gen Corporation, Energy Development Corporation, and several of these companies' subsidiaries. Prior to joining Energy Development Corporation and First Gen Corporation, Mr. Tantoco worked with the management-consulting firm Booz, Allen & Hamilton, Inc. in New York and London as well as Procter and Gamble Philippines. Mr. Tantoco serves as a Trustee in the board of several non-profit organizations – Cebu Pacific Foundation, Oscar M. Lopez Center For Climate Change Adaptation and Disaster Risk Management Foundation, Inc., and The Eugeno Lopez Foundation, Inc. Mr. Tantoco obtained his B.S. Business Management degree from the Ateneo de Manila University where he graduated with honors, and his MBA in Finance from the Wharton School of Business of the University of Pennsylvania.	
Michael B. Szucs Chief Executive Officer	60	British	Chief Executive Officer; Chief Executive Adviser of the Parent Company He has extensive airline experience in senior management and executive positions spanning over thirty years. He started his airline career as a pilot with British Airways in 1990 flying Boeing 737, 757, 767 and Airbus A320 aircraft. He moved into management within British Airways in 1996. Having served in senior roles in both Operations and Commercial, he joined EasyJet as Operations Director and then Chief Operating Officer. In 2006, Mr. Szucs successfully established his first airline, as the CEO of then start-up LCC VivaAerobus in Mexico. He subsequently took on a breadth of CEO challenges: trying to rescue a massively distressed airline in Europe (Spanair), successfully starting another Latin American LCC (VivaColombia) and leading the efforts to establish a new LCC for Qatar Airways in Saudi Arabia (Al Maha). He holds a first class honors degree in Aeronautical Engineering from Manchester University, UK.	2023 to present; 2019-2022
Mark Julius V. Cezar Chief Financial Officer	46	Filipino	Chief Financial Officer and Compliance Officer; Deputy Chief Financial Officer; Director – Fleet Planning of the Parent Company He started his career as a Junior Management Trainee with JG Summit Holdings Inc. and was transferred to the Parent Company where he held various positions including leadership roles in the Network Planning Group under its Commercial Department. He then expanded his career when he was appointed to lead as Director for the Fleet Planning team under the Finance Department.	2023-present; 2020-2022; 2019

			He is a licensed Certified Public Accountant and he graduated Cum Laude from the University of the Philippines – Diliman where he completed his Bachelor of Science Degree in Business Administration and Accountancy.	
Anne Romadine P. Tieng General Counsel and Compliance Officer	49	Filipino	General Counsel and Compliance Officer; Vice President – Legal Affairs of the Parent Company. She was appointed as Vice President for Legal Affairs last December 1, 2018 and was appointed Corporate Secretary on October 1, 2020. She has worked with organizations such as Villaraza & Angangco Law Offices and Shell Philippines Exploration B.V. prior to joining Cebu Pacific in August 2011. She is a graduate of De La Salle University majoring in BS Legal Management for her undergraduate course and Ateneo De Manila School of Law for her post graduate course where she obtained her Juris Doctor degree.	2023-present; 2019-2022
Pamela Rae A. Chua Treasurer	35	Filipino	Ms. Pamela Rae A. Chua has been with the Company since April 2012, holding various roles across Commercial, Finance, and Treasury. Prior to this appointment as Treasurer, she served as Deputy Treasurer of the Company and concurrently as Finance Head of AirSwift following the Company's acquisition. Before that, she was Director for Treasury Risk Management for approximately since February 2020, and earlier, she held the position of Finance and Financial Strategy Manager starting February 2017. She earned her Bachelor of Science degree in Management Engineering from Ateneo de Manila University in 2012. She has also successfully passed all three levels of the Chartered Financial Analyst (CFA) Program in 2013, 2014, and 2015, respectively.	2025-Present
Aileen M. Isidro Risk Officer	41	Filipino	Vice-President for Corporate Strategy and Risk Officer She was appointed as Vice President for Corporate Strategy on June 18, 2024, bringing a wealth of experience and strategic insight to the role. Since joining Cebu Pacific in 2020, she has been instrumental in leading the Corporate Governance and Business Process Management team, as well as the Enterprise Risk Management and Finance Systems team. Before joining the airline, she held	2024-present

			leadership roles in Strategy, Finance, and Marketing at major corporations such as Universal Robina Corporation, British American Tobacco Philippines Inc., Coca-Cola Bottlers Philippines Inc., and Monde Nissin Corporation, giving her a comprehensive understanding of market dynamics and strategic planning across industries. She holds a Bachelor of Arts degree in Management Economics from the Ateneo De Manila University and a Master of Business Administration with a major in Marketing from the Asian Institute of Management, with participation in an exchange program at Schulich School of Business, York University in Canada.	
Josine Ma. V. Protasio-Mendoza Corporate Secretary	35	Filipino	Associate Legal Counsel and Corporate Secretary She joined Cebu Pacific last March 2024 as an Associate Legal Counsel and has expanded her role to include the position of Corporate Secretary as of August 2024. Her primary responsibilities encompassed overseeing the administration of the Board and other required Committees, as well as ensuring the integrity of governance processes. These duties involved managing Board affairs, ensuring compliance with statutory requirements, and maintaining accurate corporate records. She has worked with organizations such as Salvador Llanillo & Bernardo and Gruba Law. She graduated from the University of Asia and the Pacific with a degree in Management for her undergraduate studies and later earned her Juris Doctor degree from the same institution.	2024-present
Ederlyn S. Agustin Assistant Corporate Secretary	40	Filipino	Ms. Ederlyn S. Agustin, one of the Corporation's Legal Support Specialist, has been appointed as Assistant Corporate Secretary of the Corporation. In this expanded role, Ms. Agustin provides support to the Corporate Secretary in overseeing the administration of the Board of Directors and its various committees, while ensuring the integrity of the Corporation's governance processes. She completed her undergraduate studies in Political Science at the University of the East and later earned a Master's degree in Public Governance from Pamantasan ng Lungsod ng Pasay.	2025-present

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

Involvement in Certain Legal Proceedings of Directors and Executive Officers

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

Family Relationship
- Mr. David Gulliver G. Go is the cousin of Mr. Lance Y. Gokongwei
- Ms. Robina Gokongwei Pe is the sister of Mr. Lance Y. Gokongwei

Attendance to the 2025 Board Directors Meetings

Director	Board of Directors Meeting (March 26, 2025)	Board of Directors Meeting (May 8, 2025)	Board of Directors Meeting (June 30, 2025)	Board of Directors Meeting (August 5, 2025)	Board of Directors Meeting (September 30, 2025)	Board of Directors Meeting (December 3, 2025)
1. Lance Y. Gokongwei	✓	✓		✓	✓	✓
2. Jose Fernando B. Buenaventura	✓	✓		✓	✓	✓
3. Robina Gokongwei Pe	✓	✓	✓	✓	✓	✓
4. Frederick D. Go	✓	✓	✓	✓	✓	✓
5. Brian H. Franke	✓	✓	✓	✓	✓	✓
6. Alexander G. Lao	✓	✓	✓	✓	✓	✓
7. Bernadine T. Siy	✓	✓	✓	✓	✓	✓
8. Brian Mathew P. Cu	✓	✓	✓	✓	✓	✓
9. Richard Raymond B. Tantoco	✓	✓	✓	✓	✓	✓

Item 10. Executive Compensation

The following are the Group's Chief Executive Officer ("CEO") and four most highly compensated executives* for the year ended 2025:

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

** As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2025. However, included in the above-list would also be those not "named executive officers" but who rank as the four (4) most highly compensated executives, apart from the Chief Executive Officer, as of December 31, 2025.*

The following table identifies and summarizes the aggregate compensation of the Group's CEO and the four most highly compensated executive officers for the years ended 2024, 2025 and 2026 estimates:

	Actual - Fiscal Year 2024			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Michael B. Szucs – Chief Executive Officer 2. Alexander G. Lao – President and Chief Commercial Officer 3. Michael Ivan S. Shau - Chief Corporate Affairs Officer 4. Mark V. Cezar - Chief Financial Officer 5. Candice A. Iyog - Chief Marketing and Customer Experience Officer	89,035,863	8,097,420	600,000	97,733,283
Aggregate paid to all officers and directors as a group unnamed	178,621,767	21,306,487	3,410,000	203,338,254

	Actual - Fiscal Year 2025			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Michael B. Szucs – Chief Executive Officer 2. Alexander G. Lao – President and Chief Commercial Officer 3. Michael Ivan S. Shau - Chief Corporate Affairs Officer 4. Mark V. Cezar – Chief Financial Officer 5. Candice A. Iyog – Chief Marketing and Customer Experience Officer	93,877,538	8,123,129	600,000	102,600,667
Aggregate compensation paid to all officers and directors as a group unnamed	197,815,137	21,884,595	3,450,000	223,149,732

	Fiscal Year 2026 Estimates			
	Salaries	**Bonuses**	**Other Income****	**Total**
CEO and four (4) most highly compensated executive officers* 1. Michael B. Szucs - Chief Executive Officer 2. Alexander G. Lao – President and Chief Commercial Officer 3. Michael Ivan S. Shau - Chief Corporate Affairs Officer 4. Mark V. Cezar – Chief Financial Officer 5. Candice A. Iyog – Chief Marketing and Customer Experience Officer	99,040,803	8,553,400	600,000	108,194,203
Aggregate compensation paid to all officers and directors as a group unnamed	209,244,970	22,837,080	3,500,000	235,582,050

** As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2025. However, included in the above-list would also be those not "named executive officers" but who rank as the four (4) most highly compensated executives, apart from the Chief Executive Officer, as of December 31, 2025.*
***Includes per diem of directors*

Standard Arrangements

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

Other Arrangements

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

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

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

Long Term Incentive Plan (see page 24)

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

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

(1) Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2025, the Group knows no one who beneficially owns in excess of 5% of the Group's voting stock except as set forth in the table below.

Title of Class	Names and addresses of record owners and relationship with the Corporation	Name of beneficial owner and relationship with record owner	Citizenship	Number of shares held	% to Total Outstanding Voting Stock
Common	CPAir Holdings, Inc. 43/F Robinsons Equitable Tower, ADB Avenue corner Poveda Street Ortigas Center, Pasig City (stockholder)	Same as record owner (See note 1)	Filipino	400,816,841	65.43%
Common	PCD Nominee Corporation - Filipino 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Filipino	161,369,162 (See note 3)	26.34%
Common	PCD Nominee Corporation - Non-Filipino 37/F Tower 1, The Enterprise Center, Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder)	PDTC Participants and their clients (See note 2)	Non-Filipino	47,931,319 (See note 3)	7.68%

Notes:
1. CPAir Holdings, Inc. is a wholly-owned subsidiary of JG Summit Holdings, Inc. Under the By-Laws of CPAir Holdings, Inc., the President is authorized to represent the corporation at all functions and proceedings. The incumbent President of CPAir Holdings, Inc. is Mr. Lance Y. Gokongwei.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
3. The number of shares reflected excludes Cebu Air, Inc.'s 25,099,830 treasury shares. Out of the PCD Nominee Corporation account for voting stock, "Citibank N.A.," holds for various trust accounts the following shares of the Corporation as of December 31, 2025:

	No. of shares	% to Outstanding Voting Stock
Citibank N.A.	**64,549,866**	**10.05%**

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

(2) Security Ownership of Management as of December 31, 2025

Title of Class	Name of beneficial Owner	Position	Amount & nature of beneficial ownership (Direct and Indirect)	Citizenship	% to Total Outstanding Voting Stock
Named Executive Officers and Executives[1]					
Common	1. Michael B. Szucs	Chief Executive Officer	691,780	British	0.11%
Common	2. Alexander G. Lao	Director, President and Chief Commercial Officer	100,000	Filipino	0.01%
Common	3. Michael Ivan S. Shau	Chief Corporate Affairs Officer	100,000	Filipino	0.01%
Common	4. Mark Julius V. Cezar	Chief Financial Officer	95,000	Filipino	0.01%
Common	5. Candice A. Iyog	Chief Marketing and Customer Officer	95,000	Filipino	0.01%
	Subtotal		1,081,780		*0.18%*
Other Directors and Key Officers[2]					
Common	6. Jose F. Buenaventura	Director	1	Filipino	**
Common	7. Robina Y. Gokongwei-Pe	Director	6,668	Filipino	**
Common	8. David Gulliver G. Go	Director	30,000	Filipino	**
Common	9. Brian H. Franke	Director	856,401	American	0.14%
Common	10. Bernadine T. Siy	Director (Independent)	63,200	Filipino	0.01%
Common	11. Brian Mathew P. Cu	Director (Independent)	100	Filipino	**
Common	12. Richard Raymond B. Tantoco	Director (Independent)	122,700	Filipino	0.02%
Common	13. Anne Romadine P. Tieng	Compliance Officer	95,000	Filipino	0.01%
Common	14. Ma. Elynore J. Villanueva	Treasurer (until December 1, 2025)			
Common	14. Pamela Rae A. Chua	Treasurer (effective December 1, 2025)	35,000	Filipino	**
Common	15. Aileen M. Isidro	Risk Officer	55,000	Filipino	**
Common	16. Josine Ma. P. Mendoza	Corporate Secretary	0	Filipino	**
Common	17. Ederlyn S. Agustin	Assistant Corporate Secretary	0	Filipino	0.00%
	Subtotal		*1,264,070*		*0.21%*
All directors and executive officers as a group unnamed			**2,345,850**		**0.39%**

** Ms. Pamela Rae A. Chua was appointed Treasurer of the Company effective December 1, 2025, following the retirement of Ms. Ma. Elynore J. Villanueva effective on the same date.*

Notes:

1. As defined under Part IV (B) (1) (b) of Annex "C" of SRC Rule 12, the "named executive officers" to be listed refer to the Chief Executive Officer and those that are the four (4) most highly compensated executive officers as of December 31, 2025. However, included in the above-list would also be those not "named executive officers" but who rank as the four (4) most highly compensated officers, apart from the Chief Executive Officer, as of December 31, 2025.

2. Under the Long-Term Incentive Plan of the Parent Company, Restricted Stock Units ("RSU") were vested in favor of certain Executive Officers as of December 31, 2023 and December 31, 2024, and have been listed with the Philippine Stock Exchange on January 17, 2025 and January 16, 2026, respectively.

** less than 0.01%

(3) Voting Trust Holders of 5% or More

As of December 31, 2025, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

(4) Change in Control

As of December 31, 2025, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

Item 12. Certain Relationships and Related Transactions

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

PART IV - CORPORATE GOVERNANCE AND SUSTAINABILITY REPORT

Item 13. Corporate Governance

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

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

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

1. Audit Committee: The Audit Committee is responsible for assisting the Board in fulfilling its oversight responsibilities relating to the integrity of the parent company's financial reporting, internal controls, audit processes, and compliance with applicable laws and regulations. It ensures the reliability and accuracy of financial statements and the effectiveness of internal control systems. Specifically, the Committee oversees the work of the internal and external auditors, reviews the scope and results of audits, and monitors the implementation of audit recommendations. It also evaluates the adequacy of financial reporting policies and practices, ensuring they align with applicable accounting standards. In addition, the Committee monitors the effectiveness of the compliance framework and ensures that any significant findings or irregularities are addressed in a timely manner.

2. Corporate Governance Committee: The Corporate Governance Committee is responsible for overseeing the establishment and implementation of the company's Corporate Governance principles and policies. In terms of sustainability, the Committee plays a key role in supervising the execution and periodic review of the company's ESG framework and strategy. It also reviews and approves sustainability-related disclosures, including the Sustainability Report, to ensure compliance with both local and international standards. The Committee receives regular reports from the management-level ESG Committee (ESGC) and provides oversight of ESG-related goals, metrics, and progress. It ensures that all ESG initiatives align with the company's core values, purpose, and stakeholder expectations, while also promoting the ongoing enhancement of governance practices in relation to ESG matters. The Committee meets at least twice a year and ensures that significant ESG-related issues are elevated to the Board when appropriate.

3. Board Risk Oversight Committee: The Board Risk Oversight Committee (BROC) is tasked with supervising the Parent Company's Enterprise Risk Management (ERM) framework to ensure a strong and proactive system for identifying, assessing, and managing risks that could impact the organization's operations and long-term financial health. Its key responsibilities include reviewing the company's risk policies, appetite, and controls; monitoring top and

emerging risks, including climate-related and operational risks; receiving regular updates from relevant management committees; and ensuring that risk oversight is aligned with the company's strategic business objectives.

4. Related Party Transactions Committee: The Related Party Transactions (RPT) Committee is responsible for reviewing and overseeing transactions between the parent company and related parties to ensure that these are conducted fairly, transparently, and in the best interests of the company and its shareholders. The Committee safeguards against potential conflicts of interest by ensuring that all RPTs are at arm's length, properly disclosed, and compliant with relevant laws, regulations, and internal policies. Key responsibilities of the RPT Committee include evaluating the materiality and terms of proposed related party transactions, endorsing them for Board approval when necessary, and regularly reviewing existing RPTs to ensure continued compliance and fairness. The Committee also monitors adherence to the company's RPT policy and ensures that appropriate disclosures are made in the company's financial reports and public filings.

Attached below are the detailed reports of each committee: The Audit Committee Report (Annex "A"), Corporate Governance Committee Report (Annex "B"), Board Risk Oversight Committee Report (Annex "C"), Related Party Transactions Committee Report (Annex "D") and the Statement of Internal Controls and Compliance System Attestation for 2025 (Annex "E").

Item 14. Sustainability Report

Please refer to the attached Sustainability Report.

PART V – EXHIBITS AND SCHEDULES

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

Exhibits

See accompanying Index to Exhibits (page 59)

Reports on SEC Form 17-C

List of Corporate Disclosures/Replies to SEC Letters
Under SEC Form 17-C
January 1, 2025 to December 31, 2025

Date of Disclosure	Description
January 30, 2025	Clarification of News Reports: "Cebu Pacific to reduce 2025 capex"
March 17, 2025	Clarification of News Reports: "CEB: Sunny with a chance of rain"
March 17, 2025	Postponement of Annual Stockholders' Meeting
March 18, 2025	(Amend) Postponement of Annual Stockholders' Meeting
March 18, 2025	Notice of the 2025 Annual Meeting of Stockholders
March 21, 2025	Notice of Analysts' and Investors' Briefing on the Company's financial and operating results for the first quarter of 2024.
May 02, 2025	Notice of Analysts' and Investors' Briefing on the Company's financial and operating results for the first quarter of 2025.
May 08, 2025	Results of Organizational Meeting of the Board of Directors of Cebu Air, Inc. held on May 08, 2025
May 08, 2025	Results of the Annual Meeting of the Stockholders of Cebu Air, Inc. held on May 8, 2025
July 17, 2025	Notice of Analysts' and Investors' Briefing on the Company's financial and operating results for the second quarter of 2025.
July 24, 2025	Change in Directors and/or Officers (Appointment of Assistant Corporate Secretary)
August 7, 2025	Declaration of Cash Dividends
August 15, 2025	Acquisition/Disposition of Shares of Another Corporation: Debt to Equity Conversion
October 23, 2025	Notice of Analysts' and Investors' Briefing on the Company's financial and operating results for the third quarter of 2025.
December 02, 2025	Change in Directors and/or Officers: Resignation and Appointment of Treasurer of Cebu Air, Inc. (the "Corporation")

SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of PASAY CITY on MAR 2 7 2026 2026.

CEBU AIR, INC.
Issuer

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

By:

LANCE Y. GOKONGWEI
Chairman
Date MAR 2 7 2026

MICHAEL B. SZUCS
Chief Executive Officer
Date MAR 2 7 2026

MARK JULIUS V. CEZAR
Chief Financial Officer
Date MAR 2 7 2026

ANNE ROMADINE P. TIENG
Compliance Officer
Date MAR 2 7 2026

SUBSCRIBED AND SWORN to before me this MAR 2 7 2026 day of ________, 2026 affiants exhibiting to me his/their Government issued IDs/Philippine passports, as follows:

NAMES	ID NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P6235422B (Philippine Passport)	February 05, 2021 until February 04, 2031	DFA NCR Central
Michael B. Szucs	124833653 (British Passport)	December 22, 2022 until December 22, 2032	HMPO
Mark Julius V. Cezar	P4965589B (Philippine Passport)	February 27, 2020 until February 26, 2030	DFA Manila
Anne Romadine P. Tieng	P7730149B (Philippine Passport)	September 30, 2021 until September 29, 2031	DFA Manila

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Samantha Marie C. Sundiam

ATTY. SAMANTHA MARIE C. SUNDIAM
Commission No. 25-54
Notary for Pasay City until 31 December 2026
Cebu Pacific Building, Domestic Road, Brgy. 191 Zone 20, Pasay City
Roll of Attorneys No. 74153
PTR No. PC 9244345•01/13/2026•Pasay City
IBP Membership No. INV 572132•12/26/2025•Makati Chapter
MCLE Compliance No. VIII-0018889•04/14/2028

CEBU AIR, INC.
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SEC FORM 17-A

CONSOLIDATED FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

The management of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2025, 2024 and 2023, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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

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

Lance Y. Gokongwei	**Michael B. Szucs**	**Mark Julius V. Cezar**	**Anne Romadine P. Tieng**
Chairman of the Board	***Chief Executive Officer***	***Chief Financial Officer***	***Compliance Officer***

Signed this MAR 2 7 2026 day of ________, 2026.

Subscribed and Sworn to before me this MAR 2 7 2026, 2026 in the City of PASAY CITY affiants exhibiting to me their Passport, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE	PLACE OF ISSUE
Lance Y. Gokongwei	P6235422B	02/05/2021 until 02/04/2031	DFA NCR Central
Michael B. Szucs	124833653	12/22/2022 until 12/22/2032	HMPO
Mark Julius V. Cezar	P4965589B	02/27/2020 until 02/26/2030	DFA Manila
Anne Romadine P. Tieng	P7730149B	09/30/2021 until 09/29/2031	DFA Manila

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NOTARY PUBLIC

ATTY. SAMANTHA MARIE C. SUNDIAM
Commission No. 25-54
Notary for Pasay City until 31 December 2026
Cebu Pacific Building, Domestic Road, Brgy. 191 Zone 20, Pasay City
Roll of Attorneys No. 74153
PTR No. PC 9244345•01/13/2026•Pasay City
IBP Membership No. INV 572132•12/26/2025•Makati Chapter
MCLE Compliance No. VIII-0018889•04/14/2028

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
sgv.ph

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group), which comprise the consolidated statements of financial position as at December 31, 2025 and 2024, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2025 and 2024, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2025 in accordance with Philippine Financial Reporting Standards (PFRS) Accounting Standards.

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) , as applicable to the audits of the financial statements of public interest entities, together with the ethical requirements that are relevant to our audits of the consolidated financial statements of public interest entities in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

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

Estimation of Asset Retirement Obligation and Heavy Maintenance Visits

As of December 31, 2025, the Group operates several aircraft and engines under lease where the Group is contractually required to either restore them to their original conditions at its own cost or to bear a proportionate cost of restoration at the end of the contract period. In addition, the Group is obligated to undertake maintenance and overhaul of aircraft and engines throughout the lease term.

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

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

Audit Response

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

Impairment Testing of Goodwill and Intangible Assets with Indefinite Lives

The Group annually tests for impairment the carrying values of goodwill and intangible assets with indefinite lives. As of December 31, 2025, the Group has goodwill and intangible assets with indefinite lives amounting to ₱1,545.63 million and ₱1,837.01 million, respectively.

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

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

Audit Response

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

Propriety of Accounting for Leases

The Group has numerous arrangements involving leases of aircraft, engines, warehouses and land with various lessors.

Calculation of the related right-of-use (ROU) assets and lease liabilities involves significant management assumptions and estimates in respect to lease terms including extension and termination options, incremental borrowing rates used to discount future lease payments and aircraft and engine return conditions. In addition, the Group engaged in sale and leaseback transactions of aircraft and engines. These transactions require the Group to assess whether the transfer of aircraft and engines qualifies as true sale under PFRS 15, *Revenue from Contracts with Customers* and if so, to measure the related ROU assets, lease liabilities and any gain or loss in accordance with PFRS 16, *Leases*.

We considered this area as a key audit matter given the significant amounts involved and the extent of management judgment and estimates required. Refer to Note 5 to the consolidated financial statements for the discussion of significant judgment and estimates, and to Note 32 to the consolidated financial statements for the other relevant disclosures.

Audit Response

We obtained an understanding of Group's process for accounting for lease transactions. On a test basis, we inspected lease arrangements, identified their contractual terms and conditions, and traced these contractual terms and conditions to the lease calculation prepared by management. We reviewed the discount rates applied and assessed their reasonableness relative to market borrowing rates. We test computed the lease calculations prepared by management on a sample basis.

For sales and leaseback transactions, we reviewed the sale and leaseback agreements to assess compliance with PFRS 15 and PFRS 16 requirements. We assessed whether the transfer of aircraft and engines to the buyer-lessor represented a true sale, including consideration of control such as transfer of rights and ownership of the related assets. We evaluated management's calculation of gain or loss on the disposal, including the determination of the proportion of the asset retained through the leaseback. We reviewed the discount rates applied to the leaseback and assessed their reasonableness relative to market borrowing rates. We test computed management's calculations of the balances of the accounts related to the leaseback transactions.

Other Information

Management is responsible for the Other Information. The Other Information comprises the SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2025 are expected to be made available to us after the date of this auditor's report.

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

In connection with our audits of the consolidated financial statements, our responsibility is to read the Other Information identified above when they become available and, in doing so, consider whether such information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Cliff Richard B. Narag.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
Valid to cover audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

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

	December 31	
	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱21,682,718,188**	₱19,915,625,953
Derivative financial assets at fair value through other comprehensive income (FVOCI) (Note 8)	–	1,297,193
Receivables (Note 9)	**3,433,010,669**	3,154,185,267
Expendable parts, fuel, materials and supplies (Note 10)	**4,570,928,441**	4,634,031,658
Other current assets (Note 11)	**9,165,376,214**	5,835,788,482
	38,852,033,512	33,540,928,553
Assets held for sale (Note 12)	**368,382,077**	3,541,263,581
Total Current Assets	**39,220,415,589**	37,082,192,134
Noncurrent Assets		
Right-of-use assets (ROU) (Note 32)	**114,880,100,067**	103,583,223,268
Property and equipment (Notes 12 and 32)	**94,954,225,755**	81,996,636,006
Deferred tax assets - net (Note 27)	**9,126,830,700**	8,403,523,919
Goodwill (Note 14)	**1,545,631,370**	1,033,614,648
Investments in joint ventures and an associate (Note 13)	**564,340,500**	447,444,054
Other noncurrent assets (Note 15)	**4,378,796,129**	5,620,790,758
Total Noncurrent Assets	**225,449,924,521**	201,085,232,653
TOTAL ASSETS	**₱264,670,340,110**	₱238,167,424,787
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other accrued liabilities (Note 16)	**₱25,331,300,107**	₱26,597,380,028
Unearned transportation revenue (Note 17)	**21,548,871,637**	18,807,854,119
Short-term debt (Note 18)	–	5,568,447,189
Current portion of long-term debt (Note 18)	**4,745,682,102**	4,023,656,701
Current portion of lease liabilities (Note 32)	**14,781,505,571**	13,470,382,193
Due to related parties (Note 29)	**73,129,617**	60,905,443
Income tax payable	**4,546,227**	5,164,131
Total Current Liabilities	**66,485,035,261**	68,533,789,804
Noncurrent Liabilities		
Long-term debt - net of current portion (Note 18)	**46,875,517,651**	38,774,694,733
Lease liabilities - net of current portion (Note 32)	**110,543,780,200**	100,159,696,483
Bonds payable (Note 19)	**14,514,355,308**	14,156,440,222
Retirement liability (Note 26)	**928,059,829**	998,260,621
Other noncurrent liabilities (Note 20)	**6,302,721,814**	5,519,949,564
Total Noncurrent Liabilities	**179,164,434,802**	159,609,041,623
Total Liabilities	**245,649,470,063**	228,142,831,427
Equity		
Equity attributable to equity holders of the Parent Company:		
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)	**129,843,839**	135,230,602
Treasury stock (Note 22)	**(1,385,661,056)**	(955,706,126)
Retained earnings	**14,879,882,598**	5,403,764,200
Other comprehensive income (Note 30)	**38,014,590**	618,584
	19,116,980,912	10,024,593,360
Non-controlling interest (Note 22)	**(96,110,865)**	–
Total Equity	**19,020,870,047**	10,024,593,360
TOTAL LIABILITIES AND EQUITY	**₱264,670,340,110**	₱238,167,424,787

See accompanying Notes to Consolidated Financial Statements

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

	Years Ended December 31		
	2025	2024	2023
REVENUE			
Sale of air transportation services			
Passenger	**₱80,758,557,646**	₱71,303,315,196	₱62,458,245,988
Cargo	**7,154,156,802**	5,641,462,612	4,057,410,639
Ancillary revenues	**32,014,795,763**	27,963,854,544	24,086,902,129
	119,927,510,211	104,908,632,352	90,602,558,756
EXPENSES			
Flying operations (Notes 10 and 24)	**39,481,598,664**	39,125,555,754	35,371,176,877
Repairs and maintenance (Notes 10, 20 and 24)	**20,900,303,319**	15,961,176,846	13,333,989,671
Depreciation and amortization (Notes 6, 12 and 32)	**19,415,791,492**	16,293,433,388	13,259,622,656
Aircraft and traffic servicing (Note 24)	**15,404,639,376**	12,012,822,210	8,286,431,623
General and administrative (Note 25)	**5,337,524,397**	4,909,170,531	4,354,012,574
Reservation and sales (Note 24)	**4,500,323,564**	3,889,137,872	3,363,948,674
Passenger service	**3,022,783,536**	2,644,977,427	2,390,538,303
Aircraft and engine lease (Note 32)	**363,524,530**	900,070,584	1,663,875,974
	108,426,488,878	95,736,344,612	82,023,596,352
OPERATING INCOME	**11,501,021,333**	9,172,287,740	8,578,962,404
OTHER INCOME (EXPENSES) - NET			
Financing costs and other charges:			
Financing and others (Notes 18, 19, 20 and 30)	**(2,722,764,827)**	(3,024,934,667)	(3,011,689,982)
Leases (Note 32)	**(4,903,128,688)**	(3,780,284,679)	(2,247,857,293)
Gain on disposal - net (Notes 12 and 32)	**1,496,404,453**	2,088,489,164	1,192,144,596
Foreign exchange losses - net	**(937,710,849)**	(78,574,353)	(707,277,753)
Interest income (Note 7)	**808,310,550**	643,692,733	812,944,468
Gain on remeasurement of existing interest in investment in joint venture (Note 14)	**230,401,406**	–	–
Equity in net income of joint ventures and associates (Notes 6 and 13)	**116,896,446**	106,999,091	58,564,194
Other income (Note 12)	**6,343,611,600**	–	–
Gain from insurance claims (Note 12)	**–**	137,146,607	17,875,253
Market valuation gains on derivative financial instruments - net (Note 8)	–	–	880,160,230
	432,020,091	(3,907,466,104)	(3,005,136,287)
INCOME BEFORE INCOME TAX	**11,933,041,424**	5,264,821,636	5,573,826,117
BENEFIT FROM INCOME TAX (Note 27)	**(380,684,775)**	(135,833,586)	(2,348,838,390)
NET INCOME	**₱12,313,726,199**	₱5,400,655,222	₱7,922,664,507
NET INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱12,293,106,743**	₱5,400,655,222	₱7,922,664,507
Non-controlling interest (Note 22)	**20,619,456**	–	–
	₱12,313,726,199	₱5,400,655,222	₱7,922,664,507
OTHER COMPREHENSIVE INCOME (LOSSES)			
Other comprehensive income (losses) that may be reclassified to profit or loss in subsequent periods:			
Net fair value changes in cash flow hedge reserve	**(77,595,776)**	(85,202,116)	(247,666,543)
Tax effect (Note 27)	**19,398,944**	21,300,529	61,916,636
Other comprehensive income (losses) not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains (losses) on retirement liability (Notes 26 and 30)	**121,696,970**	(136,955,491)	(201,023,866)
Tax effect (Note 27)	**(30,424,243)**	34,238,873	50,255,966
	33,075,895	(166,618,205)	(336,517,807)
TOTAL COMPREHENSIVE INCOME	**₱12,346,802,094**	₱5,234,037,017	₱7,586,146,700

(Forward)

	Years Ended December 31		
	2025	2024	2023
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Equity holders of the Parent Company	**₱12,330,502,749**	₱5,234,037,017	₱7,586,146,700
Non-controlling interest (Note 22)	**16,299,345**	–	–
	₱12,346,802,094	₱5,234,037,017	₱7,586,146,700
Earnings per Share Attributable to Equity Holders of the Parent Company (Note 28)			
Basic	**₱19.05**	₱7.52	₱11.64
Diluted	**₱10.34**	₱4.77	₱6.79

See accompanying Notes to Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

					Other Comprehensive Income			Retained Earnings (Deficit)				
	Capital Stock (Note 22)	Capital Paid in Excess of Par Value (Note 22)	Share-based Payments (Note 23)	Treasury Stock (Note 22)	Remeasurement Gain (Loss) on Retirement Liability (Note 26)	Cash Flow Hedge Reserve (Note 8)	Total	Appropriated (Note 22)	Unappropriated (Note 22)	Total	Noncontrolling Interest (Note 22)	Total Equity
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	–	–	–	–	–	–	–	–	**12,293,106,743**	**12,293,106,743**	**20,619,456**	**12,313,726,199**
Other comprehensive loss	–	–	–	–	**95,592,838**	**(58,196,832)**	**37,396,006**	–	–	–	**(4,320,111)**	**33,075,895**
Total comprehensive income (loss)	–	–	–	–	**95,592,838**	**(58,196,832)**	**37,396,006**	–	**12,293,106,743**	**12,293,106,743**	**16,299,345**	**12,346,802,094**
Cost of restricted stock units (RSU)	–	–	**6,140,651**	–	–	–	–	–	–	–	–	**6,140,651**
Cost of stock options	–	–	**2,687,427**	–	–	–	–	–	–	–	–	**2,687,427**
Acquisition of noncontrolling interest	–	–	–	–	–	–	–	–	–	–	**(112,410,210)**	**(112,410,210)**
Issuance of vested RSUs	**346,500**	**13,868,341**	**(14,214,841)**	–	–	–	–	–	–	–	–	–
Treasury stocks	–	–	–	**(429,954,930)**	–	–	–	–	–	–	–	**(429,954,930)**
Dividend declaration	–	–	–	–	–	–	–	–	**(2,816,988,345)**	**(2,816,988,345)**	–	**(2,816,988,345)**
Balance at December 31, 2025	**₱947,174,084**	**₱4,507,726,857**	**₱129,843,839**	**(₱1,385,661,056)**	**(₱212,754,011)**	**₱250,768,601**	**₱38,014,590**	**₱–**	**₱14,879,882,598**	**₱14,879,882,598**	**(₱96,110,865)**	**₱19,020,870,047**
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	–	–	–	–	–	–	–	–	5,400,655,222	5,400,655,222	–	5,400,655,222
Other comprehensive loss	–	–	–	–	(102,716,618)	(63,901,587)	(166,618,205)	–	–	–	–	(166,618,205)
Total comprehensive income (loss)	–	–	–	–	(102,716,618)	(63,901,587)	(166,618,205)	–	5,400,655,222	5,400,655,222	–	5,234,037,017
Cost of restricted stock units (RSU)	–	–	13,108,395	–	–	–	–	–	–	–	–	13,108,395
Cost of stock options	–	–	4,212,726	–	–	–	–	–	–	–	–	4,212,726
Issuance of vested RSUs	2,222,666	104,495,543	(106,718,209)	–	–	–	–	–	–	–	–	–
Quasi-reorganization	–	(16,269,189,270)	–	–	–	–	–	–	16,269,189,270	16,269,189,270	–	–
Treasury stocks	–	–	–	(4,824,624)	–	–	–	–	–	–	–	(4,824,624)
Balance at December 31, 2024	₱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
Balance at January 1, 2023	₱943,277,918	₱20,596,009,593	₱211,441,630	(₱950,881,502)	(₱54,862,331)	₱558,616,927	₱503,754,596	₱–	(₱24,188,744,799)	(₱24,188,744,799)	₱–	(₱2,885,142,564)
Net income	–	–	–	–	–	–	–	–	7,922,664,507	7,922,664,507	–	7,922,664,507
Other comprehensive loss	–	–	–	–	(150,767,900)	(185,749,907)	(336,517,807)	–	–	–	–	(336,517,807)
Total comprehensive income (loss)	–	–	–	–	(150,767,900)	(185,749,907)	(336,517,807)	–	7,922,664,507	7,922,664,507	–	7,586,146,700
Cost of restricted stock units (RSU)	–	–	53,434,211	–	–	–	–	–	–	–	–	53,434,211
Cost of stock options	–	–	23,621,499	–	–	–	–	–	–	–	–	23,621,499
Issuance of vested RSUs	1,327,000	62,542,650	(63,869,650)	–	–	–	–	–	–	–	–	–
Balance at December 31, 2023	₱944,604,918	₱20,658,552,243	₱224,627,690	(₱950,881,502)	(₱205,630,231)	₱372,867,020	₱167,236,789	₱–	(₱16,266,080,292)	(₱16,266,080,292)	₱–	₱4,778,059,846

See accompanying Notes to Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2025	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱11,933,041,424**	₱5,264,821,636	₱5,573,826,117
Adjustments for:			
Depreciation and amortization (Notes 6, 12 and 32)	**19,415,791,492**	16,293,433,388	13,259,622,656
Provision for heavy maintenance (Notes 20 and 24)	**7,767,022,677**	2,380,815,884	235,395,100
Financing costs and other charges (Notes 6, 8, 18, 19, 20 and 32)	**7,625,893,515**	6,805,219,346	5,259,547,275
Provision for asset retirement obligation (Notes 20 and 24)	**1,282,255,346**	2,815,350,470	1,114,586,977
Unrealized foreign exchange losses – net	**418,196,146**	65,429,708	417,256,092
Share-based payments (Note 23)	**8,828,077**	17,321,121	77,055,710
Net changes in fair value of derivatives (Note 8)	**–**	–	(880,160,230)
Provision for (reversal of) expected credit losses (Note 9)	**(6,764,938)**	168,162,853	28,103,934
Earned and expired portion of travel fund (Note 21)	**(58,598,014)**	(70,579,674)	(509,447,373)
Equity in net income of joint ventures and associates (Note 13)	**(116,896,446)**	(106,999,091)	(58,564,194)
Gain on remeasurement of existing interest in JV (Note 14)	**(230,401,406)**	–	–
Interest income (Note 7)	**(808,310,550)**	(643,692,733)	(812,944,468)
Gain on disposal – net (Notes 12 and 32)	**(1,496,404,453)**	(2,088,489,164)	(1,194,228,055)
Other income (Note 12)	**(6,343,611,600)**	–	–
Operating income before working capital changes	**39,390,041,270**	30,900,793,744	22,510,049,541
Decrease (increase) in:			
Restricted cash	**–**	1,259,263,375	(427,207,881)
Receivables	**161,024,122**	(737,740,490)	(316,407,346)
Expendable parts, fuel, materials and supplies	**91,470,336**	(402,334,200)	(1,483,759,542)
Other current assets	**(3,631,069,898)**	(1,812,559,248)	(552,991,720)
Increase (decrease) in:			
Accounts payable and other accrued liabilities	**(574,574,593)**	(287,015,657)	5,606,983,890
Unearned transportation revenue	**2,741,017,517**	4,470,554,266	2,202,182,600
Derivative financial liabilities	**(84,546,476)**	–	28,617,927
Amounts due to related parties	**(669,867,302)**	(20,074,714)	(4,826,144)
Retirement liability	**(51,853,959)**	(76,338,368)	(67,128,437)
Other noncurrent liabilities	**(8,759,857,892)**	(6,168,716,112)	(8,149,290,363)
Cash generated from operations	**28,611,783,125**	27,125,832,596	19,346,222,525
Interest paid	**(2,321,337,469)**	(2,681,960,748)	(2,700,873,116)
Interest received	**801,300,855**	642,647,462	820,655,955
Income tax paid	**(12,599,811)**	(17,383,528)	(11,571,990)
Net cash provided by operating activities	**27,079,146,700**	25,069,135,782	17,454,433,374
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property and equipment (Note 12)	**11,279,443,418**	21,678,185,563	10,378,657,499
Acquisitions of property and equipment (Note 12)	**(29,465,232,937)**	(49,537,170,790)	(30,499,712,253)
Refund of pre-delivery payments (Note 12)	**10,536,894,760**	13,071,468,061	11,593,934,637
Additional investment in an associate (Note 13)	**–**	(40,000,000)	(20,000,000)
Investment in subsidiary net of cash received (Note 14)	**29,372,293**	(57,901,248)	–
Decrease (increase) in other noncurrent assets	**1,249,388,836**	(728,050,585)	(838,316,844)
Net cash used in investing activities	**(6,370,133,630)**	(15,613,468,999)	(9,385,436,961)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from availment of:			
Long-term debt (Notes 18 and 33)	**12,321,292,456**	20,070,579,522	10,296,833,376
Short-term debt (Note 18 and 33)	–	5,597,123,323	–
Payments of:			
Long-term debt (Notes 18 and 33)	**(4,163,143,433)**	(15,682,927,765)	(11,828,548,729)
Short-term debt (Notes 14, 18 and 33)	**(5,505,259,205)**	(1,465,086,886)	–
Lease liability (Note 32)	**(18,710,285,229)**	(14,368,898,361)	(9,801,565,676)
Purchase of treasury stocks (Note 22)	**(429,954,930)**	(4,824,624)	–
Cash dividends paid (Note 22)	**(2,816,988,345)**	–	–
Net cash used in financing activities	**(19,304,338,686)**	(5,854,034,791)	(11,333,281,029)
EFFECTS OF EXCHANGE RATE CHANGES IN CASH AND CASH EQUIVALENTS	**362,417,851**	718,230,520	(315,423,128)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,767,092,235**	4,319,862,512	(3,579,707,744)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**19,915,625,953**	15,595,763,441	19,175,471,185
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱21,682,718,188**	₱19,915,625,953	₱15,595,763,441

See accompanying Notes to Consolidated Financial Statements

1. Corporate Information

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

<u>Composition of the Group</u>
The Parent Company has 21 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.
18. Ryokan Engine Leasing Limited
19. NBB Luzon Lease Co., Ltd.
20. NBB Visayas Lease Co., Ltd.
21. NBB Mindanao Lease 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 and engine deliveries (see Notes 12, 18 and 32).

As of December 31, 2025, the Parent Company, its wholly owned subsidiaries namely, CEBGO, Inc., A-Plus and AirSWIFT, 1Aviation, and the 21 SPEs (collectively known as "the Group") are consolidated for financial reporting purposes. Whereas, as of December 31, 2024, the Group is composed only of the Parent Company, CEBGO, Inc., A-Plus, AirSWIFT and the seventeen (17) SPEs. (see Note 2).

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

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

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. Refer to Note 14 for a more detailed disclosure.

On October 29, 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription ("debt-to-equity conversion") with 1Aviation Groundhandling Services, Corp. (1Aviation), for the assignment of credit and subscription to 1,130,000 shares, with par value of ₱100 per share, amounting to ₱113.0 million, equivalent to additional 20% ownership. On August 15, 2025, the Securities and Exchange Commission (SEC) approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60%. As a result, the Parent Company obtained control over 1Aviation, which is now accounted for as a subsidiary.

In December 2024, Tikgi One Aviation Designated Activity Company (TOADAC) was dissolved following the pre-termination of its lease agreement with the Group.

Listing and Ownership Details

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 66.51%-owned by CP Air Holdings, Inc. (CPAHI). CPAHI is a wholly-owned subsidiary of JG Summit Holdings, Inc. (JGSHI), the ultimate parent company.

Franchise and Applicable Tax Laws

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

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 a new operator of air transport on a non-pioneer status. Under the terms of the registration and subject to certain requirements, the Parent Company is entitled to certain fiscal and non-fiscal incentives, including among others, an income tax holiday (ITH) which extends for a period of two (2) to four (4) years for each batch of aircraft registered to BOI (Note 34).

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 ₱12.3 billion, ₱5.4 billion and ₱7.9 billion for the years ended December 31, 2025, 2024 and 2023, respectively. The Group's operations continued to improve due to the increasing demand for travel, along with its bigger fleet resulting to expanded capacity. The committed initiatives of the Group to sustain growth and profitability, supported by strong demand for airline services, have increased the Group's retained earnings from ₱5.4 billion as of December 31, 2024 to ₱14.9 billion as of December 31, 2025.

The Group's current liabilities exceeded its current assets by ₱27.3 billion and ₱31.5 billion as of December 31, 2025 and 2024, respectively. The Group's liquidity position has been mainly sourced from the enhanced cash flows from operating activities during the year. The Group's cash and cash equivalents 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 December 31, 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 consolidated financial statements of the Group have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) Accounting Standards. PFRS Accounting Standards includes all applicable PFRSs, Philippine Accounting Standards (PAS) and interpretations as approved by the Financial and Sustainability Reporting Standards Council (FSRSC) and adopted by the SEC.

Basis of Consolidation

The consolidated financial statements as of December 31, 2025 represent the consolidated financial statements of the Parent Company, the SPEs and its subsidiaries, namely, CEBGO, A-Plus, AirSWIFT, and 1Aviation (see Note 1). Whereas, as of December 31, 2024, the consolidated financial statements exclude 1Aviation, as the entity is accounted for under investment in joint venture (Note 13).

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.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

Noncontrolling Interest

Non-controlling interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, non-controlling interests consist of the amount attributed to such interests at initial recognition and the non-controlling interest's share of changes in equity since the date of the combination. Any losses applicable to the noncontrolling interests are allocated against the interests of the noncontrolling interest even if this results to the noncontrolling interests having a deficit balance. The acquisition of an additional ownership interest in a subsidiary without a change of control is accounted for as an equity transaction. Any excess or deficit of consideration paid over the carrying amount of the noncontrolling interest is recognized in equity under 'Retained Earnings' of the parent in transactions where the noncontrolling interest are acquired or sold without loss of control.

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.

- Amendments to PAS 21, *Lack of Exchangeability*
  - The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective (see Note 37).

4. Material Accounting Policy Information

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

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

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

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability assuming that market participants act in their economic best interest.

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

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

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

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

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:

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

**With residual value of 15.00%*

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

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

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

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

Business Combination and Goodwill
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included under 'General and administrative' account in the consolidated statement of comprehensive income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of comprehensive income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with changes in fair value recognized either in profit or loss or as a change to OCI. If the contingent consideration is not within the scope of PFRS 9, it is measured in accordance with the appropriate PFRS Accounting Standards. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill 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. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in profit or loss.

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.

Aircraft-on-Ground (AOG) Credits
The Group is entitled to compensation from engine manufacturers and maintenance service providers for AOG events in accordance with contractual support agreements. Such compensation is typically received in the form of credit notes, which are applied against future maintenance service invoices.

AOG compensation is recognized when a qualifying AOG event has occurred, the Group has an enforceable right to the credit under the contract, and the amount can be reliably measured. The related receivables is recorded as part of 'Receivables' in the consolidated statements of financial position.

These credits are presented as a reduction from 'Repairs and maintenance' in the consolidated statements of comprehensive income, as they represent compensation for maintenance-related performance deficiencies and effectively adjust the cost of engine maintenance and support services.

AOG credits denominated in foreign currency are translated using the applicable exchange rates in accordance with the Group's foreign currency policy.

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

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

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

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

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

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

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

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

Travel fund and revenue from estimated breakage (expiration) of unused travel funds
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 customers, the Group recognizes a liability recorded under Travel fund payable account in the amount of the prepayment for its performance obligation to transfer, or to stand ready to transfer, goods or services in the future in relation to the travel fund. The Group derecognizes the travel fund payable and recognizes revenue when it transfers the related goods or services and, therefore, satisfies its performance obligation.

A travel fund gives the passengers a right to receive a good or service in the future (and obliges the Group to stand ready to transfer a good or service). However, passengers may not exercise all of their contractual rights (breakage). If the Group expects to be entitled to a breakage amount in the travel fund, the Group recognizes the expected breakage amount as revenue in proportion to the pattern of rights exercised by the passengers. If the Group does not expect to be entitled to a breakage amount, the Group recognizes the expected breakage amount as revenue when the likelihood of the passengers exercising its remaining rights becomes remote.

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 statements of comprehensive income. A-Plus' revenues for services rendered to the Parent Company are eliminated upon consolidation.

1Aviation's ground handling services revenue from third-party customers
Revenue from ground handling services is recognized over time when the related services are rendered. Revenue is calculated using the rate as agreed with the customer multiplied by the number of flights each month.

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

Other Income
In 2025, the Group received free-of-charge (FOC) engines as support for the mitigation of ongoing AOG issues. The receipt of these engines was not subject to any conditions. The FOC engines are recorded at their fair value at the time the Group obtains control over the assets. The corresponding fair value is recognized as 'Other income' in the consolidated statement of comprehensive income.

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

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

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded in the Parent Company and subsidiaries' functional currency using the exchange rates prevailing at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency using the Bankers Association of the Philippines (BAP) closing rate prevailing as of December 31, 2025 and 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.

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5. Significant Accounting Judgments and Estimates

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

Judgments

a. *Use of going concern assumption*
The underlying assumption in the preparation of the accompanying consolidated financial statements is that the Group has the ability to continue as a going concern for at least the next twelve (12) months from December 31, 2025. The use of the going concern assumption involves management making significant judgments, at a particular point in time, about the future outcome of events or conditions that are inherently uncertain. Management takes into account a whole

range of factors which include, but are not limited to, the forecasted level of revenue and operating cost, profitability and cash flows, and the other potential sources of financing in case of any economic uncertainties that may be caused by the unprecedented events (Note 1).

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

b. *Determining the lease term of contracts with renewal and termination options - Group as lessee*
The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised (See Note 32).

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

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

c. *Determination of sale and leaseback transaction as true sale or financing transaction - Group as lessee*
The Group determines whether the transfer of assets qualifies as a sale by referring to the requirements for satisfying performance obligations under PFRS 15. The sale and leaseback transactions are considered as a true sale if there is a transfer of rights and ownership of the related asset. If the transfer is not a sale under PFRS 15 requirements, the Group accounts for the sale and leaseback as a financing transaction in accordance with PFRS 9. The Group assessed that the sales and leaseback transactions in 2025 and 2024 qualify as a true sale.

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

- The currency that mainly influences sales prices for financial instruments and services (this will often be the currency in which sales prices for its financial instruments and services are denominated and settled);

- The currency in which funds from financing activities are generated; and
- The currency in which receipts from operating activities are usually retained.

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

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

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

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

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

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

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

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

As of December 31, 2025 and 2024, the Group has deferred tax assets amounting to ₱11.2 billion and ₱10.5 billion, respectively (see Note 27). Unrecognized deferred tax assets as of December 31, 2025 and 2024 amounted to ₱2.5 billion and ₱8.2 billion, respectively.

b. *Impairment of goodwill and intangible 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 December 31, 2025 and 2024, the Group has determined that goodwill and intangibles with indefinite lives are recoverable based on VIU. Goodwill amounted to ₱1,545.6 million and ₱1,033.6 million as of December 31, 2025 and 2024, respectively (see Note 14). Brand and market opportunities, which are recorded under 'Other noncurrent assets' account amounted to ₱1,837.0 million as of December 31, 2025 and 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 December 31, 2025 and 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 December 31, 2025 and 2024, the Group's ARO (included under 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱2.4 billion and ₱3.2 billion, respectively (see Note 20).

d. *Estimation of HMV*
The Group is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

As of December 31, 2025 and 2024, the Group's HMV (included other 'Other noncurrent liabilities' account in the consolidated statements of financial position) has a carrying value of ₱3.5 billion and ₱2.1 billion, 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 four (4) ATR 72-500 aircraft are available for sale in their present condition within the next 12 months. They reclassified these aircraft from 'Property and equipment' into 'Assets held for sale'. In 2023 and 2024, it sold three (3) of the held-for-sale aircraft at ₱705.1 million, resulting in a net loss of ₱61.0 million. The planned sale of the remaining one (1) aircraft was delayed due to global supply chain issues affecting the Parent Company's preparation activities to meet the aircraft's agreed sale condition. Further in 2024, the Group reclassified three (3) A320CEOs amounting to ₱3.3 billion. These three (3) A320CEOs and remaining one (1) ATR 72-500 held-for-sale aircraft was sold at ₱3.9 billion, resulting in a net gain of ₱462.0 million in 2025.

In addition, in 2025, the Group reclassified two (2) ATR Freighter 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 two (2) ATR Freighters is ₱368.4 million. These are lower than their respective fair value less cost to sell. The carrying value of all assets held for sale amounted to ₱368.4 million and ₱3,541.3 million as of December 31, 2025 and 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 32).

g. *Fair values of aircraft and engines at sale and operating leaseback transaction*
The Group determines the fair values of its aircraft and engines by relying on a third party's valuation which has a global view of all areas of the market which brings essential context of changes in the market and the opportunities and risks. The judgment includes determination whether the difference between the fair value of the aircraft and engines and its selling price should be accounted as immediate gain in the profit or loss or be deferred over the operating lease term. The Group has entered into sale and operating leaseback transactions in 2025 and 2024 (see Notes 12 and 32).

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

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

The Group's retirement liability amounted to ₱928.1 million and ₱998.3 million as of December 31, 2025 and 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 December 31, 2025 and 2024, the carrying values of the Group's property and equipment amounted to ₱95.0 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 December 31, 2025 and 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).

l. *Recognition and measurement of revenue from expected breakage of unused travel funds*
Travel funds that are unused are recognized as revenue based on expected breakage using the Group's historical expiration experience. The balances of travel fund payable as of December 31, 2025 and 2024 amounted to ₱706.9 million and ₱738.5 million (see Notes 16 and 21). Revenue from travel fund breakage amounting to ₱58.6 million, ₱70.6 million, and ₱47.5 million for the years ended December 31, 2025, 2024, and 2023, respectively, were recognized as part of 'Ancillary revenues' in the consolidated statements of comprehensive income.

6. Segment Information

The Group has three reportable operating segments, which is the airline business (Parent Company, CEBGO and AirSWIFT), line, light and base maintenance business (A-Plus) and ground handling business (1Aviation). This is consistent with how the Group's management internally monitors and analyzes the financial information for reporting to the CODM, who is responsible for allocating resources, assessing performance and making operating decisions. The CODM is the CEO of the Parent Company.

The revenue of the operating segment was mainly derived from rendering transportation services, line, light and base maintenance services and ground handling 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 PFRS Accounting Standards.

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

	2025	2024	2023
Segment revenue of reportable operating Segment	**₱119,927,510,211**	₱104,908,632,352	₱90,602,558,756
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**30,916,812,825**	25,465,721,128	21,838,585,060
Depreciation and amortization (Notes 12 and 32)	**19,415,791,492**	16,293,433,388	13,259,622,656
Earnings before interest and taxes (EBIT)	**11,501,021,333**	9,172,287,740	8,578,962,404
Financing costs and other charges (Notes 8, 18, 19, 20 and 32)	**7,625,893,515**	6,805,219,346	5,259,547,275
Pre-tax core net income	**4,800,334,814**	3,117,760,218	4,190,923,791
Nontransport revenue and other income	**8,995,624,455**	2,976,327,595	2,961,688,741
Benefit from income tax (Note 27)	**(380,684,775)**	(135,833,586)	(2,348,838,390)
Net income	**12,313,726,199**	5,400,655,222	7,922,664,507
Capital expenditures (Note 12)	**29,465,232,937**	49,537,170,790	30,499,712,253

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. This excludes additions relating to right-of-use assets recognized under PFRS 16, *Leases*.

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

	2025	2024	2023
Revenue	**₱119,927,510,211**	₱104,908,632,352	₱90,602,558,756
Expenses	**(108,426,488,878)**	(95,736,344,612)	(82,023,596,352)
Operating income	**11,501,021,333**	9,172,287,740	8,578,962,404
Interest expense – net*	**(6,817,582,965)**	(6,161,526,613)	(4,446,602,807)
Equity in net income (loss) of joint ventures and associates	**116,896,446**	106,999,091	58,564,194
Pre-tax core net income (loss)	**₱4,800,334,814**	₱3,117,760,218	₱4,190,923,791
Operating income	**₱11,501,021,333**	₱9,172,287,740	₱8,578,962,404
Depreciation and amortization	**19,415,791,492**	16,293,433,388	13,259,622,656
EBITDA	**₱30,916,812,825**	₱25,465,721,128	₱21,838,585,060

**Financing costs and other charges less interest income*

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	2023
Total segment revenue of reportable operating segment	**₱119,927,510,211**	₱104,908,632,352	₱90,602,558,756
Nontransport revenue and other income	**8,995,624,455**	2,976,327,595	2,961,688,741
Total revenue and other income	**₱128,923,134,666**	₱107,884,959,947	₱93,564,247,497

Total segment revenue of reportable operating segments includes A-Plus' revenue from rendering light, light and base maintenance services to third party customers amounting to ₱281.7 million, ₱205.3 million and ₱166.7 million for the years ended December 31, 2025, 2024 and 2023, respectively. It also includes 1Aviation's revenue from rendering ground handling services to third party customers which amounted to ₱15.9 million for 2025.

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

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

	2025	2024	2023
Total segment income of reportable segment	**₱11,501,021,333**	₱9,172,287,740	₱8,578,962,404
Add (deduct) unallocated items:			
Nontransport revenue and other income	**8,995,624,455**	2,976,327,595	2,961,688,741
Nontransport expenses and other charges	**(8,563,604,364)**	(6,883,793,699)	(5,966,825,028)
Benefit from income tax	**380,684,775**	135,833,586	2,348,838,390
Net income	**12,313,726,199**	5,400,655,222	7,922,664,507
Other comprehensive gain (loss), net of tax	**33,075,895**	(166,618,205)	(336,517,807)
Total comprehensive income	**₱12,346,802,094**	₱5,234,037,017	₱7,586,146,700

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:

	2025	2024
Cash on hand	**₱53,587,605**	₱43,778,145
Cash in banks	**4,127,958,029**	5,320,240,155
Short-term placements	**17,501,172,554**	14,551,607,653
	₱21,682,718,188	₱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 earn an average annual interest of 5.06% and 5.44% in 2025 and 2024, respectively. Moreover, short-term placements in US Dollar (USD) earn interest on an average annual interest rate of 4.12% and 4.91% in 2025 and 2024, respectively. In 2025 and 2024, the Group also has outstanding short-term placements in Korean Won (KRW) with an average annual interest rate of 1.39% and 1.32%, respectively. The Group also has outstanding short-term placements in Indonesian Rupiah (IDR) with an average annual interest rate of 3.25% in 2025 (nil in 2024).

Interest income earned on cash in banks and short-term placements, presented in the consolidated statements of comprehensive income, amounted to ₱808.3 million, ₱643.7 million and ₱812.9 million for the years ended 2025, 2024 and 2023, respectively.

8. Derivative Financial Assets and Liabilities

As of December 31, 2025 and 2024, the account consists of fuel derivatives with asset position amounting to nil and ₱1.3 million, respectively.

<u>Interest Rate Derivatives</u>
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 was also applied.

For the years ended December 31, 2025, 2024 and 2023, the Group has recycled the effective portion of its cash flow hedge reserves to ‘Financing costs and other charges’ in the consolidated statement of comprehensive income amounting to ₱80.5 million, ₱88.4 million and ₱100.7 million, respectively.

<u>Fuel Derivatives</u>
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. The collars have various maturity dates through 2025.

As of December 31, 2025 and 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’ and ‘Derivative financial liabilities at FVOCI’ in the consolidated statement of financial position, amounting to nil and ₱1.3 million, respectively.

For the year ended December 31, 2025, 2024 and 2023, the Group has recycled the effective portion of its cash flow hedge reserves to ‘Aviation fuel expense’ recognized under ‘Flying operations’ in the consolidated statement of comprehensive income amounting to ₱163.3 million, ₱8.0 million, and ₱84.0 million respectively (Note 24).

‘Market valuation gains on derivative financial instruments - net’ for the years ended December 31, 2025, 2024 and 2023 follow:

	2025	2024	2023
Embedded derivatives arising from convertible bonds (Note 19)			
Net changes in fair value	**₱–**	₱–	₱846,835,509
Attributable to accounting hedges:			
Hedge ineffectiveness	**–**	–	33,324,721
	₱–	₱–	₱880,160,230

Fair Value Changes on Derivatives
The changes in fair value of derivative financial assets at fair value through other comprehensive income follow:

	2025	2024
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	**(85,843,669)**	2,589,164
Not-designated	**–**	–
	(85,843,669)	2,589,164
	(84,546,476)	1,297,193
Fair value of settled instruments:		
Designated	**84,546,476**	–
Not-designated	**–**	–
	84,546,476	–
Balance at December 31:		
Current	**₱–**	₱1,297,193
Non-current	**–**	–
	₱–	₱1,297,193
Attributable to:		
Derivative assets	**₱–**	₱1,297,193
Derivative liabilities	**–**	–
	₱–	₱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:

	2025	2024
Trade receivables	**₱3,157,638,069**	₱2,517,415,904
Due from related parties (Note 29)	**75,034,478**	654,772,201
Interest receivable	**20,799,041**	17,198,673
Others	**572,943,449**	366,415,761
	3,826,415,037	3,555,802,539
Less: Allowance for expected credit losses (ECL)	**(393,404,368)**	(401,617,272)
	₱3,433,010,669	₱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 and insurance companies.

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

	2025		
	Trade Receivables	**Others**	**Total**
Balances at January 1	**₱316,088,222**	**₱85,529,050**	**₱401,617,272**
Reversal of ECL	**(6,764,938)**	**–**	**(6,764,938)**
Unrealized foreign exchange loss	**(7,244,480)**	**5,796,514**	**(1,447,966)**
Balances at December 31	**₱302,078,804**	**₱91,325,564**	**₱393,404,368**

	2024		
	Trade Receivables	Others	Total
Balances at January 1	₱178,236,596	₱84,265,450	₱262,502,046
Provisions for ECL	168,162,853	–	168,162,853
Recovery	(42,525,125)	–	(42,525,125)
Unrealized foreign exchange gain	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:

	2025	2024
At cost:		
Expendable parts	**₱3,868,869,709**	₱4,087,088,028
Fuel	**502,716,450**	391,253,061
Materials and supplies	**199,342,282**	155,690,569
	₱4,570,928,441	₱4,634,031,658

As of December 31, 2025 and 2024, the Group recognized full allowance for inventory write-down on expendable parts with cost of ₱124.3 million and ₱118.3 million, respectively. In 2025 and 2024, the Group recognized additional provision for inventory write-down on expendable parts amounting to ₱1.5 million and ₱26.6 million, respectively (nil in 2023).

As of December 31, 2025 and 2024, 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 under ‘Repairs and maintenance’ in the consolidated statements of comprehensive income for the years ended 2025, 2024 and 2023 amounted to ₱1,732.3 million, ₱1,915.2 million and ₱1,247.2 million, respectively.

The cost of fuel reported as expense under ‘Flying operations’ account amounted to ₱32.7 billion, ₱32.8 billion and ₱29.7 billion for the years ended 2025, 2024 and 2023, respectively (see Note 24).

11. **Other Current Assets**

This account consists of:

	2025	2024
Advances to suppliers	**₱7,511,913,175**	₱4,322,678,244
Prepaid services	**781,018,135**	882,026,744
Creditable withholding taxes	**374,581,912**	437,388,993
Prepaid insurance	**239,618,941**	69,528,724
Prepaid rent	**89,164,320**	88,774,993
Others	**169,079,731**	35,390,784
	₱9,165,376,214	₱5,835,788,482

Advances to suppliers include advances to service maintenance provider for maintenance. Advances for maintenance are recouped from progress billings, which occur within one year from the date the advances arose. These advances are unsecured and noninterest-bearing.

Prepaid services represent advance payments for IT systems and technology-related services supporting airline operations, to be utilized in future periods.

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

Prepaid rent pertains to advance rental on aircraft under lease and on office spaces in airports.

Others include housing allowance and prepayments to other suppliers.

12. **Property and Equipment**

The composition and movements in this account follow:

	2025							
	Passenger Aircraft (Notes 18 and 32)	**Engines**	**Rotables**	**Ground Support Equipment**	**EDP Equipment, Mainframe and Peripherals**	**Leasehold Improvements**	**Transportation Equipment**	**Sub-total**
Cost								
Balance at January 1, 2025	**₱60,255,568,316**	**₱6,298,460,492**	**₱8,301,011,373**	**₱1,735,897,047**	**₱1,020,158,064**	**₱2,253,125,640**	**₱426,613,678**	**₱80,290,834,610**
Additions (Note 6)	**10,607,636,517**	**11,272,603,991**	**1,840,727,787**	**650,018,271**	**152,580,060**	**29,749,301**	**76,387,039**	**24,629,702,966**
Acquired through business combination (Note 14)	–	–	–	**70,930,935**	**19,193,409**	**558,640**	**3,261,262**	**93,944,246**
Reclassification	–	**249,194,616**	–	–	–	**74,017,102**	–	**323,211,718**
Disposals/others	**(1,011,239,785)**	**(6,481,700,079)**	**(1,181,913,398)**	**(86,327,460)**	**(25,770,878)**	**(10,491,000)**	**(7,508,931)**	**(8,804,951,531)**
Balance at December 31, 2025	**69,851,965,048**	**11,338,559,020**	**8,959,825,762**	**2,370,518,793**	**1,166,160,655**	**2,346,959,683**	**498,753,048**	**96,532,742,009**
Accumulated Depreciation and Amortization								
Balance at January 1, 2025	**12,805,776,271**	**2,361,188,788**	**2,272,818,954**	**1,233,114,858**	**834,533,647**	**1,594,914,961**	**337,630,106**	**21,439,977,585**
Depreciation and amortization	**3,496,789,294**	**555,008,179**	**634,578,682**	**209,972,099**	**120,095,489**	**108,896,932**	**31,069,088**	**5,156,409,763**
Disposals/others	**(859,565,746)**	**(116,705,117)**	**(519,056,153)**	**(79,618,464)**	**(25,732,687)**	**(10,491,000)**	**(7,508,931)**	**(1,618,678,098)**
Balance at December 31, 2025	**15,442,999,819**	**2,799,491,850**	**2,388,341,483**	**1,363,468,493**	**928,896,449**	**1,693,320,893**	**361,190,263**	**24,977,709,250**
Net Book Values	**₱54,408,965,229**	**₱8,539,067,170**	**₱6,571,484,279**	**₱1,007,050,300**	**₱237,264,206**	**₱653,638,790**	**₱137,562,785**	**₱71,555,032,759**

	2025						
	Furniture, Fixtures and Office Equipment	**Communication Equipment**	**Special Tools**	**Maintenance and Test Equipment**	**Other Equipment**	**Construction in-Progress**	**Total**
Cost							
Balance at January 1, 2025	**₱177,181,207**	**₱31,981,898**	**₱210,678,986**	**₱282,031,653**	**₱61,224,893**	**₱22,926,028,290**	**₱103,979,961,537**
Additions (Note 6)	**26,647,202**	**6,830,623**	**27,023,568**	**33,179,636**	**8,506,011**	**11,076,954,531**	**35,808,844,537**
Acquired through business combination (Note 14)	**6,304,537**	–	**116,560**	–	**215,273**	–	**100,580,616**
Reclassification	**450,893**	–	–	–	–	**(323,662,611)**	–
Disposals/others	**(2,602,604)**	–	**(3,439,341)**	**(107,477)**	–	**(10,536,894,760)**	**(19,347,995,713)**
Balance at December 31, 2025	**207,981,235**	**38,812,521**	**234,379,773**	**315,103,812**	**69,946,177**	**23,142,425,450**	**120,541,390,977**
Accumulated Depreciation and Amortization							
Balance at January 1, 2025	**117,197,640**	**21,729,366**	**139,296,768**	**230,977,136**	**34,147,036**	–	**21,983,325,531**
Depreciation and amortization	**19,980,284**	**3,592,412**	**23,844,214**	**15,481,578**	**5,812,142**	–	**5,225,120,393**
Disposals/others	**(2,602,604)**	–	–	–	–	–	**(1,621,280,702)**
Balance at December 31, 2025	**134,575,320**	**25,321,778**	**163,140,982**	**246,458,714**	**39,959,178**	–	**25,587,165,222**
Net Book Values	**₱73,405,915**	**₱13,490,743**	**₱71,238,791**	**₱68,645,098**	**₱29,986,999**	**₱23,142,425,450**	**₱94,954,225,755**

	2024							
	Passenger Aircraft (Notes 18 and 32)	Engines	Rotables	Ground Support Equipment	EDP Equipment, Mainframe and Peripherals	Leasehold Improvements	Transportation Equipment	Sub-total
Cost								
Balances at January 1, 2024	₱59,431,497,546	₱6,474,412,357	₱6,201,760,172	₱1,426,929,865	₱906,986,015	₱2,150,694,009	₱385,626,378	₱76,977,906,342
Additions (Note 6)	19,275,768,908	7,199,100,406	2,212,078,125	309,689,727	120,619,292	22,501,683	62,228,114	29,201,986,255
Acquired through business combination (Note 14)	765,306,917	–	–	18,045,088	–	3,373,850	6,105,991	792,831,846
Reclassification	1,866,211,551	–	–	–	4,598,214	76,556,098	–	1,947,365,863
Disposals/others	(21,083,216,606)	(7,375,052,271)	(112,826,924)	(18,767,633)	(12,045,457)	–	(27,346,805)	(28,629,255,696)
Balances at December 31, 2024	60,255,568,316	6,298,460,492	8,301,011,373	1,735,897,047	1,020,158,064	2,253,125,640	426,613,678	80,290,834,610
Accumulated Depreciation and Amortization								
Balances at January 1, 2024	14,937,605,413	4,548,237,186	1,887,928,983	1,107,227,309	769,415,848	1,492,184,293	335,936,662	25,078,535,694
Depreciation and amortization	4,286,505,481	359,220,978	491,470,255	144,583,419	77,159,412	102,730,668	29,040,249	5,490,710,462
Reclassification	–	–	–	–	–	–	–	–
Disposals/others	(6,418,334,623)	(2,546,269,376)	(106,580,284)	(18,695,870)	(12,041,613)	–	(27,346,805)	(9,129,268,571)
Balances at December 31, 2024	12,805,776,271	2,361,188,788	2,272,818,954	1,233,114,858	834,533,647	1,594,914,961	337,630,106	21,439,977,585
Net Book Values	₱47,449,792,045	₱3,937,271,704	₱6,028,192,419	₱502,782,189	₱185,624,417	₱658,210,679	₱88,983,572	₱58,850,857,025

	2024						
	Furniture, Fixtures and Office Equipment	Communication Equipment	Special Tools	Maintenance and Test Equipment	Other Equipment	Construction in-Progress	Total
Cost							
Balances at January 1, 2024	₱126,633,884	₱28,284,438	₱137,743,417	₱254,691,420	₱40,883,438	₱17,992,333,402	₱95,558,476,341
Additions (Note 6)	35,650,940	3,697,460	72,935,569	28,311,226	20,341,455	20,174,247,885	49,537,170,790
Acquired through business combination (Note 14)	15,262,995	–	–	–	–	–	808,094,841
Reclassification	160,713	–	–	–	–	(1,926,197,620)	21,328,956
Disposals/others	(527,325)	–	–	(970,993)	–	(13,314,355,377)	(41,945,109,391)
Balances at December 31, 2024	177,181,207	31,981,898	210,678,986	282,031,653	61,224,893	22,926,028,290	103,979,961,537
Accumulated Depreciation and Amortization							
Balances at January 1, 2024	107,969,485	19,429,930	122,560,274	218,685,023	32,018,844	–	25,579,199,250
Depreciation and amortization	9,751,386	2,299,436	16,736,494	13,263,106	2,128,192	–	5,534,889,076
Reclassification	–	–	–	–	–	–	–
Disposals/others	(523,231)	–	–	(970,993)	–	–	(9,130,762,795)
Balances at December 31, 2024	117,197,640	21,729,366	139,296,768	230,977,136	34,147,036	–	21,983,325,531
Net Book Values	₱59,983,567	₱10,252,532	₱71,382,218	₱51,054,517	₱27,077,857	₱22,926,028,290	₱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. As of December 31, 2025 and 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	**17**	14
	29	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, upon event of default, the outstanding amount of loan will be payable, including interest accrued by the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2025 and 2024, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱61.5 billion and ₱46.1 billion, respectively.

Sale and Sale and Leaseback Transactions
Sale and leaseback transactions
In 2023, the Group entered into SLB agreements for five (5) aircraft and two (2) engines where its sale portion resulted to a gain of ₱1,052.5 million and ₱139.1 million, respectively. In 2024, the Group entered into SLB agreements for ten (10) engines where its sale portion resulted to a gain of ₱2.6 billion. In 2025, the Group entered into SLB agreements for six (6) engines where its sale portion resulted to a gain of ₱839.2 million.

In December 2024, seven (7) A321CEO aircraft were disposed resulting to the derecognition of its net book value of ₱8.5 billion and related loan. The resulting gain from the transaction amounted to ₱130.3 million. The Group then entered into a new operating lease arrangement with the new owner (see Note 32).

Sale transactions
In March 2023, one (1) ATR 72-500 aircraft was sold at ₱227.0 million, resulting to a gain of ₱0.6 million. Further, proceeds from sale of various property and equipment with ₱3.0 million resulted to a gain of ₱2.0 million.

In 2024, the Group also entered into an agreement for sale of one (1) A330 CEO aircraft that resulted into a loss amounting ₱545.5 million.

In October and December 2024, two (2) ATR 72-500 were sold at ₱478.1 million, resulting in a net loss on disposal of ₱61.6 million.

In 2025, one (1) ATR 72-500 and three (3) A320CEOs were sold at ₱3.9 billion, resulting in a net gain on disposal of ₱462.0 million.

These gains (losses) are recorded under 'Gain on disposal - net' in the consolidated statement of comprehensive income.

Proceeds from sale of property and equipment for the years ended 2025, 2024 and 2023 amounted to ₱11.3 billion, ₱21.7 billion and ₱10.4 billion, respectively.

Proceeds from Insurance Claims

In 2024 and 2023, the Group received ₱137.1 million and ₱17.9 million, respectively (nil in 2025), pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events.

Gain on Free-of-Charge (FOC) Engines

In 2025, the Group received five (5) FOC engines as support for the mitigation of the ongoing AOG issues. Accordingly, the fair value of the engines, amounting to ₱6.3 billion was recognized in 'Other income' in the 2025 consolidated statement of comprehensive income. The receipt of FOC engines is treated as noncash additions in the 2025 statement of cashflows.

Operating Fleet

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

	2025	2024
Leased aircraft:		
Airbus CEO	**22**	25
Airbus NEO	**41**	37
ATR 72-600	**6**	6
Owned aircraft:		
Airbus NEO	**17**	14
Airbus CEO*	**–**	–
ATR 72-600	**12**	12
ATR 72-500**	**–**	2
ATR 42-600	**2**	2
	100	98

**This excludes three (3) A320 CEO as at December 31, 2024 that are non-operating and classified as Assets Held for Sale.*
***This excludes two (2) ATR 72-500 as at December 31, 2025 and 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 December 31, 2025 and 2024, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱23.1 billion and ₱22.9 billion, respectively.

For the years ended December 31, 2025, 2024, and 2023, the Group received pre-delivery payment refunds for delivered aircraft from Airbus which amounted to ₱10.5 billion, ₱13.1 billion, and ₱11.6 billion, respectively.

In 2022, the Parent Company entered into remarketing of its four (4) ATR 72-500 classifying these as held-for-sale. In March 2023, one of the ATR 72-500 aircraft with manufacturer's serial number 944 was sold at ₱227.0 million, resulting to a gain of ₱0.6 million. 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 one (1) aircraft was delayed due to global supply chain issues affecting the Parent Company's preparation activities to meet the aircraft's agreed sale conditions.

Further, in 2024, the Group reclassified three (3) A320CEOs as asset held for sale amounting to ₱3.3 billion. These three (3) A320CEOs and remaining one (1) ATR 72-500 held-for-sale aircraft were sold at ₱3.9 billion, resulting in a net gain of ₱462.0 million in 2025.

In addition, in 2025, the Group reclassified two (2) ATR Freighter 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 two (2) ATR Freighter is ₱368.4 million, which is lower than their respective fair value less cost to sell.

As of December 31, 2025 and 2024, the carrying values of assets held for sale that remain unsold are ₱368.4 million and ₱3,541.3 million, respectively. The remaining aircraft as of December 31, 2025 are expected to be sold before the end of 2026.

As of December 31, 2025 and 2024, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱6.3 billion and ₱7.1 billion, respectively.

13. **Investments in Joint Ventures and Associates**

Investments in Joint Ventures
The Parent Company has investments in joint arrangements as follows:

Investment in Philippine Academy for Aviation Training, Inc. (PAAT)
The Parent Company has subscribed to and owns 60% of the outstanding shares of PAAT accounted for as investment in shares of the joint venture. However, the joint venture agreement between the Parent Company and CAE International Holdings Limited (CAE) states that the Parent Company is entitled to 50% share on the net income/loss of PAAT. As such, the Parent Company recognizes 50% share in net income/loss of the joint venture.

PAAT was created to address the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. PAAT was formally incorporated in the Philippines on January 27, 2012 and started commercial operations in December 2012.

Investment in 1Aviation Groundhandling Services, Corp. (1Aviation)
Investment in 1Aviation refers to the Parent Company's 40% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40% for the Parent Company and the remaining 60% shall be collectively owned by PAGSS and an individual. The Parent Company recognizes 40% share in net income of the joint venture. 1Aviation is engaged in the business of providing groundhandling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private. Commercial, government or military purposes are to be performed at the Ninoy Aquino International Airport and other airports in the Philippines as may be agreed by the co-venturers.

On October 29 2024, the Parent Company signed a debt-to-equity conversion agreement with 1Aviation, for the assignment of credit and subscription to 1,130,000 shares, with par value of ₱100 per share, amounting to ₱113.0 million. On August 15, 2025, the SEC approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60% making it a subsidiary of the Parent Company (Note 1). 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. (formerly Air Block Box Asia Pacific Pte. Ltd.)

In May 2016, the Parent Company entered into Value Alliance Agreement with other low-cost carriers (LCCs), namely, Scoot Tigerair Pte. Ltd. (formerly known as Scoot Pte. Ltd.), Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Block Box Asia Pacific Pte. Ltd. (ABB).

In November 2016, the Parent Company acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 and started operations in 2018 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB. On April 30, 2021, ABB changed its name to Value Alliance Travel System Pte. Ltd. (VATS). The Parent Company has a 13% shareholding in VATS. The Parent Company has assessed that it has significant influence over VATS through its representation in the BOD and participation in the policy-making process of VATS. Accordingly, the investment was classified as an investment in an associate and is accounted for using the equity method.

In 2021, the Group assessed that its investment in VATS was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. The target growth turned significantly lower than actual. On this basis and following the key requirements of PAS 36, *Impairment of Assets* wherein assets can be carried at no more than their recoverable amount, the Group has recognized impairment provisions of ₱36.9 million.

Subsequently, after incurring further losses, even after the resumption of operations that was previously disrupted by the global pandemic, the management of the Group decided to divest its 13% shareholding in VATS. As of December 31, 2023, prior to the finalization of the divestment on January 5, 2024, the net carrying amount of the Group's investment with VATS amounted to nil. The divestment did not have a significant impact on the consolidated financial statements.

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

	2025						
	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balances at January 1, 2025	₱134,873,645	₱46,000,000	₱180,873,645	₱–	₱492,000,000	₱492,000,000	₱672,873,645
Gain on remeasurement of existing interest in joint venture	–	184,401,406	184,401,406	–	–	–	184,401,406
Reclassification to investment in subsidiary	–	(230,401,406)	(230,401,406)	–	–	–	(230,401,406)
Balances at December 31, 2025	134,873,645	–	134,873,645	–	492,000,000	492,000,000	626,873,645
Accumulated Equity in Net Income (Loss)							
Balances 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	116,896,446	–	116,896,446	–	–	–	116,896,446
Gain on remeasurement of existing interest in joint venture	–	46,000,000	46,000,000	–	–	–	46,000,000
Balances at December 31, 2025	429,466,855	–	429,466,855	–	(492,000,000)	(492,000,000)	(62,533,145)
Allowance for Impairment Loss							
Balance sat beginning and end of year	–	–	–	–	–	–	–
Net Carrying Value	₱564,340,500	₱–	₱564,340,500	₱–	₱–	₱–	₱564,340,500

	2024						
	Investment in joint ventures			Investment in associates			
	PAAT	1Aviation	Subtotal	VATS	DAVI	Subtotal	Total
Cost							
Balances at January 1, 2024	₱134,873,645	₱46,000,000	₱180,873,645	₱43,713,923	₱452,000,000	₱495,713,923	₱676,587,568
Additional investment	–	–	–	–	40,000,000	40,000,000	40,000,000
Divestment	–	–	–	(43,713,923)	–	(43,713,923)	(43,713,923)
Balances 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)							
Balances 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
Balances 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							
Balances at beginning of the year	–	–	–	(36,915,815)	–	(36,915,815)	(36,915,815)
Divestment	–	–	–	36,915,815	–	36,915,815	36,915,815
Balances 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 December 31, 2025 follow:

	PAAT	**1Aviation**	**DAVI**
Current assets	**₱193,258,557**	**₱–**	**₱1,227,334,334**
Noncurrent assets	**1,848,464,088**	**–**	**3,179,497**
Current liabilities	**(365,894,067)**	**–**	**(1,361,498,030)**
Noncurrent liabilities	**(547,147,578)**	**–**	**(16,260,250)**
Equity (Capital Deficiency)	**1,128,681,000**	**–**	**(147,244,449)**
Proportion of the Group's ownership	**50%**	**–**	**40%**
Carrying amount of the investments	**₱564,340,500**	**₱–**	**₱–**
Cash and cash equivalents	**₱62,317,589**	**₱–**	**₱810,501,516**
Current financial liabilities (excluding trade and other payables and provisions)	**302,531,277**	**–**	**927,175,519**
Noncurrent financial liabilities (excluding trade and other payables and provisions)	**547,147,581**	**–**	**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:

	2025		
	PAAT	**1Aviation**	**DAVI**
Revenue	**₱614,320,895**	**₱–**	**₱300,685,664**
Expenses	**(363,392,251)**	–	**(391,046,294)**
Other income	**1,074,262**	–	**28,740,958**
Income before tax	**252,002,906**	–	**(61,619,672)**
Income tax expense	**18,210,015**	–	**5,968,514**
Net income	**₱233,792,891**	**₱–**	**(₱67,588,186)**
Group's share in net income (loss) for the year	**₱116,896,446**	**₱–**	**₱–**

(Forward)

	2025		
	PAAT	**1Aviation**	**DAVI**
Depreciation and amortization	**₱124,053,329**	**₱–**	**₱7,844,393**
Interest income	**–**	**–**	**29,014,914**
Interest expense	**55,737,471**	**–**	**–**

	2024		
	PAAT	1Aviation	DAVI
Revenue	₱651,645,303	₱2,190,958,878	₱459,797,617
Expenses	(361,925,308)	(2,113,035,766)	(402,267,045)
Other charges	16,434,399	827,252	17,672,165
Income (loss) before tax	306,154,394	78,750,364	75,202,737
Income tax expense (benefit)	12,156,212	19,687,591	3,615,017
Net income (loss)	₱293,998,182	₱59,062,773	₱71,587,720
Group's share in net income (loss) for the year	₱146,999,091	₱–	(₱40,000,000)
Depreciation and amortization	₱115,328,544	₱19,784,947	₱27,739,135
Interest income	–	1,794,618	18,076,011
Interest expense	89,993,624	994,130	–

The fiscal year-end of PAAT, 1Aviation, VATS/ABB and DAVI is every December 31.

The share of the Parent Company in the net income of PAAT included in the consolidated retained earnings amounted to ₱429.5 million and ₱312.6 million as of December 31, 2025 and 2024, respectively, which is not currently available for dividend distribution unless declared by PAAT.

As of December 31, 2025, the Group has fully consolidated the financial position, results of operations—including any accumulated losses—and cash flows of 1Aviation in its consolidated financial statements, following the acquisition of control.

As of December 31, 2024, 1Aviation is classified as an investment in joint venture and the accumulated unrecognized share in losses amounted to ₱79.7 million.

As of December 31, 2025 and 2024, the accumulated unrecognized share in losses of DAVI amounted to ₱30.5 million and ₱3.5 million, respectively.

14. Goodwill

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

	2025	2024
CEBGO	**₱566,781,533**	₱566,781,533
A-Plus	**154,867,437**	154,867,437
AirSWIFT	**311,965,678**	311,965,678
1Aviation	**512,016,722**	–
	₱1,545,631,370	₱1,033,614,648

Goodwill from acquisition of CEBGO, A-Plus, AirSWIFT and 1Aviation is attributed to the achievement synergies and economies of scale arising from the acquisition, where the acquiree's profitability is expected to improve through cost efficiencies from leveraging on the Parent Company's brand, network of suppliers and other partners.

Acquiring another existing airline also heightens the Parent Company's defensive strategy by enabling it to manage overcapacity in existing areas or markets, as well as accelerating its growth by expanding its network into new areas or markets.

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

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. In 2025, the appraisal of AirSWIFT's net assets was conducted by a third party to finalize the purchase price allocation of said acquisition. Based on this, the net assets recognized in 2024 approximates its fair value, thus, no adjustment is necessary:

	Fair value at acquisition date
Cash	**₱62,098,752**
Receivables	**43,483,003**
Inventories	**215,404,362**
Property and equipment (Note 12)	**808,094,841**
Right-of-use asset (Note 32)	**1,374,472,418**
Intangible assets (Note 15)	**984,319,494**
Other assets	**420,563,468**
Total assets	**3,908,436,338**
Trade payables	**1,021,194,491**
Loans payable	**1,257,588,961**
Retirement liability (Note 26)	**28,878,352**
Deferred tax liability	**150,408,036**
Lease liability (Note 32)	**1,642,332,176**
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*

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
Less: cash acquired with the subsidiary	62,098,752
	₱57,901,248

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 taken 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.

<u>1Aviation</u>
On October 29, 2024, the Parent Company signed a Deed of Assignment of Credit and Subscription (debt-to-equity conversion") with 1Aviation, for the assignment of credit and subscription to 1,130,000 shares, with par value of 100 per share, amounting to ₱113.0 million. On August 15, 2025, the SEC approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60%. As a result, the Parent Company obtained control over 1Aviation, which is now accounted for as a subsidiary.

The fair value of 1Aviation's identifiable assets and liabilities as at the date of acquisition are shown below. The assets and liabilities recognized in the 2025 consolidated financial statements were based on provisional assessment of fair value while the Group sought an independent valuation of the assets and liabilities of 1Aviation. The valuation had not been completed by the date of the 2025 consolidated financial statements were approved for issue by the BOD.

	Fair value at acquisition date
Cash	₱29,372,293
Receivables	222,132,781
Inventories	28,367,118
Other current assets	215,764,679
Property and equipment (Note 12)	100,580,616
Deferred tax assets and other noncurrent assets	112,131,958
Total assets	708,349,445

(Forward)

	Fair value at acquisition date
Trade payables	₱252,608,714
Retirement liability (Note 26)	106,950,229
Due to related parties and other liabilities	629,816,028
Total liabilities	989,374,971
Total identifiable net assets (liabilities) at fair value	(281,025,526)
Less: Acquisition cost	
Fair value of previously held interest in 1Aviation	230,401,406
Related party debt converted to equity	113,000,000
Noncontrolling interest	(112,410,210)
Acquisition cost	230,991,196
Goodwill from acquisition	₱512,016,722

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 cash inflow from cash acquired from 1Aviation, amounting to ₱29.4 million, is included in the statement of cash flows under investing activities.

If the acquisition had taken place at the beginning of 2025, revenue contribution for the year ended December 31, 2025 would have been ₱2.6 billion. Moreover, had the transaction taken place at the beginning of 2025, the contribution to the consolidated net income would have amounted to ₱20.8 million net loss.

Since the step-up acquisition was completed on August 15, 2025, the contribution to revenue and net income for the period ended December 31, 2025 amounted to ₱1,187.7 million and ₱95.6 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 December 31, 2025 and 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 December 31, 2025 and 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 capital 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 and 1Aviation:
As of December 31, 2025 and 2024, management assessed that no impairment loss should be recognized for goodwill from acquisition of A-Plus and 1Aviation. For purposes of impairment testing, the Group considered A-Plus and 1Aviation as CGU.

Key assumptions used in the VIU calculation
As of December 31, 2025 and 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 1Aviation and market developments.
- Discount rates: The discount rate used for the computation of the net present value is the weighted average cost of capital 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 and 1Aviation to materially exceed their recoverable amounts.

15. **Other Noncurrent Assets**

This account consists of:

	2025	2024
Refundable deposits	**₱1,887,285,301**	₱2,994,555,421
Intangible assets (Note 14)	**1,837,011,364**	1,837,011,364
Receivables – net of current portion	**324,304,675**	356,742,938
Others	**330,194,789**	432,481,035
	₱4,378,796,129	₱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 manufacturer of A321 NEO to be capitalized as part of the cost of A321 NEO upon delivery.

16. **Accounts Payable and Other Accrued Liabilities**

This account consists of:

	2025	2024
Accrued expenses	**₱8,341,066,552**	₱8,195,823,271
Airport and other related fees payable	**8,038,661,465**	5,985,053,406
Accounts payable	**6,949,251,758**	8,957,779,636
Travel fund payable (Note 21)	**706,912,699**	738,460,107
Advances from agents and others	**559,393,067**	2,041,603,720
Accrued interest payable	**342,557,887**	266,875,312
Refunds payable	**4,936,786**	14,414,586
Other payables	**388,519,893**	397,369,990
	₱25,331,300,107	₱26,597,380,028

Accrued Expenses
The Group's accrued expenses include accruals for:

	2025	2024
Aircraft maintenance	**₱4,853,988,876**	₱4,411,325,342
Compensation and benefits	**1,174,542,731**	785,450,490
Airport and traffic costs	**550,715,741**	576,412,679
Repairs and services	**270,686,236**	316,505,619
Insurance	**247,684,746**	157,078,069
Advertising and promotion	**175,652,359**	571,472,844
Training costs	**142,727,353**	139,639,100
Travel and transport	**106,673,600**	188,629,108
Rent	**81,389,487**	246,803,015
Professional fees	**33,946,935**	38,983,830
Others	**703,058,488**	763,523,175
	₱8,341,066,552	₱8,195,823,271

Others represent accrual of 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:

	2025	2024
Unearned transportation revenue	**₱16,590,232,511**	₱15,107,504,779
Deferred ancillary revenue	**4,958,639,126**	3,700,349,340
	₱21,548,871,637	₱18,807,854,119

The rollforward analysis of unearned transportation revenue as of December 31, 2025 and 2024 follows:

	2025	2024
Balance at January 1	**₱15,107,504,779**	₱11,240,425,405
Deferred during the year	**79,692,407,104**	73,253,287,638
Recognized to income	**(78,209,679,372)**	(69,386,208,264)
Balance at December 31	**₱16,590,232,511**	₱15,107,504,779

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

	2025	2024
Balance at January 1	**₱3,700,349,340**	₱2,520,863,441
Deferred during the year	**29,818,501,535**	24,776,658,750
Recognized to income	**(28,560,211,749)**	(23,597,172,851)
Balance at December 31	**₱4,958,639,126**	₱3,700,349,340

18. Long-term and Short-term Debt

Long-term Debt

This account consists of:

	Annual Interest Rates Range	Maturities	2025 US Dollar	2025 Japanese Yen	2025 Singapore Dollar	2025 Philippine Peso Equivalent
US Dollar commercial loans	1.33% to 6.20% (SOFR)	Various dates through 2036	**US$338,270,192**	**JPY–**	**SGD–**	**₱19,886,904,579**
Japanese Yen commercial loans	0.42% to 2.00% (TONA)	Various dates through 2034	–	**67,387,143,207**	–	**25,310,610,988**
Singapore Dollar commercial loans	7.96% (SORA)	2037	–	–	**SGD46,301,360**	**2,121,514,425**
Philippine Peso commercial loans	6.26% to 7.96% (PH BVAL)	Various dates through 2028	–	–	–	**4,302,169,761**
			US$338,270,192	**JPY67,387,143,207**	**SGD46,301,359**	**₱51,621,199,753**

	Annual Interest Rates Range	Maturities	2024 US Dollar	2024 Japanese Yen	2024 Philippine Peso Equivalent
US Dollar commercial loans	1.33% to 6.20% (SOFR)	Various dates through 2030	US$354,237,458	JPY–	₱20,490,865,751
Japanese Yen commercial loans	0.42% to 2.00% (TONA)	Various dates through 2029	–	44,247,017,813	16,247,504,937
Philippine Peso commercial loans	6.26% to 7.96% (PH BVAL)	Various dates through 2028	–	–	6,059,980,746
			US$354,237,458	JPY44,247,017,813	₱42,798,351,434

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

	2025 US Dollar	2025 Japanese Yen	2025 Singapore Dollar	2025 Philippine Peso Equivalent
Current				
US Dollar loans	**US$18,547,482**	**JPY–**	**SGD–**	**₱1,090,406,499**
Japanese Yen loans	–	**4,581,128,195**	–	**1,720,671,750**
Singapore Dollar loans	–	–	**3,858,447**	**176,792,868**
Philippine Peso loans	–	–	–	**1,757,810,985**
	18,547,482	**4,581,128,195**	**3,858,447**	**4,745,682,102**
Noncurrent				
US Dollar loans	**319,722,710**	–	–	**18,796,498,088**
Japanese Yen loans	–	**62,806,015,012**	–	**23,589,939,230**
Singapore Dollar loans	–	–	**42,442,912**	**1,944,721,557**
Philippine Peso loans	–	–	–	**2,544,358,776**
	319,722,710	**62,806,015,012**	**42,442,912**	**46,875,517,651**
	US$338,270,192	**JPY67,387,143,207**	**SGD46,301,359**	**₱51,621,199,753**

	2024		
	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:

	2025					
	US Dollar Loans	**Japanese Yen Loans**	**Singapore Dollar Loans**	**Philippine Peso Equivalent**	**Philippine Peso Loans**	**Total**
Balances at January 1, 2025	**US$354,237,458**	**JPY44,247,017,813**	**SGD–**	**₱36,738,370,688**	**₱6,059,980,746**	**₱42,798,351,434**
Availments		**27,019,321,791**	**46,301,360**	**12,321,292,456**	**–**	**12,321,292,456**
Payments	**(15,967,266)**	**(3,879,196,397)**	**–**	**(2,405,332,448)**	**(1,757,810,985)**	**(4,163,143,433)**
	338,270,192	**67,387,143,207**	**46,301,360**	**46,654,330,696**	**4,302,169,761**	**50,956,500,457**
Unrealized foreign exchange loss	**–**	**–**	**–**	**664,699,296**	**–**	**664,699,296**
Balances at December 31, 2025	**US$338,270,192**	**JPY67,387,143,207**	**SGD46,301,360**	**₱47,319,029,992**	**₱4,302,169,761**	**₱51,621,199,753**

	2024				
	US Dollar Loans	Japanese Yen Loans	Philippine Peso Equivalent	Philippine Peso Loans	Total
Balances at January 1, 2024	US$280,421,182	JPY38,658,944,764	₱30,719,886,145	₱7,979,865,440	₱38,699,751,585
Availments	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 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 December 31, 2025 and 2024, the total outstanding balance of the US Dollar commercial loans amounted to ₱19.9 billion (US$338.3 million) and ₱20.5 billion (US$354.2 million), respectively. Interest expense amounted to ₱1.1 billion, ₱1.4 billion and ₱1.2 billion in 2025, 2024 and 2023, respectively.

<u>Japanese Yen Commercial Loans</u>
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 nine (9) A321NEO and two (2) A320NEO aircraft.

Drawdown Date	Aircraft Type	No. of Units	Security Trustees	Maturity Date
A321NEO				
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
December 2025	A321NEO	1	NBB Visayas Lease Co., Ltd.	December 2035
A320NEO				
November 2025	A320NEO	1	NBB Luzon Lease Co., Ltd.	November 2035
December 2025	A320NEO	1	NBB Mindanao Lease Co., Ltd.	December 2035

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 0.74% to 2.01% 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 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 November and December 2025, the Group entered into Japanese commercial loans for two (2) Airbus A320NEO aircraft. The loan requires semi-annual installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

In December 2025, the Group entered into a Japanese commercial loan for one (1) Airbus A321NEO aircraft. The loan requires semi-annual installments with maturity not longer than 10 years at variable interest rate based on Compounded JPY TONA plus loan margin.

As of December 31, 2025 and 2024, the total outstanding balance of the Japanese yen commercial loans amounted to ₱25.3 billion (¥67.4 billion) and ₱16.2 billion (¥44.2 billion), respectively. Interest expense amounted to ₱222.0 million, ₱166.6 million and ₱37.8 million in 2025, 2024 and 2023, respectively.

<u>Singapore Dollar Commercial Loans</u>
The following table summarizes the Singapore Dollar commercial loans entered into by the Group in 2025, to finance the purchase of two (2) PW1133G-JM engines.

Drawdown Date	Engine Type	No. of Units	Security Trustees	Maturity Date
November 2025	Pratt and Whitney PW1133G-JM	2	Ryokan Engine Leasing Limited	November 2037

Key terms of the remaining commercial loan facilities follow:

- Term of twelve (12) years.
- Forty-eight (48) equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on compounded Singapore Overnight Rate Average (SORA) 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 engine.

In November 2025, the Group entered into a loan agreement to purchase two (2) Pratt and Whitney PW1133G-JM engines. The loan requires quarterly installments with maturity of 12 years at variable interest rate based on compounded Singapore Overnight Rate Average (SORA) plus loan margin.

As of December 31, 2025, the total outstanding balance of the Japanese yen commercial loans amounted to ₱2.1 billion (SGD46.3 billion). Interest expense amounted to ₱8.1 million in 2025.

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:

Drawdown Date	Aircraft Type	No. of Units	Maturity Date
October and November 2016 February and March 2017	ATR 72-600	4	October and November 2026 February and March 2027
May, July, October and December 2017	ATR 72-600	4	May, July, October and December 2027
February and May 2018	ATR 72-600	2	February and May 2028
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).
- 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 December 31, 2025 and 2024, the total outstanding Philippine Peso commercial loans amounted to ₱4.3 billion and ₱6.1 billion, respectively. Interest expense incurred from these loans amounted to ₱356.8 million, ₱453.1 million and ₱854.2 million in 2025, 2024 and 2023, respectively.

The commercial loans of the Group are secured by the related aircraft and engines. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2025 and 2024, the Group is not in breach of any loan covenants.

Philippine Peso Term Loan

In 2020, the Group entered into an unsecured, Philippine peso-denominated loan amounting to ₱4.0 billion with Security Bank Corporation due in 2023. The loan was obtained to support the working capital requirements of the Group. The Group was required to maintain certain financial ratio until termination of loans. In 2022, the Group obtained a waiver from the bank in relation to debt service coverage ratio requirement. The outstanding balance as at December 31, 2022 was reclassified to current in the 2022, and as at December 31, 2023, the loan has been paid in full.

As of December 31, 2025 and 2024, the total outstanding Philippine Peso term loan amounted to nil. Interest expense incurred from this loan amounted to nil, nil and ₱10.7 million in 2025, 2024 and 2023, respectively.

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 subsequently paid on August and September 2025, respectively. As of December 31, 2025, the loans have been paid in full.

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 December 31, 2025 and 2024 follows:

	December 31, 2025		December 31, 2024	
	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	**(96,264,970)**	**(5,505,259,205)**	(3,735,000)	(207,497,925)
	−	**63,187,984**	96,264,970	5,389,625,398
Unrealized foreign exchange loss (gain)	−	**(63,187,984)**	−	178,821,791
Balances at December 31	**US$−**	**₱−**	US$96,264,970	₱5,568,447,189

Interest expense incurred from these short-term loans amounted to ₱205.8 million and ₱275.9 million for the year ended December 31, 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 entitle the CB Holders to convert any or all of the outstanding CBs that they hold for the Parent Company's common shares within the conversion period which shall begin 40 days after the issue date of the CB and shall end 20 business days before the maturity date. The price at which the common shares will be issued upon conversion will initially be at ₱38.00 per share, as translated to U.S. Dollars at the fixed exchange rate of USD$1.00 = ₱48.45 and subject to any adjustments from time to time in accordance with the adjustment provisions included in the terms and conditions of the CBs. None of the CB Holders have exercised their conversion option as of December 31, 2025 and 2024. The CBs also have an optional redemption feature which gives 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 was carried at amortized cost using the EIR method. Interest expense recognized from the CBs, which is included under 'Financing costs and other charges' in the consolidated statements of comprehensive income in 2025, 2024 and 2023 amounted to ₱770.7 million, ₱761.4 million and ₱733.5 million, respectively.

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

	2025		2024	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balances	**US$244,730,577**	**₱14,156,440,222**	US$242,689,465	₱13,437,715,699
Unrealized foreign exchange loss	**–**	**234,052,315**	–	601,772,732
Bond amortization	**2,154,188**	**123,862,771**	2,041,112	116,951,791
Ending balances	**US$246,884,765**	**₱14,514,355,308**	US$244,730,577	₱14,156,440,222

The bifurcated embedded derivatives have an initial fair value of ₱412.8 million and are 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 for both 2025 and 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:

	2025	2024
Stock price	**₱32.00**	₱28.25
Risk free rate	**3.41%**	4.25%
Conversion price	**₱38.00**	₱38.00
Term	**5.9 years**	5.9 years
Volatility	**30.64%**	26.24%

20. **Other Noncurrent Liabilities**

This account consists of:

	2025	2024
Asset retirement obligation (ARO)	**₱2,379,969,543**	₱3,166,158,868
Heavy maintenance visits (HMV)	**3,501,258,241**	2,053,233,815
Other noncurrent liabilities	**421,494,030**	300,556,881
	₱6,302,721,814	₱5,519,949,564

Asset Retirement Obligation (ARO)
The Group is contractually required under various lease contracts to restore leased aircraft to specific conditions at its own cost or to bear a proportionate cost of restoration at the end of the contract period. Estimated costs of redelivery are accrued and charged to profit or loss over the remaining period until redelivery date, as the leased aircraft is utilized.

The rollforward analysis of the Group's ARO follow:

	2025	2024
Balance at beginning of year	**₱3,166,158,868**	₱3,774,523,251
Provision for ARO	**1,282,255,346**	2,815,350,470
Interest expense	**85,821,443**	25,829,044
Applications and foreign exchange movement	**(2,154,266,114)**	(3,449,543,897)
Balance at end of year	**₱2,379,969,543**	₱3,166,158,868

In 2025, 2024 and 2023, ARO expenses included as part of repairs and maintenance amounted to ₱1.3 billion, ₱2.8 billion and ₱1.1 billion, respectively (see Note 24).

Heavy Maintenance Visits (HMV)
The Group is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advice. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

The rollforward analysis of the Group's HMV follow:

	2025	2024
Balance at beginning of year	**₱2,053,233,815**	₱2,000,998,239
Provision for HMV	**7,767,022,677**	2,380,815,884
Interest expense	**71,019,816**	72,024,222
Applications and foreign exchange movement	**(6,390,018,067)**	(2,400,604,530)
Balance at end of year	**₱3,501,258,241**	₱2,053,233,815

In 2025, 2024 and 2023, HMV expenses included as part of repairs and maintenance amounted to ₱7.8 billion, ₱2.4 billion and ₱0.2 billion, respectively (see Note 24).

Other noncurrent liabilities
Other noncurrent liabilities consist of accrued interest on the equity portion of long-term borrowings payable at maturity. Interest expense amounted to ₱121.8 million, ₱80.3 million and ₱48.7 million in 2025, 2024 and 2023, respectively.

21. Travel Fund Payable

Customers are given options for their cancelled flights which included, among others, conversion to a full travel fund which is a virtual wallet equivalent to the amount paid for an existing booking.

Prior to March 15, 2020 (pre-COVID-19), the validity of travel fund was only 90 days from the travel fund creation date. However, due to the COVID-19, the Group extended the validity of travel fund from 90 days to two (2) years to give guests enough time to plan on their next trip.

Effective August 1, 2023, the Group removed the expiration date of all its remaining, unexpired travel fund, and extended the validity of its travel vouchers to 18 months, giving passengers a chance to enjoy better and improved customer service.

As of December 31, 2025 and 2024, the travel fund payable amounted to ₱706.9 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).

For the year ended December 31 2023, expired portion of the travel fund payable amounting to ₱461.9 million (nil for the years ended 2025 and 2024), is recognized as part of ‘Ancillary revenues’ in the consolidated statements of comprehensive income. Additionally, estimated breakage revenue from travel fund amounting to ₱58.6 million, ₱70.6 million, and ₱47.5 million are recognized as part of ‘Ancillary revenues’ in the consolidated statements of comprehensive income for the years ended December 31, 2025, 2024 and 2023, respectively.

22. Equity

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

	2025	2024
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:

	December 31, 2025								
	Common			Preferred			Total		
	Subscribed and issued	Treasury shares	Outstanding	Subscribed and issued	Treasury shares	Outstanding	Subscribed and issued	Treasury shares	Outstanding
Balance, January 1, 2025	637,355,983	(13,086,650)	624,269,333	309,471,601	–	309,471,601	946,827,584	(13,086,650)	933,740,934
Issuance of vested RSUs	346,500		346,500	–	–	–	346,500	–	346,500
Repurchase of treasury shares	–	(12,013,180)	(12,013,180)	–	(591,300)	(591,300)	–	(12,604,480)	(12,604,480)
Balance, December 31, 2025	637,702,483	(25,099,830)	612,602,653	309,471,601	(591,300)	308,880,301	947,174,084	(25,691,130)	921,482,954

	December 31, 2024								
	Common			Preferred			Total		
	Subscribed and issued	Treasury shares	Outstanding	Subscribed and issued	Treasury shares	Outstanding	Subscribed and issued	Treasury shares	Outstanding
Balance, January 1, 2024	634,911,717	(12,919,850)	621,991,867	309,693,201	–	309,693,201	944,604,918	(12,919,850)	931,685,068
Issuance of vested RSUs	2,222,666	–	2,222,666	–	–		2,222,666	–	2,222,666
Conversion of shares	221,600	–	221,600	(221,600)	–	(221,600)	–	–	–
Repurchase of treasury shares	–	(166,800)	(166,800)	–	–	–	–	(166,800)	(166,800)
Balance, December 31, 2024	637,355,983	(13,086,650)	624,269,333	309,471,601	–	309,471,601	946,827,584	(13,086,650)	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 ₱3.8 billion. 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 111 and 104 as of December 31, 2025 and 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. As of December 31, 2024 and 2023, 4,572,756 and 4,351,156 CPS have been converted to common shares with ₱1.00 par value at the conversion price of ₱38.00 per share, respectively.

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

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

	2025			2024		
	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 December 31	**637,702,483**	**309,471,601**	**947,174,084**	637,355,983	309,471,601	946,827,584

**Gross of 25,099,830 shares and 13,086,650 shares held as treasury shares as of December 31, 2025 and 2024, respectively.*
***Gross of 591,300 shares held as treasury shares as of December 31, 2025.*

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

	2025					
	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 December 31	**₱637,702,483**	**₱309,471,601**	**₱947,174,084**	**₱1,927,951,135**	**₱2,579,775,722**	**₱4,507,726,857**

	2024					
	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

<ins>Treasury Stock</ins>
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. This was resumed in August 2018. As of December 31,2023, the Parent company had 12,919, 850 shares held in treasury with a cost of ₱950.9 million.

On November 13, 2024, the BOD of the Parent Company has approved a new allotment of ₱2.0 billion for an amended SBP. The SBP will apply to both common shares and convertible preferred shares of the Parent Company, with no fixed allocation for each class of shares.

As of December 31, 2025 and 2024, the Parent Company has 25,099,830 and 13,086,650 common shares held in treasury with cost of ₱1,362.6 million and ₱955.7 million, respectively. As of December 31, 2025 (nil in 2024), the Parent Company has 591,300 preferred shares held in treasury with costs of ₱23.1 million. As of December 31, 2025, total cost of treasury shares amounted to ₱1,385.7 million and ₱955.7 million, restricting the Parent Company from declaring an equivalent amount from unappropriated retained earnings as dividends.

<ins>Appropriation of Retained Earnings</ins>

As of December 31, 2025, 2024 and 2023, the Group has no appropriated retained earnings.

<ins>Unappropriated Retained Earnings</ins>
The income of the subsidiaries and JVs that are recognized in the consolidated statements of comprehensive income are not available for dividend declaration unless these are declared by the subsidiaries and joint ventures (Note 13). As of December 31, 2025 and 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 ₱1,385.7 million as December 31, 2025 and ₱955.7 million as of December 31, 2024.

On July 17, 2024, the Parent Company's BOD approved the Parent Company to pursue an equity restructuring by zeroing out the deficit amounting to ₱16,269.2 million against the 'Capital paid in excess of par value' of ₱20,658.6 million as of December 31, 2023. The equity restructuring was approved by the SEC on August 2, 2024.

On August 7, 2025, the Parent Company's Board of Directors approved the declaration of cash dividends on its convertible preferred shares (CEBCP) amounting to ₱9.12 per share, or a total of ₱2,816,988,345, payable on October 1, 2025. These dividends represent four (4) years of cumulative preferred dividends for outstanding CEBCP shares, covering the period from issuance on March 29, 2021. The dividends were sourced from the Parent Company's unrestricted retained earnings as of June 30, 2025. No dividends were declared in 2024 and 2023.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange gains, recognized deferred tax assets and others, and cost of common stocks held in treasury, the Parent Company has no retained earnings available for dividend declaration as of December 31, 2024.

After reconciling items which include fair value adjustments on financial instruments, unrealized foreign exchange gains, recognized deferred tax assets and others, and cost of common stocks held in treasury, the Parent Company has retained earnings available for dividend declaration amounting to ₱2.6 billion as of December 31, 2025.

Noncontrolling Interest

Below is the rollforward of noncontrolling interest:

	2025
Beginning balance	**₱–**
Acquisition of noncontrolling interest (Note 14)	**(112,410,210)**
Total comprehensive income	
Net income attributable to noncontrolling interest	**20,619,456**
Other comprehensive income (loss) attributable to noncontrolling interest	
Remeasurements due to defined benefit liability (Note 30)	**(4,320,111)**
Ending balance	**(₱96,110,865)**

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 ₱19.0 billion and ₱10.0 billion as of December 31, 2025 and 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), that involves the grant of any one or a combination of Restricted Stock Units and Stock Options to eligible persons.

<u>Restricted Stock Units (RSU)</u>
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 vested 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.

Additionally, in 2023, 18 eligible persons were granted RSUs with three (3) years vesting period, commencing from 2023 until 2026, also in three (3) tranches 20%, 30% and 50%. The fair value of each share varies considering the grant date ranging from ₱32.50 to ₱43.95.

The Group does not pay cash as a form of settlement.

As of December 31, 2025 and 2024, 371,500 and 346,500 RSUs have vested and were subsequently listed with the Philippine Stock Exchange on January 20, 2026 and January 17, 2025, respectively.

<u>Stock Options</u>
On November 26, 2021, 5,205,000 stock options were granted to 16 eligible persons with one (1) to three (3) years vesting period which can be exercised at a strike price of ₱48.575 once vested. These vested in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022 and 2023, respectively except for two (2) grantees that vested in full at the end of 2021. Vesting is conditional on the eligible person's employment and achievement of a minimum individual performance rating within individual performance rating of "Meets Expectations". These options will expire on December 31, 2027. The Group does not pay cash as a form of settlement.

Additionally, in 2023, one (1) additional eligible person was granted SOs with three (3) years vesting period commencing 2023 until 2025 in three (3) tranches: 20%; 30% and 50%. Also, three (3) existing eligible persons were granted additional SOs with three (3) years vesting period commencing 2024 until 2026, also in three (3) tranches: 20%; 30% and 50%.

On December 31, 2025 and 2024, 220,000 and 140,000 stock options have vested. No options were exercised, forfeited or expired during both years. Thus, a total of 5,365,000 and 5,145,000 vested stock options remain to be outstanding and exercisable as of December 31, 2025 and 2024, respectively.

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

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

The option life is the period between the November 26, 2021 grant date to December 31, 2027 expiry date. The expected volatility was based on the historical daily stock prices for the past five years. Daily stock price data used did not include non-trading days. Standard deviation was used to measure volatility which is a measure of risk associated with the degree of fluctuations in stock price over a period of time.

For the years ended 2025, 2024 and 2023, the cost of RSUs and stock options charged to operations under the 'General and administrative' in the consolidated statements of comprehensive income amounted to ₱6.1 million and ₱2.7 million, ₱13.1 million and ₱4.2 million, ₱53.4 million and ₱23.6 million, respectively. Correspondingly, a credit was made to equity which is presented under 'Share-based payments' in the consolidated statements of financial position amounting to ₱8.8 million, ₱17.3 million and ₱77.0 million, in 2025, 2024 and 2023, respectively.

As of December 31, 2025 and 2024, the outstanding 'Share-based payments' presented in the consolidated statements of financial position amounted to ₱129.8 million and ₱135.2 million, respectively.

24. Operating Expenses

Flying Operations
This account consists of:

	2025	2024	2023
Aviation fuel expense (Note 10)	**₱32,702,592,846**	₱32,759,970,533	₱29,736,559,205
Flight deck	**5,238,355,832**	4,992,252,626	4,421,040,660
Aviation insurance	**350,379,094**	349,445,669	278,480,501
Others	**1,190,270,892**	1,023,886,926	935,096,511
	₱39,481,598,664	₱39,125,555,754	₱35,371,176,877

For the years ended December 31, 2025, 2024 and 2023, the Group charged as an addition of ₱163.3 million, ₱8.0 million and a deduction of (₱84.0 million), respectively, to aviation fuel expense the effective portion of its cash flow hedges. 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 (see Note 8).

Flight deck expenses consist of salaries of pilots and co-pilots, training costs, meals and allowances, insurance and other pilot-related expenses.

Aviation insurance pertains to insurance costs incurred directly for aircraft.

Repairs and Maintenance

Repairs and maintenance expenses relate to the cost of maintaining, repairing and overhauling of all aircraft and engines, technical handling fees on pre-flight inspections and cost of aircraft spare parts and other related equipment. The account includes related costs of other contractual obligations under aircraft lease agreements (see Note 32).

Total amount of repairs and maintenance includes provision for aircraft return condition amounting to ₱1.1 billion, ₱2.8 billion and ₱1.1 billion in 2025, 2024 and 2023, respectively (see Note 20). This also includes provision for heavy maintenance visits amounting to ₱8.1 billion, ₱2.4 billion and ₱0.2 billion in 2025, 2024 and 2023, respectively (see Note 20). Total amount of AOG credit notes offset against repairs and maintenance amounted to ₱2.5 billion, ₱3.0 billion and ₱0.7 billion, in 2025, 2024 and 2023, respectively.

Aircraft and Traffic Servicing

This account consists of:

	2025	2024	2023
Airport charges	**₱8,400,448,960**	₱6,244,211,586	₱3,822,915,305
Ground handling	**4,563,571,985**	4,612,028,189	3,684,560,805
Others	**2,440,618,431**	1,156,582,435	778,955,513
	₱15,404,639,376	₱12,012,822,210	₱8,286,431,623

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 as well as various operational systems costs.

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 ₱4.5 billion, ₱3.9 billion, and ₱3.4 billion in 2025, 2024 and 2023, respectively.

25. General and Administrative Expenses

This account consists of:

	2025	2024	2023
IT and other professional fees	**₱1,727,521,882**	₱1,709,497,312	₱1,729,845,619
Staff costs	**1,477,986,087**	1,297,972,659	1,234,214,292
Security	**746,904,054**	580,382,947	496,453,138
Rent expense (Note 32)	**415,213,521**	156,844,180	46,986,452
Utilities	**167,600,244**	172,986,199	160,095,230
Travel and transportation	**112,440,676**	78,554,340	49,135,242
Others	**689,857,933**	912,932,894	637,282,601
	₱5,337,524,397	₱4,909,170,531	₱4,354,012,574

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 Bank of the Philippine Islands (BPI) 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. BPI manages the plan based on the mandate as defined in the trust agreement.

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 counsel and may an 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.

In 2024, 1Aviation has established an unfunded, noncontributory, defined benefit pension plans covering substantially all of their regular employees. The benefits are based on a certain percentage of the final monthly basic salary for every year of credited service of the employees. Benefits are paid in a lump sum upon retirement or separation in accordance with the terms of the retirement plan. The defined benefit obligation is determined using the projected unit credit method.

Under the existing regulatory framework, Republic Act (RA) No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Employee Benefit Cost
Total personnel expenses, consisting of salaries, expense related to defined benefit plans and other employee benefits, are included in flying operations, aircraft and traffic servicing, repairs and maintenance, reservation and sales, general and administrative, and passenger service.

Defined Benefit Plans
The Group has funded, noncontributory, defined benefit plans covering substantially all of its regular employees. The benefits are based on years of service and compensation on the last year of employment.

The range of assumptions used to determine retirement benefits of the Group in 2025, 2024 and 2023 are as follows:

	2025	2024	2023
Average remaining working life	**26 - 28 years**	26 - 28 years	26 - 36 years
Discount rate	**6.27%-6.48%**	6.08%-6.10%	6.09%-6.12%
Salary increase rate	**5.30%**	5.25%	5.00%

As of December 31, 2025 and 2024, the discount rate used in determining the retirement liability is determined by reference to market yields at the reporting date on Philippine government bonds.

The amounts recognized as retirement liability follow:

	2025	2024
Present value of defined benefit obligation	**₱2,347,136,454**	₱1,993,905,439
Fair value of plan assets	**(1,419,076,625)**	(995,644,818)
	₱928,059,829	₱998,260,621

Remeasurement gains (losses) recognized in OCI follow:

	2025	2024	2023
Actuarial losses from benefit obligation	**(₱26,751,456)**	(₱231,208,725)	(₱175,174,201)
Return on plan assets, excluding amount included in net interest cost	**148,448,426**	94,253,234	(25,849,665)
Amount recognized in OCI	**₱121,696,970**	(₱136,955,491)	(₱201,023,866)

Movements in the fair value of plan assets follow:

	2025	2024
Balance at January 1	**₱995,644,818**	₱729,637,218
Acquired through business combination (Note 14)	**–**	1,147,410
Interest income included in net interest cost	**67,072,926**	48,189,195
Contribution	**230,000,000**	195,000,000
Return on plan assets, excluding amount included in net interest cost	**148,448,426**	94,253,234
Benefits paid from plan assets	**(22,089,545)**	(72,582,239)
Balance at December 31	**₱1,419,076,625**	₱995,644,818

The plan assets consist of:

	2025	%	2024	%
Cash	**₱233,961,153**	**16.5%**	₱141,988,743	14.3%
Investment in debt securities	**201,188,542**	**14.2%**	173,251,999	17.4%
Investment in equity securities	**729,871,370**	**51.4%**	326,362,037	32.8%
Unit investment trust funds	**256,758,070**	**18.1%**	352,681,714	35.4%
Receivables (payables)	**(2,702,510)**	**(0.2%)**	1,360,325	0.1%
	₱1,419,076,625	**100.0%**	₱995,644,818	100.0%

Each year, an Asset-Liability Matching Study (ALM) is performed with the result being analyzed in terms of risk-and-return profiles. The principal technique of the Group's ALM is to ensure the expected return on assets to be sufficient to support the desired level of funding arising from the defined benefit plans.

The Group expects to contribute about ₱246.0 million into the retirement fund for the year ending 2026.

The actual returns on plan assets amounted to ₱215.5 million, ₱142.4 million and 19.3 million gains in 2025, 2024 and 2023, respectively.

Changes in present value of the defined benefit obligation follow:

	2025	2024
Balance at January 1	**₱1,993,905,439**	₱1,622,876,364
Acquired through business combination (Note 14)	**106,950,229**	30,025,762
Current service cost	**195,015,319**	152,691,031
Interest cost	**127,043,396**	99,209,875
Past service cost	**16,690,810**	–
Benefits paid from plan assets	**(22,089,545)**	(72,582,239)
Benefits paid from book reserves	**(97,130,650)**	(69,524,079)
Actuarial loss (gain) due to:		
Experience adjustments	**66,274,444**	205,061,748
Changes in financial assumption	**(51,391,394)**	8,684,597
Changes in demographical assumption	**11,868,406**	17,462,380
Balance at December 31	**₱2,347,136,454**	₱1,993,905,439

Movements in net retirement liability follow:

	2025	2024
Balance at January 1	**₱998,260,621**	₱893,239,146
Acquired through business combination (Note 14)	**106,950,229**	28,878,352
Retirement expense	**271,676,599**	203,711,711
Recognized in OCI	**(121,696,970)**	136,955,491
Contribution	**(230,000,000)**	(195,000,000)
Benefits paid from book reserves	**(97,130,650)**	(69,524,079)
Balance at December 31	**₱928,059,829**	₱998,260,621

Components of retirement expense included in the Group’s consolidated statements of comprehensive income follow:

	2025	2024	2023
Current service cost	**₱195,015,319**	₱152,691,031	₱115,260,071
Past service cost	**16,690,810**	–	–
Net interest cost	**59,970,470**	51,020,680	48,787,114
Total retirement expense	**₱271,676,599**	₱203,711,711	₱164,047,185

The past service cost recognized in 2025 arose from a curtailment resulting from a significant reduction in the number of employees covered by the retirement plan.

Shown below are the sensitivity analyses that have been determined based on reasonably possible changes of the assumption occurring as of the end of the reporting period assuming all other assumptions were held constant:

	2025	
		PVO
Discount rates	**+100 basis points**	**(₱161,662,284)**
	-100 basis points	**186,132,810**
Salary increase rates	**+100 basis points**	**175,227,479**
	-100 basis points	**(154,332,339)**

	2024	
		PVO
Discount rates	+100 basis points	(₱136,071,271)
	-100 basis points	156,991,333
Salary increase rates	+100 basis points	140,706,037
	-100 basis points	(123,781,480)

Shown below is the maturity profile of the undiscounted benefit payments of the Group as of December 31, 2025 and 2024:

	2025	2024
Less than one year	**₱393,215,537**	₱292,735,087
One to less than five years	**844,721,770**	831,311,101
Five to less than 10 years	**1,301,387,841**	1,148,740,133
10 to less than 15 years	**1,717,714,263**	1,470,748,718
15 to less than 20 years	**1,844,482,495**	1,634,093,653
20 years and above	**4,407,313,811**	3,772,097,111

The average duration of the expected benefit payments as of December 31, 2025 and 2024 is 9.1 years and 10.6 years, respectively.

27. Income Taxes

Provision for (benefit from) income tax consists of:

	2025	2024	2023
Current	**₱322,520,467**	₱115,659,349	₱150,793,085
Deferred	**(703,205,242)**	(251,492,935)	(2,499,631,475)
	(₱380,684,775)	(₱135,833,586)	(₱2,348,838,390)

The Group's current income tax mainly consists of MCIT due amounting to ₱322.5 million, ₱115.7 million and ₱125.1 million in 2025, 2024 and 2023, respectively. This also includes RCIT due for A-Plus amounting to ₱25.7 million in 2023.

Income taxes include corporate income tax. The NIRC of 1997 provides for rules on the imposition of MCIT on the gross income as of the end of the taxable year beginning on the taxable year immediately following the taxable year in which the Group commenced its business operations. Any excess MCIT over the RCIT can be carried forward on an annual basis and credited against the RCIT for the three immediately succeeding taxable years. Under the Republic Act No. 11534 or CREATE Act, which became effective last April 11, 2021, the MCIT rate was lowered from 2% to 1% of gross income for three years beginning July 1, 2020 to June 30, 2023.

Under Section 11 of R.A. No. 7151 (Parent Company's Congressional Franchise) known as the "ipso facto clause", the Parent Company is allowed to benefit from the tax privileges being enjoyed by competing airlines. The Parent Company's major competitor, by virtue of P.D. No. 1590, is enjoying tax exemptions which are likewise being claimed by the Parent Company, if applicable, including but not limited to the following:

a. To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b. To carry over as a deduction from taxable income any NOLCO incurred in any year up to five years following the year of such loss.

For the years ended December 31, 2025 and 2024, below are the details of NOLCO of the Group:

Parent Company NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2024	₱2,334,060,931	₱–	₱–	₱2,334,060,931	2029
2023	2,933,604,726	–	–	2,933,604,726	2028
2022	5,892,099,712	–	–	5,892,099,712	2027
	₱11,159,765,369	₱–	₱–	₱11,159,765,369	

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱526,518,435	₱–	₱–	₱526,518,435	2027

APLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2024	₱90,449,741	(₱45,857,353)	₱–	₱44,592,388	2027

AIRSWIFT NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2023	₱70,538,467	₱–	₱–	₱70,538,467	2026
2022	41,896,644	–	(41,896,644)	–	2025
	₱112,435,111	₱–	(₱41,896,644)	₱70,538,467	

1AVIATION NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱27,180,205	(₱27,180,205)	₱–	₱–	2025

In addition, pursuant to Section 4 (bbbb) of R.A. No. 11494 (Bayanihan to Recover as One Act) and as implemented under Revenue Regulations (RR) No. 25-2020, the NOLCO of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive taxable years immediately following the year of such loss.

In compliance with the disclosure requirements of RR No. 25-2020, below shows the details of NOLCO of the Group:

Parent Company NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	(7,034,132,881)	(13,992,602,754)	–	2025
	₱39,430,470,452	(₱7,034,132,881)	(₱13,992,602,754)	₱18,403,734,817	

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱1,348,925,483	(1,116,972,799)	₱–	₱231,952,684	2026
2020	1,111,045,562	(1,111,045,562)	–	–	2025
	₱2,459,971,045	(₱2,228,018,361)	₱–	₱231,952,684	

AIRSWIFT NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱568,140,233	(₱350,244,417)	₱–	₱217,895,816	2026
2020	622,296,101	(622,296,101)	–	–	2025
	₱1,190,436,334	(₱972,540,518)	₱–	₱217,895,816	

1AVIATION NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱132,216,055	₱–	₱–	₱132,216,055	2026
2020	231,762,775	(29,610,433)	(202,152,342)	–	2025
	₱363,978,830	(₱29,610,433)	(₱202,152,342)	₱132,216,055	

Furthermore, details of remaining excess MCIT are as follows:

CEB MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	₱281,826,014	₱–	₱–	₱281,826,014	2028
2024	75,143,966	–	–	75,143,966	2027
2023	109,779,045	–	–	109,779,045	2026
2022	8,646,570	–	(8,646,570)	–	2025
	₱475,395,595	₱–	(₱8,646,570)	₱466,749,025	

CEBGO MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	₱12,346,205	₱–	₱–	₱12,346,205	2028
2024	20,035,297	–	–	20,035,297	2027
2023	15,327,474	–	–	15,327,474	2026
	₱47,708,976	₱–	₱–	₱47,708,976	

APLUS MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	₱7,133,010	₱–	₱–	₱7,133,010	2028
2024	4,954,087	–	–	4,954,087	2027
	₱12,087,097	₱–	₱–	₱12,087,097	

AIRSWIFT MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2025	₱16,173,099	₱–	₱–	₱16,173,099	2028
2024	17,726,243	–	–	17,726,243	2027
2023	2,813,805	–	–	2,813,805	2026
2022	2,060,055	–	(2,060,055)	–	2025
	₱38,773,202	₱–	(₱2,060,055)	₱36,713,147	

1AVIATION MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2024	₱5,933,880	₱–	₱–	₱5,933,880	2027
2023	210,437	–	–	210,437	2026
2022	966,434	–	(966,434)	–	2025
	₱7,110,751	₱–	(₱966,434)	₱6,144,317	

The components of the Group's deferred tax assets and liabilities follow:

	2025	2024
Items recognized in profit or loss		
Deferred tax assets:		
NOLCO	**₱5,294,802,620**	₱5,081,958,765
Lease liability, net of ROU asset	**3,103,182,781**	2,922,362,896
Provision for HMV	**875,314,557**	513,308,451
Provision for ARO	**594,992,386**	791,539,717
Unrealized foreign exchange losses – net	**488,888,779**	605,666,702
Excess MCIT	**453,479,199**	115,460,823
Retirement liability	**163,958,346**	151,084,301
Allowance for expected credit losses	**98,351,092**	100,785,853
Unrealized loss on net derivative liabilities	**83,589,534**	102,664,179
Share-based payment transactions	**30,703,994**	29,850,003
	11,187,263,288	10,414,681,690
Deferred tax liabilities:		
Double depreciation	**1,690,696,666**	1,646,501,664
Excess of fair value of assets acquired over cost	**333,734,694**	308,714,485
Unamortized bond issue costs	**20,352,734**	51,318,427
	2,044,784,094	2,006,534,576
	9,142,479,194	8,408,147,114
Items recognized directly in other comprehensive income or loss		
Deferred tax asset:		
Reserve for retirement plan	**67,941,040**	98,365,283
Deferred tax liability:		
Hedge reserve	**(83,589,534)**	(102,988,478)
	(15,648,494)	(4,623,195)
	₱9,126,830,700	₱8,403,523,919

The Group's recognized deferred tax assets and deferred tax liabilities are expected to be reversed more than twelve (12) months after the reporting date.

Net deferred benefit from (provision for) accrued retirement cost and hedge reserves amounted to (₱11.0 million), ₱55.5 million and ₱112.2 million in 2025, 2024 and 2023, respectively, is presented under OCI.

As of December 31, 2025 and 2024, the Parent Company has not recognized deferred tax assets on NOLCO of ₱9.4 billion and ₱32.4 billion, respectively. The deferred tax assets on NOLCO were not recognized because management believes that the Parent Company may not have sufficient taxable profits available to allow all or part of these deferred income tax assets to be utilized in the future and prior to their expiration. Unrecognized deferred tax assets on NOLCO as of December 31, 2025 and 2024 amounted to ₱2.4 billion and ₱8.1 billion, respectively. Unrecognized deferred tax assets on excess MCIT amounted to ₱109.8 million and ₱138.8 million as of December 31, 2025 and 2024, respectively.

The Parent Company has outstanding registrations with the BOI as a new operator of air transport on a non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226) and under CREATE Act (see Note 34). On all existing registrations, the Parent Company can avail of bonus years in certain specified cases but the aggregate ITH availments (basic and bonus years) shall not exceed eight years.

As of December 31, 2025 and 2024, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft of registered activity (see Note 34).

A reconciliation of the statutory income tax rate to the effective income tax rate follows:

	2025	2024	2023
Statutory income tax rates	**25.00%**	25.00%	25.00%
Adjustments resulting from:			
Unrecognized deferred tax on NOLCO and MCIT	**(18.73)**	20.96	(56.88)
Income subject to ITH	**(10.65)**	(41.09)	(15.10)
Nondeductible/(nontaxable) Items	**(1.21)**	(2.35)	1.03
Others	**2.40**	(5.10)	3.81
Effective income tax rates	**(3.19%)**	(2.58%)	(42.14%)

Entertainment, Amusement and Recreation (EAR) Expenses

Current tax regulations define expenses to be classified as EAR expenses and set a limit for the amount that is deductible for tax purposes. EAR expenses are limited to 0.50% of net sales for sellers of goods or properties or 1.00% of net revenue for sellers of services. For sellers of both goods or properties and services, an apportionment formula is used in determining the ceiling on such expenses. The Group recognized EAR expenses (allocated under different expense accounts in the consolidated statements of comprehensive income) amounting to ₱10.0 million, ₱9.3 million and ₱5.2 million in 2025, 2024, and 2023, respectively.

28. Earnings Per Share

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

	2025	2024	2023
Net income attributable to equity holders of the Parent Company	**₱12,293,106,743**	₱5,400,655,222	₱7,922,664,507
Less: Cumulative preferred dividends	**(532,097,799)**	(705,595,250)	(706,100,498)
Net income attributable to common shareholders for basic earnings per share	**11,761,008,944**	4,695,059,972	7,216,564,009
Divided by: Weighted average number of common shares	**617,222,435**	624,316,825	619,856,432
Basic earnings per share	**₱19.05**	₱7.52	₱11.64
Net income attributable to common shareholders for diluted EPS	**12,871,104,895**	5,971,703,512	8,472,756,431
Divided by: Adjusted weighted average number of common shares	**1,245,129,332**	1,252,538,426	1,248,299,633
Diluted earnings per share	**₱10.34**	₱4.77	₱6.79

	2025	2024	2023
Adjusted weighted average number of common shares for diluted EPS			
Weighted average number of common shares	**617,222,435**	624,316,825	619,856,432
Add: Dilutive shares arising from convertible bonds and preferred shares	**627,906,897**	628,221,601	628,443,201
Adjusted weighted average number of common shares	**1,245,129,332**	1,252,538,426	1,248,299,633

29. Related Party Transactions

Transactions between related parties are based on terms similar to those offered to nonrelated parties. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions or the parties are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group has entered into transactions with its ultimate parent, its JVs and affiliates principally consisting of advances, sale of passenger tickets, reimbursement of expenses, regular banking transactions, maintenance and administrative service agreements. The transactions with related parties for the period were carried out in the normal course of business.

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

The significant transactions and outstanding balances of the Group with the related parties follow:

	2025			
Related Party	**Amount/ Volume**	**Outstanding Balance**	**Terms**	**Conditions**
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	**(₱10,172,738)**	**(₱25,458,949)**	Non-interest bearing	Unsecured
Joint ventures and associates				
(2) PAAT, Inc.				
Due from related parties (Note 9)				
Loans	**(101,141,127)**	–	2% interest per annum	Unsecured; No impairment
Sublease agreement	**70,490,767**	**75,034,479**	Payable monthly	Unsecured; No impairment
Trade payables	**22,810,834**	**(40,382,616)**	Non-interest bearing	Unsecured
(3) Data Analytics Ventures, Inc.				
Due to related parties	**13,365,868**	**(9,993,758)**	Non-interest bearing	Unsecured
Trade receivables	**1,537,634**	**1,949,682**	Non-interest bearing	Unsecured; No impairment
Entities under common control				
(4) Universal Robina Corporation (URC)				
Trade receivables	**(1,288,616)**	**1,817,574**	Non-interest bearing	Unsecured; No impairment
Due to related parties	**(15,417,304)**	**(37,676,910)**	Non-interest bearing	Unsecured
(5) Robinsons Handyman, Inc				
Trade receivables	**9,749**	**308,033**	Interest bearing	Unsecured; No impairment
Trade payables	**(79,048)**	**(79,048)**	Non-interest bearing	Unsecured
(6) Robinsons Supermarket Corporation				
Trade receivables	**1,008,749**	**1,324,332**	Non-interest bearing	Unsecured; No impairment
(7) Robinsons Convenience Store				
Sublease agreement	**127,456**	**127,456**	Non-interest bearing	Unsecured; No impairment
(8) ASPEN Business Solutions, Inc.				
Trade receivables	**(13,071)**	–	Non-interest bearing	Unsecured; No impairment

Related Party	2024 Amount/ Volume	Outstanding Balance	Terms	Conditions
Ultimate Parent				
(1) JG Summit Holdings, Inc.				
Due to related parties	(₱85,707,091)	(₱15,286,210)	Non-interest bearing	Unsecured
Joint ventures and associates				
(2) PAAT, Inc.				
Due from related parties				
Loans	5,432,540	101,141,127	2% interest per annum	Unsecured; No impairment
Sublease agreement	46,162,263	(4,496,729)	Payable monthly	Unsecured; No impairment
Trade payables	(349,249,939)	(50,875,175)	Non-interest bearing	Unsecured
(3) 1Aviation				
Due from related parties	42,188,773	558,127,803	Non-interest bearing	Unsecured; No impairment
Trade payables	1,886,556,919	(16,144,922)	Non-interest bearing	Unsecured
Sublease agreement	10,482,175	–	Non-interest bearing	Unsecured; No impairment
Others	11,954,639	–	On-demand	Unsecured
(4) Data Analytics Ventures, Inc.				
Due to related parties	(77,132,742)	(23,359,627)	Non-interest bearing	Unsecured
Trade receivables	9,935,292	3,617,536	Non-interest bearing	Unsecured; No impairment
Entities under common control				
(5) Universal Robina Corporation (URC)				
Trade receivables	51,134,808	3,106,190	Non-interest bearing	Unsecured; No impairment
Due to related parties	(101,563,667)	(22,259,606)	Non-interest bearing	Unsecured
(8) Robinsons Land Corporation (RLC)				
Trade payables	(9,674,238)	–	Non-interest bearing	Unsecured
(9) Robinsons Handyman, Inc				
Trade receivables	5,932,869	7,705,083	Interest bearing	Unsecured; No impairment
Trade payables	(8,577,981)	–	Non-interest bearing	Unsecured
(10) Robinsons Supermarket Corporation				
Trade receivables	53,160,823	(535,000)	Non-interest bearing	Unsecured; No impairment
(11) Robinsons Convenience Store				
Sublease agreement	2,040,459	16,128	Non-interest bearing	Unsecured; No impairment
(12) ASPEN Business Solutions, Inc.				
Trade receivables	198,353	13,071	Non-interest bearing	Unsecured; No impairment
Trade payables	(14,136,305)	–	Non-interest bearing	Unsecured

		Consolidated Statements of Comprehensive Income		
	Year	**Sale of Air Transportation Service**	**Ground handling**	**Ancillary Revenues**
JV in which the Parent Company is a venturer				
PAAT	**2025**	**₱–**	**₱–**	**₱46,958,268**
	2024	₱–	₱–	₱46,162,263
	2023	₱–	₱–	₱44,522,124
1Aviation	**2025**	**–**	**–**	–
	2024	–	1,886,556,919	–
	2023	–	1,519,673,936	–
Entities under common control				
URC	**2025**	**58,291,475**	–	–
	2024	51,134,808	–	–
	2023	45,579,942	–	–
RHI	**2025**	**61,926**	–	–
	2024	5,932,869	–	–
	2023	18,695,306	–	–
RSC	**2025**	**49,106,166**	–	–
	2024	53,160,823	–	–
	2023	259,455,500	–	–
Aspen	**2025**	**358,471**	–	–
	2024	198,353	–	–
	2023	830,355	–	–
Total	**2025**	**₱107,818,038**	**₱–**	**₱46,958,268**
	2024	₱110,426,853	₱1,886,556,919	₱46,162,263
	2023	₱324,561,103	₱1,519,673,936	₱44,522,124

Terms and conditions of transactions with related parties
Outstanding balances at year-end are unsecured, interest-free and settlement occurs in cash. Also, these transactions are short-term in nature. There have been no guarantees provided or received for any related party receivables or payables. This assessment is undertaken each financial year through a review of the financial position of the related party and the market in which the related party operates.

The Group's significant transactions with related parties follow:

1. JG Summit Holdings, Inc. charges the Group for its share in various charges such as, but not limited to corporate center units (CCU), IT charges and legal fees.

2. In 2012, the Group entered into a sub-lease agreement with PAAT for its office space. The lease agreement is for a period of 15 years from November 29, 2012 until November 19, 2027.

In 2012 and 2013, under the shareholder loan agreement, the Group provided a loan to PAAT to finance the purchase of its Full Flight Simulator, other equipment and other working capital requirements amounting to ₱155.4 million (US$3.5 million). The loans are subject to two percent (2%) interest per annum payable on a monthly basis. As of December 31, 2024, the outstanding, loan to PAAT amounted to ₱101.1 million (US$2.3 million). In 2025, PAAT fully settled all outstanding loans with the Group.

On June 21, 2012 and December 18, 2019, the Parent Company entered into a 15-year training service agreement with PAAT to conduct pilot training courses and dry lease of its full flight simulators for the Airbus A320 family and ATR 72-600 aircraft, respectively. The costs are recorded as part of the "Flight deck" expenses under "Flying operations" account in the Group's statements of comprehensive income (see Note 24).

3. On March 21, 2018, the Parent Company entered into a Standard Groundhandling Service Agreement (SGHA) with 1Aviation to provide ground handling services to Manila and Davao stations. The initial agreement, valid from March 2018 to May 2023, was renewed effectively from July 1, 2023 to June 30, 2026. Accordingly, the Groups records the groundhandling fees under the Group's trade payables (see Note 16).

   The Group charges the 1Aviation for its share in various charges such travel and transportation allowances, meal allowances of employees, reimbursement of spareparts purchases, among others. These various charges initially paid by the Group and subsequently collected from 1Aviation are recorded under 'Due from related parties' account (see Note 9).

   On October 29 2024, the Parent Company signed a debt-to-equity conversion agreement with 1Aviation, for the assignment of credit and subscription to 1,130,000 shares, with par value of ₱100 per share, amounting to ₱113.0 million. On August 15, 2025, the SEC approved the debt-to-equity conversion, increasing the Parent Company's ownership interest in 1Aviation from 40% to 60% making it a subsidiary of the Parent Company (Note 1).

4. DAVI is in charge of the management of the Group's loyalty program. As such, all revenue and expenses in relation to the Getgo loyalty points will be recognized by DAVI. The Group accounts for such issued and redeemed points as a payable to and receivable from DAVI, respectively. Accordingly, DAVI also collects service charges from the Group for the management of these loyalty points, which are recorded under the Group's trade payables (see Note 16).

5. The Group provides air transportation services to URC, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the consolidated statements of financial position.

   The Group also purchases goods from URC for in-flight sales and recorded as trade payable, if unpaid, in the consolidated statements of financial position. Total amount of purchases in 2025, 2024 and 2023 amounted to ₱75.7 million, ₱51.1 million and ₱45.6 million, respectively. Additionally, the Group also incurs liabilities to URC primarily for the rendering of payroll service to the Group which are recorded under 'Due to related parties' account (see Note 9).

6. The Group provides air transportation services to certain related parties, for which unpaid amounts are recorded as trade receivables under 'Receivables' account in the consolidated statements of financial position (see Note 9).

The compensation of the Group's key management personnel by benefit type follows:

	2025	2024	2023
Short-term employee benefits	**₱682,999,470**	₱601,154,310	₱542,756,588
Post-employment benefits	**137,056,910**	86,176,561	135,129,707
Share-based benefits	**8,828,078**	17,321,121	77,055,710
	₱828,884,458	₱704,651,992	₱754,942,005

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

30. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, derivative financial assets and liabilities, receivables, payables and interest-bearing borrowings. The main purpose of these financial instruments is to finance the Group's operations and capital expenditures. The Group has various other financial assets and liabilities, such as trade receivables and trade payables, which arise directly from its operations.

The Group's BOD reviews and approves policies for managing each of these risks and these are summarized in the succeeding paragraphs, together with the related risk management structure.

Risk Management Structure
The Group's risk management structure is closely aligned with that of JGSHI. The Group has its own BOD, which is ultimately responsible for the oversight of the Group's risk management process, and is involved in identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee to spearhead the managing and monitoring of risks.

Audit Committee
The Group's Audit Committee assists the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems, and the internal audit functions of the Group. Furthermore, it is the Audit Committee's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The Audit Committee also aims to ensure that:

a. Financial reports comply with established internal policies and procedures, pertinent accounting and auditing standards and other regulatory requirements;
b. Risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;

c. Audit activities of internal and external auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal and external auditors; and
d. The Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management (ERM) Division
The ERM Division ensures that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

The ERM framework revolves around the following eight interrelated risk management approaches:

a. Internal Environmental Scanning - it involves the review of the overall prevailing risk profile of the Business Unit (BU) to determine how risks are viewed and addressed by the management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the BU.
b. Objective Setting - the Company's BOD mandates Management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives that are aligned with the Group's goals.
c. Event Identification - it identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.
d. Risk Assessment - the identified risks are analyzed relative to the probability and severity of potential loss that serves as basis for determining how the risks will be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's action or monitoring, and risks that may materially weaken the Company's earnings and capital.
e. Risk Response - the Group's BOD, through the oversight role of the Internal Control Group ensures action plan is executed to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.
f. Control Activities - policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.
g. Information and Communication - relevant risk management information is identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.
h. Monitoring - the Internal Control and Internal Audit Groups constantly monitor the management of risks through audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

Internal Controls
With the leadership of the Chief Financial Officer (CFO), internal control is embedded in the Group's operations thus increasing their accountability and ownership in the execution of the internal control framework. To accomplish the established goals and objectives, the Group implement robust and efficient process controls to ensure:

a. Compliance with policies, procedures, laws and regulations;
b. Economic and efficient use of resources;
c. Check and balance and proper segregation of duties;
d. Identification and remediation control weaknesses;
e. Reliability and integrity of information; and

f. Proper safeguarding of company resources and protection of company assets through early detection and prevention of fraud.

Treasury Risk Management (TRM) Group
The TRM Group is mainly responsible for the monitoring of market risk exposures and effectively managing these risks. TRM Group is headed by the CFO and is subdivided into two (2) main offices: Front and Middle Offices, with support from the Comptroller and Treasury Departments for the back-office functions.

The TRM Group follows a risk management program with the primary objectives of reducing undesirable risk exposures, improving cash flow predictability, protecting margins from excessive volatility, and aligning with industry peers to prevent being at a competitive disadvantage. Internal controls and processes are in place to ensure adherence to this risk management program as approved by the Company's Executive Committee. Part of the program is to mainly manage these market risks using derivatives that are solely for the purpose of hedging. Hedging activities are regularly reviewed and monitored by the Chief Executive Adviser and Chief Strategy Officer to ensure alignment of hedging strategies and objectives with the Company's overall purpose.

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

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

The Risk Assessment Tool documents the following activities:
a. Risk Identification– is the critical step of the risk management process. The objective of risk identification is the early identification of events that may have negative impact on the Group's ability to achieve its goals and objectives.
   1.1. Risk Indicator– is a potential event or action that may prevent the continuity/action
   1.2. Risk Driver– is an event or action that triggers the risk to materialize
   1.3. Value Creation Opportunities– is the positive benefit of addressing or managing the risk
b. Identification of Existing Control Measures– activities, actions or measures already in place to control, prevent or manage the risk.
c. Risk Rating/Score– is the quantification of the likelihood and impact to the Group if the risk materialized. The rating has two (2) components:
   3.1. Probability– the likelihood of occurrence of risk
   3.2. Severity– the magnitude of the consequence of risk
d. Risk Management Strategy– is the structured and coherent approach to managing the identified risk.
e. Risk Mitigation Action Plan– is the overall approach to reduce the risk impact severity and/or probability of occurrence.

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

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

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

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

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

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

Maximum exposure to credit risk without taking account of any credit enhancement
The table below shows the gross maximum exposure to credit risk (including financial assets at FVPL) of the Group as of December 31, 2025 and 2024, without considering the effects of collaterals and other credit risk mitigation techniques.

	2025	2024
Cash and cash equivalents*	**₱21,629,130,583**	₱19,871,847,808
Derivative financial assets at FVOCI	–	1,297,193
Receivables		
Trade receivables	**3,157,638,069**	2,517,415,904
Due from related parties	**75,034,478**	654,772,201
Interest receivable	**20,799,041**	17,198,673
Others**	**572,943,449**	366,415,761
Refundable deposits***	**1,887,285,301**	2,994,555,421
	₱27,342,830,921	₱26,423,502,961

* *Excluding cash on hand*
** *Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statements of financial position*

Risk concentrations of the maximum exposure to credit risk
Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry or geographical location. Such credit risk concentrations, if not properly managed, may cause significant losses that could threaten the Group's financial strength and undermine public confidence. In order to avoid excessive concentrations of risk, identified concentrations of credit risks are controlled and managed accordingly.

The Group's credit risk exposures, before taking into account any collateral held or other credit enhancements are categorized by geographic location as follows:

	2025				
	Philippines	**Asia (excluding Philippines)**	**Europe**	**Others**	**Total**
Cash and cash equivalents*	**₱10,338,837,068**	**₱11,107,211,617**	**₱–**	**₱183,081,898**	**₱21,629,130,583**
Receivables					
Trade receivables	**1,699,431,359**	**728,742,948**	**30,895,589**	**698,568,173**	**3,157,638,069**
Due from related parties	**75,034,478**	–	–	–	**75,034,478**
Interest receivable	**7,729,680**	**233,598**	–	**12,835,763**	**20,799,041**
Others**	**488,875,486**	**84,064,751**	**1,176**	**2,036**	**572,943,449**
Refundable deposits***	–	**1,887,285,301**	–	–	**1,887,285,301**
	₱12,609,908,071	**₱13,807,538,215**	**₱30,896,765**	**₱894,487,870**	**₱27,342,830,921**

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

	2024				
	Philippines	Asia (excluding Philippines)	Europe	Others	Total
Cash and cash equivalents*	₱7,009,574,673	₱12,647,393,351	₱–	₱214,879,784	₱19,871,847,808
Restricted cash	1,297,193	–	–	–	1,297,193
Receivables					
Trade receivables	1,769,106,928	696,605,072	506,760	51,197,144	2,517,415,904
Due from related parties	654,772,201	–	–	–	654,772,201
Interest receivable	13,957,933	61,196	–	3,179,544	17,198,673
Others**	346,561,738	1,673,576	14,788,331	3,392,116	366,415,761
Refundable deposits***	–	2,994,555,421	–	–	2,994,555,421
	₱9,795,270,666	₱16,340,288,616	₱15,295,091	₱272,648,588	₱26,423,502,961

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

The Group has no concentration of risk with regard to various industry sectors. The major industry relevant to the Group is the transportation sector and financial intermediaries.

Credit quality per class of financial assets
The Group maintains internal credit rating system relating to its revenue distribution channel credit risk management. Credit limits have been set based on the assessment of rating identified. Letters of credit and other forms of credit insurance such as cash bonds are considered in the calculation of expected credit losses.

Other financial assets include cash and cash equivalents and refundable deposits. The Group implements external credit rating system which uses available public information and international credit ratings. The management does not expect default from its counterparty banks given their high credit standing.

The tables below show the credit quality by class of financial assets based on internal credit rating of the Group (gross of allowance for impairment losses) as of December 31, 2025 and 2024:

	2025				
	Neither Past Due Nor Specifically Impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	or Individually Impaired	Total
Cash and cash equivalents*	**₱21,629,130,583**	**₱–**	**₱–**	**₱–**	**₱21,629,130,583**
Receivables					
Trade receivables	**2,855,559,265**	**–**	**–**	**302,078,804**	**3,157,638,069**
Due from related parties	**75,034,478**	**–**	**–**	**–**	**75,034,478**
Interest receivable	**20,799,041**	**–**	**–**	**–**	**20,799,041**
Others**	**481,617,885**	**–**	**–**	**91,325,564**	**572,943,449**
Refundable deposits***	**1,887,285,301**	**–**	**–**	**–**	**1,887,285,301**
	₱26,949,426,553	**₱–**	**₱–**	**₱393,404,368**	**₱27,342,830,921**

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

	2024				
	Neither Past Due Nor Specifically Impaired			Past Due	
	High Grade	Standard Grade	Substandard Grade	or Individually Impaired	Total
Cash and cash equivalents*	₱19,871,847,808	₱–	₱–	₱–	₱19,871,847,808
Restricted cash	1,297,193	–	–	–	1,297,193
Receivables					
Trade receivables	2,201,327,682	–	–	316,088,222	2,517,415,904
Due from related parties	654,772,201	–	–	–	654,772,201
Interest receivable	17,198,673	–	–	–	17,198,673
Others**	280,886,711	–	–	85,529,050	366,415,761
Refundable deposits***	2,994,555,421	–	–	–	2,994,555,421
	₱26,021,885,689	₱–	₱–	₱401,617,272	₱26,423,502,961

**Excluding cash on hand*
***Includes nontrade receivables from insurance, employees and counterparties*
****Included under 'Other noncurrent assets' account in the consolidated statement of financial position*

High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks of which some belong to the top ten banks in terms of resources and profitability.

High grade accounts are accounts considered to be of high value. The counterparties have a very remote likelihood of default and have consistently exhibited good paying habits.

The following tables show the aging analysis of the Group's receivables:

	2025							
	Neither Past	Past Due But Not Impaired						
	Due Nor Impaired	1-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Past Due and Impaired	Total
Trade receivables	**₱2,620,033,770**	**₱207,404,946**	**₱ 15,783,755**	**₱ 4,237,026**	**₱ 3,510,584**	**₱ 4,589,184**	**₱302,078,804**	**₱3,157,638,069**
Due from related parties	**75,034,478**	**–**	**–**	**–**	**–**	**–**	**–**	**75,034,478**
Interest receivable	**20,799,041**	**–**	**–**	**–**	**–**	**–**	**–**	**20,799,041**
Others	**208,420,597**	**68,011,351**	**31,766,213**	**852,240**	**98,996,599**	**73,570,885**	**91,325,564**	**572,943,449**
	₱2,924,287,886	**₱275,416,297**	**₱47,549,968**	**₱5,089,266**	**₱102,507,183**	**₱78,160,069**	**₱393,404,368**	**₱3,826,415,037**

Include nontrade receivables from insurance, employees and counterparties.

	2024							
	Neither Past	Past Due But Not Impaired						
	Due Nor Impaired	1-30 Days	31-60 Days	61-90 Days	91-180 Days	Over 180 Days	Past Due and Impaired	Total
Trade receivables	₱1,486,177,686	₱259,521,027	₱109,264,392	₱35,612,872	₱6,654,992	₱304,096,713	₱316,088,222	₱2,517,415,904
Due from related parties	654,772,201	–	–	–	–	–	–	654,772,201
Interest receivable	17,198,673	–	–	–	–	–	–	17,198,673
Others	194,340,351	52,440,216	4,903,164	23,904,338	1,189,001	4,109,641	85,529,050	366,415,761
	₱2,352,488,911	₱311,961,243	₱114,167,556	₱59,517,210	₱7,843,993	₱308,206,354	₱401,617,272	₱3,555,802,539

Include nontrade receivables from insurance, employees and counterparties.

Collateral or credit enhancements
As collateral against trade receivables from sales ticket offices or agents, the Group requires cash bonds from major sales ticket offices or agents ranging from ₱50,000 to ₱2.1 million depending on the Group's assessment of sales ticket offices and agents' credit standing and volume of transactions. As of December 31, 2025 and 2024, outstanding cash bonds (included under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position) amounted to ₱71.9 million and ₱69.8 million, respectively.

There are no collaterals for impaired receivables.

Impairment assessment
An impairment analysis is performed at each reporting date using a provision matrix to measure ECLs for receivables. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (that is, per revenue distribution channel). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

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

The two methodologies applied by the Group in assessing and measuring impairment include: (1) specific/individual assessment; and (2) collective assessment.

Under specific/individual assessment, the Group assesses each individually significant credit exposure for any objective evidence of impairment, and where such evidence exists, accordingly calculates the required impairment. Among the items and factors considered by the Group when assessing and measuring specific impairment allowances are: (a) the timing of the expected cash flows; (b) the projected receipts or expected cash flows; (c) the going concern of the counterparty's business; (d) the ability of the counterparty to repay its obligations during financial crises; (e) the availability of other sources of financial support; and (f) the existing realizable value of collateral. The impairment allowances, if any, are evaluated as the need arises, in view of favorable or unfavorable developments.

With regard to the collective assessment of impairment, allowances are assessed collectively for losses on receivables that are not individually significant and for individually significant receivables when there is no apparent nor objective evidence of individual impairment yet. A particular portfolio is reviewed on a periodic basis in order to determine its corresponding appropriate allowances. The collective assessment evaluates and estimates the impairment of the portfolio in its entirety even though there is no objective evidence of impairment yet on an individual assessment. Impairment losses are estimated by taking into consideration the following deterministic information:

(a) historical losses/write-offs;
(b) losses which are likely to occur but have not yet occurred; and
(c) the expected receipts and recoveries once impaired.

Liquidity risk
Liquidity is generally defined as the current and prospective risk to earnings or capital arising from the Group's inability to meet its obligations when they become due without recurring unacceptable losses or costs.

The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund raising activities. Fund raising activities may include obtaining bank loans and availing of export credit agency facilities.

Financial assets
The analysis of financial assets held for liquidity purposes into relevant maturity grouping is based on the remaining period at the reporting date to the contractual maturity date or, if earlier, the expected date the assets will be realized.

Financial liabilities
The relevant maturity grouping is based on the remaining period at the reporting date to the contractual maturity date. When counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which the Group can be required to pay. When the Group is committed to make amounts available in installments, each installment is allocated to the earliest period in which the Group can be required to pay.

The tables below summarize the maturity profile of financial instruments based on remaining contractual undiscounted cash flows as of December 31, 2025 and 2024:

	2025					
	Less than one month to 1 month	**>1 to 3 months**	**>3 to 12 months**	**>1 to 5 years**	**>5 years**	**Total**
Financial Assets						
Cash and cash equivalents	**₱20,247,539,382**	**₱1,435,178,806**	**₱–**	**₱–**	**₱–**	**₱21,682,718,188**
Receivables:						
Trade receivables	**–**	**3,157,638,069**	**–**	**–**	**–**	**3,157,638,069**
Due from related parties*	**75,034,478**	**–**	**–**	**–**	**–**	**75,034,478**
Interest receivable	**–**	**20,799,041**	**–**	**–**	**–**	**20,799,041**
Others***	**572,943,449**	**–**	**–**	**–**	**–**	**572,943,449**
Refundable deposits	**–**	**–**	**–**	**–**	**1,887,285,301**	**1,887,285,301**
	₱20,895,517,309	**₱4,613,615,916**	**₱–**	**₱–**	**₱1,887,285,301**	**₱27,396,418,526**
Financial Liabilities						
Accounts payable and other accrued liabilities***	**₱8,133,053,808**	**₱12,528,284,742**	**₱71,587,963**	**₱40,687,542**	**₱96,814,156**	**₱20,870,428,211**
Due to related parties*	**73,129,617**	**–**	**–**	**–**	**–**	**73,129,617**
Lease liability****	**1,691,163,230**	**5,053,597,301**	**13,349,325,727**	**82,422,563,383**	**48,921,446,630**	**151,438,096,271**
Long-term debt*****	**319,507,714**	**1,500,228,427**	**4,218,341,233**	**24,867,437,545**	**31,357,372,811**	**62,262,887,730**
Bonds payable*****	**56,952,813**	**108,394,063**	**496,040,625**	**14,934,497,188**	**–**	**15,595,884,689**
	₱10,273,807,182	**₱19,190,504,533**	**₱18,135,295,548**	**₱122,265,185,658**	**₱80,375,633,597**	**₱250,240,426,518**

**Receivable and payable on demand*
***Include nontrade receivables from insurance, employees and counterparties*
****Excluding government-related payables*
*****Consist of undiscounted minimum lease payments*
******Including future interest payments*

	2024					
	Less than one month to 1 month	>1 to 3 months	>3 to 12 months	>1 to 5 years	>5 years	Total
Financial Assets						
Cash and cash equivalents	₱16,319,554,401	₱3,596,071,552	₱–	₱–	₱–	₱19,915,625,953
Derivative financial assets at FVOCI	1,297,193	–	–	–	–	1,297,193
Receivables:						
Trade receivables	–	2,517,415,904	–	–	–	2,517,415,904
Due from related parties*	654,772,201	–	–	–	–	654,772,201
Interest receivable	–	17,198,673	–	–	–	17,198,673
Others***	366,415,761	–	–	–	–	366,415,761
Refundable deposits	–	–	–	–	2,994,555,421	2,994,555,421
	₱17,342,039,556	₱6,130,686,129	₱–	₱–	₱2,994,555,421	₱26,467,281,106
Financial Liabilities						
Accounts payable and other accrued liabilities***	₱11,644,526,020	₱11,638,814,409	₱379,903,412	₱49,965,915	₱112,396,117	₱23,825,605,873
Due to related parties*	60,905,443	–	–	–	–	60,905,443
Short-term debt	–	2,914,272,241	2,782,999,524	–	–	5,697,271,765
Lease liability****	1,593,696,106	3,274,979,344	14,340,827,950	79,346,277,374	47,540,554,802	146,096,335,576
Long-term debt*****	274,078,343	1,114,950,919	3,933,429,681	22,110,062,528	25,555,356,786	52,987,878,257
Bonds payable*****	56,037,344	106,651,719	488,067,188	15,345,193,906	–	15,995,950,157
	₱13,629,243,256	₱19,049,668,632	₱21,925,227,755	₱116,851,499,723	₱73,208,307,705	₱244,663,947,071

**Receivable and payable on demand*
***Include nontrade receivables from insurance, employees and counterparties*
****Excluding government-related payables*
*****Consist of undiscounted minimum lease payments*
******Including future interest payments*

Refer to Note 1 on the measures taken by the Group to address liquidity gap as at December 31, 2025 and 2024.

Market risk
Market risk is the risk of loss to future earnings, to fair values or to future cash flows that may result from changes in the price of a financial instrument. The value of a financial instrument may change as a result of changes in foreign currency exchange rates, interest rates, commodity prices or other market changes. The Group's market risk originates from its holding of foreign exchange instruments, interest-bearing instruments and derivatives.

Foreign currency risk
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. It is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The exchange rates used to translate the Group's foreign currency-denominated assets and liabilities as of December 31, 2025 and 2024 follow:

	December 31, 2025	December 31, 2024
US Dollar	**₱58.790 to US$1.00**	₱57.845 to US$1.00
Singapore Dollar	**₱45.820 to SGD1.00**	₱42.692 to SGD1.00
Hong Kong Dollar	**₱7.5669 to HKD1.00**	₱7.4684 to HKD1.00
Japanese Yen	**₱0.3756 to JPY1.00**	₱0.3672 to JPY1.00

The following table sets forth the impact to the Group's pre-tax core income of reasonably possible changes in the value of financial assets and liabilities driven by USD-Peso exchange rates, for the years ended December 31, 2025, 2024 and 2023 (in thousands):

	2025		2024		2023	
Changes in foreign exchange value	**₱2**	**(₱2)**	₱2	(₱2)	₱2	(₱2)
Change in pre-tax income	**(₱5,030,303)**	**₱5,030,303**	(₱4,838,195)	₱4,838,195	(₱3,732,247)	₱3,732,247

The Group's financial assets subject to above analysis include cash and cash equivalents, receivables and refundable deposits. While financial liabilities include accounts payable and other accrued liabilities (excluding government payables), bonds payable, short-term debt, long-term debt, and lease liabilities.

This excludes impact of increase or decrease in exchange rates to the cost of non-financial products and services used in operations, and whose costs are affected by changes in foreign currency. These include cost of fuel, aircraft parts, maintenance and ground services, reservations and other systems costs, among others. Approximately 60%-70% of the Group's operating expenses are impacted by increase or decrease in USD-Peso exchange values. Increase or decrease in these operating expenses will also impact the Group's pre-tax income.

Other than the potential impact on the Group's pre-tax income, there is no other effect on equity.

The Group does not expect the impact of the volatility on other currencies to be material.

Commodity price risk
In 2025 and 2024, 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 ₱3.6 billion and ₱3.0 billion for the years ended December 31, 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 and zero cost collars match the terms of the expected highly probable forecast transactions. The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the foreign currency forward contracts and commodity derivatives are identical to the hedged risk components. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of hedging instruments against the changes in the fair value of hedged items attributable to the hedged risks.

The hedge ineffectiveness arising from the differences on the counterparty and own credit risk incorporated in the hedging instrument and zero credit risk on the hedged item are deemed insignificant given that all counterparties are given investment grade ratings by the major credit rating agencies.

Outstanding derivative contracts
The tables below summarize the maturity profile of outstanding derivative contracts as of December 31, 2024 (nil as of December 31, 2025):

Commodity derivatives:

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

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

December 31, 2025

	Change in fair value used in measuring ineffectiveness for the period	**Cash flow hedge reserve**
Interest rate derivatives	**₱329,572,814**	**₱329,572,814**

December 31, 2024

	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 follows:

	2025	
	Parent Company	Noncontrolling interest
Balances at January 1	**₱618,584**	**₱–**
Effective portion of cash flow hedges:		
Fuel hedges	**(163,614,079)**	**–**
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense	**166,510,541**	**–**
Interest expense (Note 8)	**(80,492,238)**	**–**
Actuarial losses on retirement liability (Note 26)	**127,457,117**	**(5,760,147)**
Tax effect	**(12,465,335)**	**1,440,036**
Balances at December 31	**₱38,014,590**	**(₱4,320,111)**

	2024	
	Parent Company	Noncontrolling interest
Balances at January 1	₱167,236,789	₱–
Effective portion of cash flow hedges:		
Fuel hedges	(3,180,828)	–
Interest rate hedge	(1,687,403)	–
Amounts reclassified to profit or loss under the following accounts:		
Aviation fuel expense	8,049,060	–
Interest expense (Note 8)	(88,382,945)	–
Actuarial losses on retirement liability (Note 26)	(136,955,491)	–
Tax effect	55,539,402	–
Balances at December 31	₱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 tables show information about the Group's long-term debt that are exposed to interest rate risk as of December 31, 2025 and 2024 and are presented by maturity profile (see Note 18):

	2025							
	<1-1 year	>1-2 years	>2-3 years	>3-4 years	>4-5 years	>5 years	Total	Fair Value
Commercial loans from banks (in US Dollar; Note 18)	US$18,547,483	US$19,162,208	US$16,933,558	US$76,104,253	US$14,205,105	US$193,317,585	US$338,270,192	US$358,374,512
US $ loans (in Philippine Peso)	₱1,090,406,499	₱1,126,546,219	₱995,523,894	₱4,474,169,039	₱835,118,120	₱11,365,140,808	₱19,886,904,579	₱21,068,837,532
Commercial loans from banks (in JPY; Note 18)	JPY4,581,128,195	JPY5,305,690,506	JPY4,821,306,113	JPY8,398,024,476	JPY3,865,900,723	JPY40,415,093,194	JPY67,387,143,207	JPY57,826,183,060
JPY loans (in Philippine Peso)	₱1,720,671,750	₱1,992,817,354	₱1,810,882,576	₱3,154,297,993	₱1,452,032,312	₱15,179,909,003	₱25,310,610,988	₱21,719,514,357
Commercial loans from banks (in SGD; Note 18)	SGD3,858,447	SGD3,858,447	SGD3,858,447	SGD3,858,447	SGD3,858,447	SGD27,009,125	SGD46,301,360	SGD40,726,420
SGD loans (in Philippine Peso)	₱176,792,868	₱176,792,868	₱176,792,868	₱176,792,868	₱176,792,868	₱1,237,550,085	₱2,121,514,425	₱1,866,072,332
Commercial loans from banks (Note 18)	1,757,810,985	1,073,641,798	263,487,851	251,506,069	201,204,855	754,518,203	4,302,169,761	₱4,186,446,370
	₱4,745,682,102	₱4,369,798,239	₱3,246,687,189	₱8,056,765,969	₱2,665,148,155	₱28,537,118,099	₱51,621,199,753	₱48,840,870,591

	2024							
	<1-1 year	>1-2 years	>2-3 years	>3-4 years	>4-5 years	>5 years	Total	Fair Value
Commercial loans from banks (in US Dollar; Note 18)	US$14,545,966	US$20,231,435	US$19,162,209	US$19,801,453	US$73,236,358	US$207,260,037	US$354,237,458	US$264,051,428
US $ loans (in Philippine Peso)	₱841,411,408	₱1,170,287,410	₱1,108,437,931	₱1,145,415,073	₱4,236,357,124	₱11,988,956,805	₱20,490,865,751	₱15,274,054,843
Commercial loans from banks (in JPY; Note 18)	JPY3,879,178,397	JPY3,912,155,760	JPY3,945,446,607	JPY3,978,430,067	JPY6,436,450,809	JPY22,095,356,173	JPY44,247,017,813	JPY42,278,159,860
JPY loans (in Philippine Peso)	₱1,424,434,308	₱1,436,543,593	₱1,448,767,994	₱1,460,879,521	₱2,363,464,736	₱8,113,414,785	₱16,247,504,937	₱15,524,540,301
Commercial loans from banks (Note 18)	1,757,810,985	1,757,810,984	1,073,641,798	313,789,064	201,204,854	955,723,061	6,059,980,746	₱5,262,800,387
	₱4,023,656,701	₱4,364,641,987	₱3,630,847,723	₱2,920,083,658	₱6,801,026,714	₱21,058,094,651	₱42,798,351,434	₱36,061,395,531

The following table sets forth the impact of the range of reasonably possible changes in interest rates on the Group's pre-tax income for the years ended December 31, 2025, 2024 and 2023.

	2025		2024		2023	
Changes in interest rates	**1.50%**	**(1.50%)**	1.50%	(1.50%)	1.50%	(1.50%)
Change in pre-tax income	**(₱704,859)**	**₱704,859**	(₱661,358)	₱661,358	(₱972,373)	₱972,373

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 liabilities at amortized cost.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's income before tax and the relative impact on the Group's net assets as of December 31, 2025 and 2024:

	Change in Basis Points	Effect on Profit Before Tax
2025	**+200%**	**(₱5,592,562,363)**
	-200%	**5,949,042,702**
2024	+200%	(₱4,293,913,624)
	-200%	5,010,223,666

31. **Fair Value Measurement**

The carrying amounts approximate fair values for the Group's financial assets and liabilities due to their short-term maturities, except for the following financial assets and other financial liabilities as of December 31, 2025 and 2024:

	2025		2024	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Asset:				
Refundable deposits* (Note 15)	**₱1,887,285,301**	**₱1,698,984,473**	₱2,994,555,421	₱2,518,511,841
Financial Liability:				
Other financial liability:				
Long-term debt**(Note 18)	**₱51,621,199,753**	**₱48,840,870,592**	₱42,798,351,434	₱36,061,395,531

**Included under 'Other noncurrent assets' account in the consolidated statements of financial position.*
***Including current portion.*

The methods and assumptions used by the Group in estimating the fair value of financial assets and other financial liabilities are:

Refundable deposits
The fair values are determined based on the present value of estimated future cash flows using prevailing market rates. The Group used discount rates of 3.5% to 4.8% and 4.2% to 4.8% as of December 31, 2025 and 2024, respectively.

Long-term debt
The fair value of long-term debt is determined using the discounted cash flow methodology, with reference to the Group's current incremental borrowing rates for similar types of loans. The discount rates used range from 4.6% to 6.4% and 0.2% to 6.2% as of December 31, 2025 and 2024, respectively. The tables below show the Group's financial instruments carried or presented at fair value hierarchy classification:

	2025			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets and liabilities measured at fair value:				
Derivative financial assets at FVOCI	**₱–**	**₱–**	**₱–**	**₱–**
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	**₱–**	**₱–**	**₱1,698,984,743**	**₱1,698,984,743**
Long-term debt	**–**	**48,840,870,592**	**–**	**48,840,870,592**

	2024			
	Level 1	Level 2	Level 3	Total
Assets and liabilities measured at fair value:				
Derivative financial liabilities at FVOCI	₱–	₱1,297,193	₱–	₱1,297,193
Assets and liabilities for which fair values are disclosed:				
Refundable deposits	₱–	₱–	₱2,518,511,841	₱2,518,511,841
Long-term debt	–	36,061,395,531	–	36,061,395,531

There were no transfers within any hierarchy level of fair value measurements for the years ended December 31, 2025 and 2024, respectively.

32. Commitments and Contingencies

Leases
The Group has aircraft and non-aircraft leases. Leases of aircraft generally have lease term between 1.25 and 12 years, while leases of non-aircraft items generally have remaining lease term between three (3) and eighteen (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:

	2025	2024
Cost		
Balances at January 1	**₱128,847,952,811**	₱100,663,573,884
Additions (non-cash investing activity)	**26,038,529,176**	40,226,399,933
Acquired through business combination (Note 14)	**–**	1,374,472,418
Deferred gain on sale and leaseback	**(214,845,725)**	(3,073,336,756)
Retirement	**(2,575,521,029)**	(10,343,156,668)
Balances at December 31	**152,096,115,233**	128,847,952,811
Accumulated amortization		
Balance at January 1	**25,264,729,543**	24,562,931,454
Amortization	**14,190,671,099**	10,758,544,312
Retirement	**(2,239,385,476)**	(10,056,746,223)
Balance at December 31	**37,216,015,166**	25,264,729,543
	₱114,880,100,067	₱103,583,223,268

The movements in lease liability follow:

	2025	2024
Balance at January 1	**₱113,630,078,676**	₱82,639,378,971
Additions	**26,038,529,176**	40,226,399,933
Acquired through business combination (Note 14)	**–**	1,642,332,176
Accretion of interest	**4,903,128,688**	3,780,284,679
Payment	**(18,710,285,229)**	(14,368,898,361)
Retirement	**(536,165,540)**	(289,418,722)
Ending balance	**125,325,285,771**	113,630,078,676
Less: current portion	**14,781,505,571**	13,470,382,193
Noncurrent portion	**₱110,543,780,200**	₱100,159,696,483

The following are the amounts recognized in the consolidated statements of comprehensive income for the years ended December 31, 2025, 2024 and 2023:

	2025	2024	2023
Amortization expense on right-of-use assets	**₱14,190,671,099**	₱10,758,544,312	₱7,661,769,721
Interest expense on lease liabilities	**4,903,128,688**	3,780,284,679	2,247,857,293
Rent expense on short-term leases	**2,259,478,474**	2,247,613,103	2,655,010,201
	₱21,353,278,261	₱16,786,442,094	₱12,564,637,215

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	3	September 2026 - September 2027
May 2023	Banc of America Leasing Ireland Co., Limited	1	May 2026
June 2023	AWAS 3896 Trust	1	June 2026
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
November – December 2025	Wilmington Trust SP Services (Dublin) Limited	4	October 2026, January 2028 – April 2028
		15	

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.

In November to December 2025, the operating lease agreements with Wilmington Trust SP Services (Dublin) Limited Trust for four (4) Airbus A320 CEO, have been duly amended to reflect a transfer of beneficial interest. Specifically, the existing beneficial owner, VMO Aircraft Leasing 27 (Ireland) Limited, has transferred and assigned its beneficial interest in the aircraft and the related lease agreements to AS Air Lease 205 (Ireland) Limited.

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
March 2023	Avolon Leasing Ireland 3 Limited	2	October 2034 – May 2035
April 2023	Jackson Square Aviation Ireland Limited	1	April 2035

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
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
August 2025	Orix Aviation Systems Limited	1	December 2032
		22	

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 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. The amendment and novation did not result to any change to the lease term.

In August 2025, the lease rights for one (1) Airbus A320NEO, originally established under a 10-year lease agreement with Sky High 135 Leasing Company Limited in December 2022, were amended and officially novated to the current lessor, Orix Aviation Systems 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 agreement with TOADAC was pre-terminated and the Group entered into a new operating lease agreement with Jackson Square Aviation Ireland Limited (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 Cayman Leasing, Ltd.	1	March 2033
March 2022	Connolly Aviation Capital 6 Limited	1	March 2034
May 2021	SMBC Aviation Capital LTD	1	May 2031
June 2024	Aviation Capital Group LLC	1	June 2036
		5	

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

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
		6	

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	1	December 2035
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
April 2024	Jackson Square Aviation Ireland Limited	1	July 2037
April 2024	Avolon Leasing Ireland 3 Limited	1	December 2037
July 2024	Iniserkin Leasing Limited	1	October 2037
August 2024	Jackson Square Aviation Ireland Limited	1	December 2036

Date of Lease Agreement	Lessors	No. of Units	Lease Expiry
December 2024	SMBC Aviation Capital Limited	1	February 2036
September 2025	ACG Aircraft Leasing Limited	1	July 2036
		14	

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. The amendment and novation did not result to any change to the lease term.

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 April 2024, the Group entered into a 12-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) Airbus A330NEO delivered in July 2025.

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 December 2025.

In July 2024, the Group entered into a 12-year lease agreement with Inisherkin Leasing Limited for one (1) Airbus A330NEO delivered in October 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. The amendment and novation did not result to any change to the lease term.

In September 2025, the lease rights for one (1) Airbus A330NEO delivered in July 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, ACG Aircraft Leasing Limited. The amendment and novation did not result to any change to the lease term.

Engine Lease Commitments

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

Date of Lease Agreement	Lessors	No. of Units	Lease Term
June 2019	RRPF Engine Leasing Limited	1	March 2026
September 2020 October 2020	SMBC Aero Engine Lease B.V.	3	August 2025 – December 2028
September 2020	Sunrise Non-US PO 1 Ltd	1	February 2027
December 2021	Sunrise Non-US PO 1 Ltd	1	January 2026
August 2022	RRPF Engine Leasing Limited	1	September 2034
September 2022	SMBC Aero Engine Lease B.V.	4	December 2030 – April 2032
March 2023	RRPF Engine Leasing Limited	1	April 2035
July 2023	RRPF Engine Leasing Limited	1	July 2033
October 2023	NAC Aviation 57 Limited	1	December 2028

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2024	Total Engine Asset Management PTE. LTD.	4	May – June 2034
July 2024	RRPF Engine Leasing Limited	1	July 2036
September 2024 November 2024	SMBC Aero Engine Lease B.V.	5	November 2034
November 2024	RRPF Engine Leasing (No. 2) Limited	1	August 2032
December 2024	SMBC Aero Engine Lease B.V.	1	December 2034
March 2025	RRPF Engine Leasing (No. 2) Limited	1	November 2032
April 2025	RRPF Engine Leasing Limited	1	April 2037
June 2025	RRPF Engine Leasing (No. 2) Limited	1	August 2032
September-November 2025	JLPS Ireland Limited	5	September-December 2035
		34	

In May 2024, the Group entered into 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 RRPF 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 RRPF Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited. The amendment and novation did not result to any change to the lease term.

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 RRPF Engine Leasing Limited in November 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited.

In April 2025, the Group received one (1) Trent 7000 engine from RRPF 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 RRPF Engine Leasing Limited in August 2022, were amended and officially novated to the current lessor, RRPF Engine Leasing (No. 2) Limited.

In September 2025, the Group entered into operating lease agreements as part of a sale and leaseback transaction with JLPS Ireland Limited for three (3) PW1133G-JM engines with lease term arrangements of 10 years.

In November 2025, the Group entered into operating lease agreements as part of a sale and leaseback transaction with JLPS Ireland Limited for two (2) PW1133G-JM engines with lease term arrangements of 10 years.

Lease expenses relating to aircraft and engine leases (included in 'Aircraft and engine lease' account in the consolidated statements of comprehensive income) amounted to ₱0.4 billion, ₱0.9 billion and ₱1.7 billion in 2025, 2024, and 2023, respectively.

In 2025, the Group entered into a Termination and Settlement Agreement with SMBC Aero Engine Lease B.V. in respect of leasing of the engine with serial number ESN 697582. The related ROU asset and lease liability were derecognized, resulting to a loss of P2.0 million, which was recognized under 'Gain on disposal – net' in the consolidated statement of comprehensive income.

In 2025, the Group terminated its lease with RRPF for a Trent 700 engine following the exit of all A330CEO aircraft from the operating fleet. The related ROU asset and lease liability were derecognized, resulting to a gain of ₱45.3 million, which was recognized under 'Gain on disposal – net' in the consolidated statements of comprehensive income.

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

	2025		2024		2023	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$ 338,531,157**	**₱19,902,246,693**	US$315,045,013	₱18,223,778,757	US$258,328,908	₱14,303,671,636
After one year but not more than five years	**1,149,358,413**	**67,570,781,085**	1,094,523,841	63,312,731,601	982,573,506	54,405,095,010
Over five years	**1,037,244,478**	**60,979,602,853**	1,002,165,227	57,970,247,564	753,471,084	41,719,693,917
	US$2,525,134,048	**₱148,452,630,631**	US$2,411,734,081	₱139,506,757,922	US$1,994,373,498	₱110,428,460,563

Operating Non-Aircraft Lease Commitments

The Group has entered into various lease agreements for its hangar, office spaces, ticketing stations and certain equipment. These leases have remaining lease terms ranging from one to ten years. Certain leases include a clause to enable upward revision of the annual rental charge ranging from 5.00% to 10.00%.

Future minimum lease payments under these noncancellable operating leases follow:

	2025	2024	2023
Within one year	**₱614,562,007**	₱517,523,271	₱227,165,672
After one year but not more than five years	**2,390,496,841**	1,971,517,224	1,227,426,336
Over five years	**5,260,824,259**	4,100,537,159	3,840,389,291
	₱8,265,883,107	₱6,589,577,654	₱5,294,981,299

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 ₱1,896.0 million, ₱1,347.6 million and ₱991.1 million in 2025, 2024, and 2023, respectively.

In 2025, the Group transitioned the leasing of a parcel of land from Manila International Authority (MIAA) / Philippine Aerospace Development Corporation (PADC) to New NAIA Infrastructure Corporation (NNIC). The related ROU asset and lease liability were derecognized resulting in a gain of ₱151.9 million recognized under 'Gain on disposal – net' in the consolidated statements of comprehensive income.

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.

On September 16, 2025, the Parent Company entered into a 5-year Integrated Materials Services Agreement (initial period), to be followed by another 5-year renewal period subject to mutual agreement, with Satair Pte. Ltd. The agreement covers the supply, on a consignment-stock basis, of covered expendable materials for line, base, and shop maintenance of the aircraft, as well as the provision of service support for the management of these materials.

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 December 31, 2025, the Group is set to take delivery of four (4) A320NEO aircraft, thirteen (13) A321NEO aircraft, two (2) A330NEO aircraft, and seventy (70) A320 Family aircraft until 2033. This excludes any exercise of early options and deferral rights available with the purchase order with Airbus from October 2024. In addition, the Group is set to take delivery of ten (10) 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 December 31, 2025.

Capital Expenditure Commitments
The Group's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱448.0 billion and ₱436.5 billion as of December 31, 2025 and 2024, respectively.

	2025	
	US Dollar	**Philippine Peso Equivalent**
Within one year	**US$875,895,123**	**₱51,493,874,264**
After one year but not more than five years	**3,793,028,981**	**222,992,173,816**
More than five years	**2,952,127,438**	**173,555,572,083**
	US$7,621,051,542	**₱448,041,620,163**

	2024	
	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.

33. Supplemental Disclosures to the Consolidated Statements of Cash Flows

The changes in liabilities arising from financing activities in 2025, 2024 and 2023 follow:

			Noncash		
	January 1, 2025	**Cash Flows**	**Foreign Exchange Movement**	**Others***	**December 31, 2025**
Short-term debt	**₱5,568,447,189**	**(₱5,505,259,205)**	**(₱63,187,984)**		**₱–**
Current portion of long-term debt	**4,023,656,701**	**(4,163,143,433)**	**41,374,104**	**4,843,794,730**	**4,745,682,102**
Long-term debt - net of current portion	**38,774,694,733**	**12,321,292,456**	**623,325,192**	**(4,843,794,730)**	**46,875,517,651**
Bonds payable	**14,156,440,222**	**–**	**234,052,315**	**123,862,771**	**14,514,355,308**
Lease liability	**113,630,078,676**	**(18,710,285,229)**	**–**	**30,405,492,324**	**125,325,285,771**
Dividends payable	**–**	**(2,816,988,345)**		**2,816,988,345**	**–**
Total liabilities from financing activities	**₱176,153,317,521**	**(₱18,874,383,756)**	**₱835,563,627**	**₱33,346,343,440**	**₱191,460,840,832**

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

			Noncash		
	January 1, 2024	Cash Flows	Foreign Exchange Movement	Others*	December 31, 2024
Short-term debt	₱–	₱4,132,036,437	₱178,821,791	1,257,588,961	₱5,568,447,189
Current portion of long-term debt	5,093,179,461	(15,682,927,765)	(58,965,068)	14,672,370,073	4,023,656,701
Long-term debt - net of current portion	33,606,572,124	20,070,579,522	(230,086,840)	(14,672,370,073)	38,774,694,733
Bonds payable	13,437,715,699	–	601,772,732	116,951,791	14,156,440,222
Lease liability	82,639,378,971	(14,368,898,361)	–	45,359,598,066	113,630,078,676
Total liabilities from financing activities	₱134,776,846,255	(₱5,849,210,167)	₱491,542,615	₱46,734,138,818	₱176,153,317,521

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

			Noncash		
	January 1, 2023	Cash Flows	Foreign Exchange Movement	Others*	December 31, 2023
Current portion of long-term debt	₱3,699,412,710	(₱11,828,548,729)	(₱14,988,451)	₱13,237,303,931	₱5,093,179,461
Long-term debt - net of current portion	36,680,069,698	10,296,833,376	(133,027,019)	(13,237,303,931)	33,606,572,124
Bonds payable	13,423,322,594	–	(93,207,960)	107,601,065	13,437,715,699
Lease liability	48,448,563,693	(9,801,565,676)	–	43,992,380,954	82,639,378,971
Total liabilities from financing activities	₱102,251,368,695	(₱11,333,281,029)	(₱241,223,430)	₱44,099,982,019	₱134,776,846,255

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

Please see notes 12 and 32 for noncash investing activities in 2025, 2024 and 2023.

There are no principal noncash operating and financing activities in 2025, 2024 and 2023.

34. Registration with the BOI

The Parent Company is registered with the BOI as an operator of air transport on a non-pioneer status. As of December 31, 2025, the Parent Company has outstanding registrations for 19 Airbus A321 NEO, 10 Airbus A320 NEO and 10 Airbus A330 NEO aircraft. Out of the total outstanding registrations with the BOI, two (2) of which were registered during the effectivity of the CREATE Act, three (3) during the CREATE MORE Act and nine (9) of which have completed the transfer of registration under EO No. 226 to the CREATE Act.

Based on the terms of the registration and subject to certain requirements, the Parent Company is entitled to the following fiscal and non-fiscal incentives (see Notes 1, 12, 27 and 32):

a. An ITH for a period of two to four years.

b. Employment of foreign nationals occupying supervisory, technical or advisory positions for five (5) years from date of registration.

c. Importation of capital equipment, spare parts and accessories at zero duty from date of effectivity of Executive Order (E.O.) No. 70 and its Implementing Rules and Regulations for a period of five years reckoned from the date of its registration or until the expiration of E.O. 70, whichever is earlier, as applicable; or importation of capital equipment, spare parts and accessories at zero duty under E.O. No. 22, No.57, or No. 85, and related Implementing Rules and Regulations, as applicable.

d. Additional deduction from taxable income of fifty percent (50%) of the wages corresponding to the increment in number of direct labor for skilled and unskilled workers in the year of availments as against the previous year, if the project meets the prescribed ratio of capital equipment to the number of workers set by the BOI. This may be availed of for the first five (5) years from date of registration but not simultaneously with ITH.

e. Simplification of customs procedures for the importation of equipment, spare parts, raw materials and suppliers.

Furthermore, for those registered during effectivity of the CREATE Act and the CREATE MORE Act, the registered projects are entitled to Enhanced Deductions for five (5) years and ten (10) years, respectively, from the end of ITH period.

As of December 31, 2025 and 2024, the Parent Company has complied with capital requirements set by the BOI in order to avail the ITH incentives for aircraft of registered activity.

35. **Approval of the Consolidated Financial Statements**

The consolidated financial statements were approved and authorized for issue by the BOD on March 27, 2026.

36. **Events After the Financial Reporting Date**

Listing of Vested RSUs

On January 20, 2026, the Parent Company advised the Philippine Stock Exchange that 371,500 common shares have been availed under Restricted Stock Units of its Long-Term Incentive Plan. These shares were listed on January 20, 2026. The RSUs vested on December 31, 2025 (see Note 23).

37. **Standards Issued But Not Yet Effective**

Pronouncements issued but not yet effective are listed below. The Group intends to adopt the following pronouncements when they become effective. The adoption of these pronouncements is not expected to have a significant impact on the Group's consolidated financial statements unless otherwise indicated.

Effective beginning on or after January 1, 2026

- Amendments to Illustrative Examples on PFRS 7, PFRS 18, PAS 1, PAS 8, PAS 26 and PAS 37, *Disclosures about Uncertainties in the Financial Statements*
- Amendments to PFRS 9 and PFRS 7, *Classification and Measurement of Financial Instruments*
- Amendments to PFRS 9 and PFRS 7, *Contracts Referencing Nature-dependent Electricity*
- 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 17, *Insurance Contracts*
- PFRS 18, *Presentation and Disclosure in Financial Statements*
- PFRS 19, *Subsidiaries without Public Accountability*
- Amendments to PAS 21, *Translation to a Hyperinflationary Presentation Currency*

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*

SyCip Gorres Velayo & Co.
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INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY SCHEDULES

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group) as at December 31, 2025 and 2024, and for each of the three years in the period ended December 31, 2025, included in this Form 17-A and have issued our report thereon dated March 27, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to the Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with the Revised Securities Regulation Code Rule 68, and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
Valid to cover audit of 2025 financial statements
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

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INDEPENDENT AUDITOR'S REPORT ON
SUPPLEMENTARY SCHEDULE OF
COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Cebu Air, Inc. and its Subsidiaries (collectively referred to as the Group) as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025, and have issued our report thereon dated March 27, 2026. Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule of Components of Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRS) Accounting Standards and may not be comparable to similarly titled measures presented by other companies. This schedule is presented for the purpose of complying with the Revised Securities Regulation Code Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRS Accounting Standards. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2025 and 2024 and for each of the three years in the period ended December 31, 2025 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Cliff Richard B. Narag
Partner
CPA Certificate No. 135141
Tax Identification No. 293-377-901
BOA/PRC Reg. No. 0001, April 16, 2024, valid until August 23, 2026
SEC Partner Accreditation No. 135141-SEC (Group A)
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Valid to cover audit of 2021 to 2025 financial statements
BIR Accreditation No. 08-001998-163-2025, December 18, 2024, valid until December 17, 2027
PTR No. 10765096, January 2, 2026, Makati City

March 27, 2026

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULES
AS OF DECEMBER 31, 2025

I. Supplementary schedules required by Annex 68-J

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

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

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

III. Schedule of Financial Soundness Indicators

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

V. Schedule of External Auditor Fee-Related Information

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
(CURRENT MARKETABLE EQUITY AND DEBT SECURITIES AND OTHER SHORT-TERM CASH INVESTMENTS)
DECEMBER 31, 2025

Name of Issuing Entity and Description of Each Issue	Amount Shown in the Balance Sheet/ Notes	Value Based on Market Quotations at Balance Sheet Date	Income Received and Accrued
Various / USD Short-term cash investments	₱9,050,807,597	₱9,050,807,597	₱494,028,609
Various / PHP Short-term cash investments	8,169,654,957	8,169,654,957	261,413,278
Various / IDR Short-term cash investments	150,150,000	150,150,000	457,266
Various / KRW Short-term cash investments	130,560,000	130,560,000	2,396,989
	₱17,501,172,554	₱17,501,172,554	₱758,296,142

See Note 7 of the Consolidated Financial Statements.

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE B
AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES AND PRINCIPAL STOCKHOLDERS
(OTHER THAN RELATED PARTIES)
DECEMBER 31, 2025

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	Total
Various employees	₱453,010,774	₱488,377,974	(₱527,395,311)	₱–	₱121,916,575	₱292,076,862	₱413,993,437

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE C - AMOUNTS RECEIVABLE FROM AND PAYABLE TO RELATED PARTIES WHICH ARE ELIMINATED DURING CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2025

I. Receivables

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Amounts Collected	Amounts Written Off	Balance at End of Period		
					Current	Noncurrent	Total
CEBGO, Inc.	₱556,814,298	₱4,512,668,364	(₱4,113,286,696)	₱–	₱956,195,966	₱–	₱956,195,966
Aviation Partnership (Philippines) Corporation (A-plus)	205,835,996	41,833,838	(51,436,619)	–	196,233,215	–	196,233,215
AirSwift Transport, Inc,	1,279,415,331	21,630,499	(263,810,839)	–	1,037,234,991	–	1,037,234,991
1Aviation Groundhandling Services, Corp.	–	640,541,363	(45,316,988)	–	595,224,375	–	595,224,375

II. Payables

Name and Designation of Creditor	Balance at Beginning of Period	Additions	Amounts Paid	Amounts Written Off	Balance at End of Period		
					Current	Noncurrent	Total
CEBGO, Inc.	₱690,681,974	₱8,149,454,917	(₱8,183,806,704)	₱–	₱656,330,187	₱–	₱656,330,187
Aviation Partnership (Philippines) Corporation (A-plus)	260,693,689	1,022,106,394	(1,097,296,374)	–	185,503,709	–	185,503,709
AirSwift Transport, Inc.	–	2,940,979,827	(2,359,572,868)	–	581,406,959	–	581,406,959
1Aviation Groundhandling Services, Corp.	–	2,070,976,110	(1,835,623,446)	–	235,352,664	–	235,352,664

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2025

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Current Portion of Long-term Debt" in Related Balance Sheet	Amount Shown under Caption "Long-term Debt – Net of Current Portion" in Related Balance Sheet
Commercial loans from banks	1.33% to 6.20% (SOFR)	Various dates through 2036	₱1,090,406,499	₱18,796,498,088
Commercial loans from banks	0.42% to 2.00% (TONA)	Various dates through 2034	1,720,671,750	23,589,939,230
Commercial loans from banks	7.96% (SORA)	2037	176,792,868	1,944,721,557
Commercial loans from banks	6.26% TO 7.96% (PH BVAL)	Various dates through 2028	1,757,810,985	2,544,358,776
Total			₱4,745,682,102	₱46,875,517,651

Title of Issue and Type of Obligation	Interest Rates	Maturity Dates	Amount Shown under Caption "Bonds Payable" in Related Balance Sheet
Convertible bonds	4.5%	May 10, 2027	₱14,514,355,308

See Notes 18 and 19 of the Consolidated Financial Statements

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE G
CAPITAL STOCK
DECEMBER 31, 2025

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants, Conversion and Other Rights	Number of Shares Held by		
				Affiliates	Directors, Officers and Employees	Others
Common Stock	1,340,000,000	612,602,653	324,486,500	407,412,031	8,147,685	197,042,937
Preferred Stock	400,000,000	308,880,301	308,880,301	245,181,064	–	63,699,237

See Notes 22 and 23 of the Consolidated Financial Statements.

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE H – PROPERTY AND EQUIPMENT
DECEMBER 31, 2025

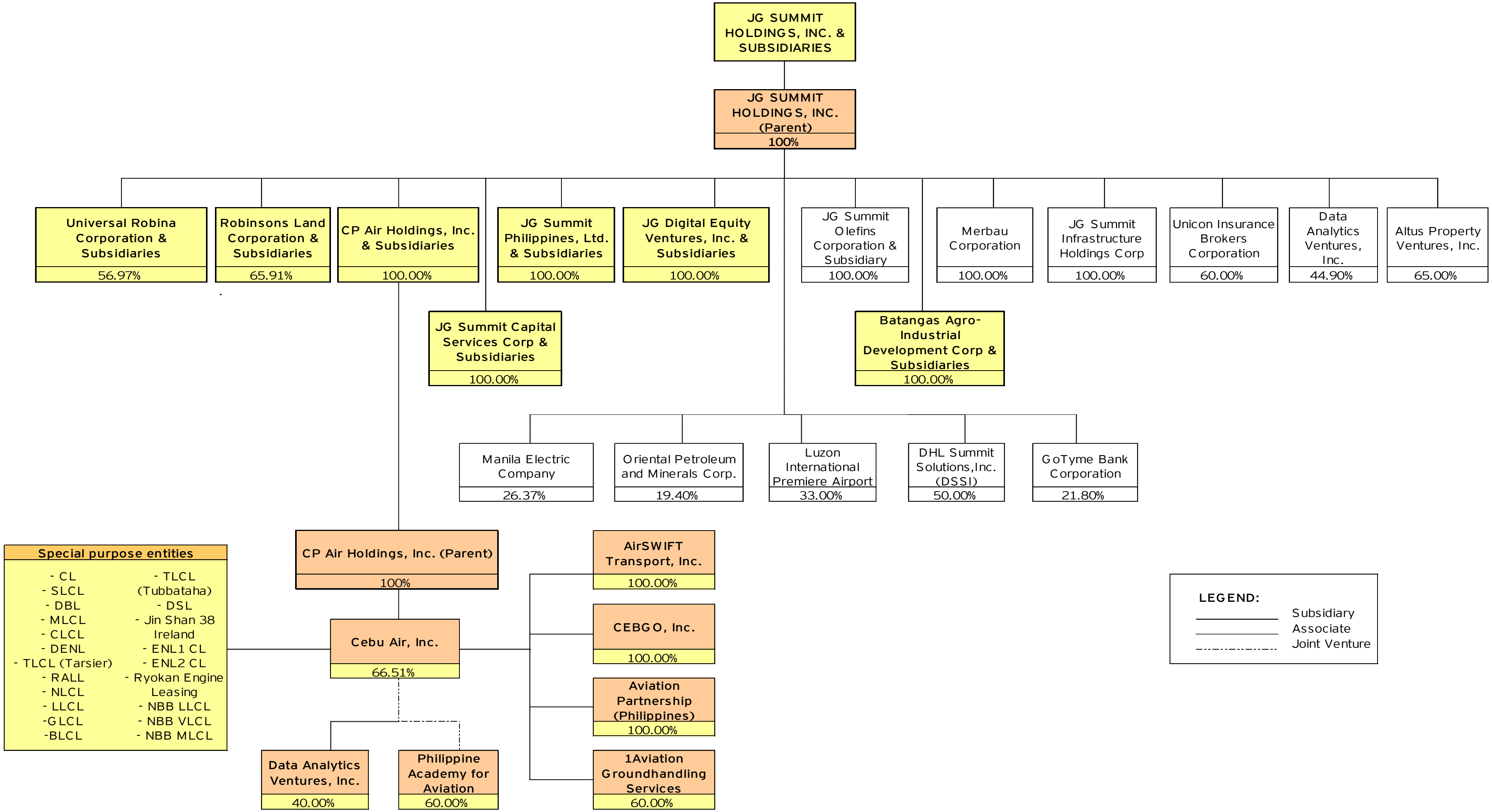
Classification	Balance at Beginning of Period	Acquired through business combination	Additions at Cost	Reclassification	Disposals and Others	Balance at End of Period
Passenger Aircraft	₱60,255,568,316	₱–	₱10,607,636,517	₱–	(₱1,011,239,785)	₱69,851,965,048
Engines	6,298,460,492	–	11,272,603,991	249,194,616	(6,481,700,079)	11,338,559,020
Rotables	8,301,011,373	–	1,840,727,787	–	(1,181,913,398)	8,959,825,762
Ground Support Equipment	1,735,897,047	70,930,935	650,018,271	–	(86,327,460)	2,370,518,793
EDP Equipment, Mainframe and Peripherals	1,020,158,064	19,193,409	152,580,060	–	(25,770,878)	1,166,160,655
Building and Leasehold Improvements	2,253,125,640	558,640	29,749,301	74,017,102	(10,491,000)	2,346,959,683
Transportation Equipment	426,613,678	3,261,262	76,387,039	–	(7,508,931)	498,753,048
Furniture, Fixtures and Office Equipment	177,181,207	6,304,537	26,647,202	450,893	(2,602,604)	207,981,235
Communication Equipment	31,981,898	–	6,830,623	–	–	38,812,521
Special Tools	210,678,986	116,560	27,023,568	–	(3,439,341)	234,379,773
Maintenance and Test Equipment	282,031,653	–	33,179,636	–	(107,479)	315,103,810
Other Equipment	61,224,893	215,273	8,506,011	–	–	69,946,177
Construction In-progress	22,926,028,290	–	11,076,954,531	(323,662,611)	(10,536,894,758)	23,142,425,452
	₱103,979,961,537	₱100,580,616	₱35,808,844,537	₱–	(₱19,347,995,713)	₱120,541,390,977

CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE I - ACCUMULATED DEPRECIATION
DECEMBER 31, 2025

Classification	Balance at Beginning of Period	Depreciation	Reclassification	Disposals and Others	Balance at End of Period
Passenger Aircraft	₱12,805,776,271	₱3,496,789,294	₱–	(₱859,565,746)	₱15,442,999,819
Engines	2,361,188,788	555,008,179	–	(116,705,117)	2,799,491,850
Rotables	2,272,818,954	634,578,682	–	(519,056,153)	2,388,341,483
Ground Support Equipment	1,233,114,858	209,972,099	–	(79,618,464)	1,363,468,493
EDP Equipment, Mainframe and Peripherals	834,533,647	120,095,489	–	(25,732,687)	928,896,449
Building and Leasehold Improvements	1,594,914,961	108,896,932	–	(10,491,000)	1,693,320,893
Transportation Equipment	337,630,106	31,069,088	–	(7,508,931)	361,190,263
Furniture, Fixtures and Office Equipment	117,197,640	19,980,284	–	(2,602,604)	134,575,320
Communication Equipment	21,729,366	3,592,412	–	–	25,321,778
Special Tools	139,296,768	23,844,214	–	–	163,140,982
Maintenance and Test Equipment	230,977,136	15,481,578	–	–	246,458,714
Other Equipment	34,147,036	5,812,142	–	–	39,959,178
	₱21,983,325,531	₱5,225,120,393	₱–	(₱1,621,280,702)	₱25,587,165,222

CEBU AIR, INC. AND SUBSIDIARIES

MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP
AS OF DECEMBER 31, 2025



CEBU AIR, INC. AND SUBSIDIARIES
SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS

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

	Formula	2025	2024
Liquidity Ratios			
Current Ratio	Current assets / Current liabilities	**59%**	54%
Quick Ratio	Current assets – Inventories and other current assets / Current liabilities	**38%**	34%
Capital Structure Ratios			
Asset to Equity Ratio (x)	Total assets / Total equity	**13.91**	23.76
Interest Coverage Ratio (x)	Total revenues – Operating expenses / Interest expense	**1.51**	1.49
Profitability Ratios			
EBITDA Margin	Total revenues – Operating expenses + Depreciation and amortization / Total revenues	**25.8%**	24.3%
EBIT Margin	Total revenues – Operating expenses / Total revenues	**9.6%**	8.7%
Pre-tax core net income margin	Total revenues – Operating expenses + Interest Income – Interest expense + (-) Equity in net income (loss) of joint ventures and associates / Total revenues	**4.0%**	3.0%
Return on asset	Net income (loss) / Average total assets	**4.9%**	2.5%
Return on equity	Net income (loss) / Average total equity	**84.8%**	73.0%

CEBU AIR, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2025

The table below presents the retained earnings available for dividend declaration as of December 31, 2025:

Unappropriated Retained Earnings, January 1, 2025 available for dividend		(₱4,934,207,439)
Add: Category A: Items that are directly credited to Unappropriated Retained Earnings		
Reversal of retained earnings appropriation	₱–	
Effect of restatements or prior-period adjustments	–	
Others	–	
		(4,934,207,439)
Less: Category B: Items that are directly debited to Unappropriated Retained Earnings		
Dividend declaration during the reporting period	(2,816,988,345)	
Retained Earnings appropriated during the reporting period	–	
Effects of restatements or prior-period adjustments	–	
Others	–	(2,816,988,345)
Unappropriated Retained Earnings, January 1, 2025 as adjusted		(7,751,195,784)
Add/Less: Net income (loss) for the current year		12,334,638,219
Less: Category C.1: Unrealized income recognized in the profit or loss during the reporting period (net of tax)		
Equity in net income of associate/joint venture, net of dividends declared	–	
Unrealized foreign exchange gain, except those attributable to cash and cash equivalents	–	
Unrealized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
Unrealized fair value gain of Investment Property	–	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	–
Sub-total		–

(Forward)

CEBU AIR, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2025

Add:	**<u>Category C.2</u>: Unrealized income recognized in the profit or loss in prior reporting periods but realized in the current reporting period (net of tax)**		
	Realized foreign exchange gain, except those attributable to Cash and cash equivalents	₱–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Realized fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Add:	**<u>Category C.3</u>: Unrealized income recognized in profit or loss in prior periods but reversed in the current reporting period (net of tax)**		
	Reversal of previously recorded foreign exchange gain, except those attributable to cash and cash equivalents	–	
	Reversal of previously recorded fair value adjustment (mark-to-market gains) of financial instruments at fair value through profit or loss (FVTPL)	–	
	Reversal of previously recorded fair value gain of Investment Property	–	
	Other realized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	–	
	Sub-total		–
Adjusted Net Income/Loss			**12,334,638,219**

(Forward)

CEBU AIR, INC.

SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION FOR THE YEAR ENDED DECEMBER 31, 2025

Add:	**Category D: Non-actual losses recognized in profit or loss during the reporting period (net of tax)**		
	Depreciation on revaluation increment (after tax)	₱–	
	Others	–	
	Sub-total		₱–
Add/Less:	**Category E: Adjustments related to relief granted by the SEC and BSP**		
	Amortization of the effect of reporting relief	–	
	Total amount of reporting relief granted during the year	–	
	Others	–	
	Sub-total		–
Less:	**Category F: Other items that should be excluded from the determination of the amount of available for dividends distribution**		
	Net movement of treasury shares (except for reacquisition of redeemable shares)	(429,954,930)	
	Net movement of deferred tax asset not considered in the reconciling items under the previous categories	(616,306,034)	
	Net movement in deferred tax asset and deferred tax liabilities related to same transaction, i.e., set up of right of use of asset and lease liability, set-up of asset and asset retirement obligation, and set-up of service concession asset and concession payable	(908,431,835)	
	Adjustment due to deviation from PFRS/GAAP – gain (loss)	–	
	Others	–	
	Sub-total		**(1,954,692,799)**
Unappropriated Retained Earnings Available For Dividend Distribution, December 31, 2025			**₱2,628,749,636**

CEBU AIR, INC. AND SUBSIDIARIES

SUPPLEMENTARY SCHEDULE OF EXTERNAL AUDITOR FEE-RELATED INFORMATION
FOR THE YEARS ENDED DECEMBER 31, 2025, 2024 AND 2023

	2025	2024	2023
Total audit fees	**₱9,700,000**	₱8,826,912	₱7,378,781
Non-audit service fees			
Other assurance services	**–**	–	–
Tax services	**–**	98,508	112,467
*All other services**	**2,500,000**	3,320,000	–
	2,500,000	3,418,508	112,467
Total audit and non-audit fees	**₱12,200,000**	₱12,245,420	₱7,491,248

**Low carbon policy risk assessment report for 2025; Financial and Tax due diligence on acquisition of AirSWIFT for 2024*

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

REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2025

Cebu Air, Inc. (the "Company") prioritizes effective audit oversight and governance to ensure the delivery of high-quality service to its clients and stakeholders. As members of the Audit Committee, our roles and responsibilities are defined in the Audit Committee Charter approved by the Board of Directors. We assist the Board of Directors in fulfilling their oversight responsibility to the shareholders relating to the following:

1. Company's financial reporting;
2. Internal Controls System;
3. Internal and External Audit processes;
4. Efficiency and effectiveness of business operations; and
5. Proper safeguarding and use of Company's resources and assets.

In compliance with the Audit Committee Charter, we confirm that:

- An Independent Director chairs the Audit Committee. Majority of the members of the Committee are independent directors.
- We had four meetings in 2025, with the following attendance rate:

Directors	No. of Meetings Attended	Percent Present
Bernadine T. Siy	4/4	100%
Brian Mathew P. Cu	4/4	100%
Jose Fernando B. Buenaventura	3/4	75%

- After evaluating SGV & Co.'s performance and qualifications, including management's recommendation, we proposed to the Board of the Directors its re-appointment as the independent external auditor of the Company for 2025.
- During our extensive review process, we thoroughly examined the quarterly and annual consolidated financial statements of the Company and its subsidiaries. These evaluations were complemented by in-depth discussions that encompassed a comprehensive analysis of the Company's financial condition and results of operations for the fiscal year that ended on 31 December 2025.
- We thoroughly assessed and approved the overall scope of work and specific audit plans of both the Company's Internal Auditors and External Auditors. We also analyzed the outcomes of their audits and their evaluation of the Company's internal controls and the overall quality of the financial reporting process.
- We devoted considerable attention to the detailed reports submitted by the Internal Audit teams, effectively ensuring that management promptly undertakes necessary corrective actions. It is noteworthy that the Internal Audit team diligently executed their

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duties in unwavering adherence to the revered International Standards for the Professional Practice of Internal Auditing.

- We also evaluated and approved all audit-related services as well as any non-audit services and fees performed by SGV & Co and concluded that these services and fees do not impair their independence.
- We also took note of any internal control issues raised during internal and external audits, investigating the root causes and ensuring that appropriate corrective actions were taken in a timely manner.
- We assessed and discussed our performance for 2025, in accordance with the guidelines set forth by the Securities and Exchange Commission and confirmed that the Committee continues to meet board, management and shareholder expectations.

Based on the reviews and discussions above, the Committee recommends that the audited financial statements be included in the Annual Report for the year ended 31 December 2025. The Committee also confirms that the Company's internal controls and compliance systems are adequate and effective in all material respects.

Date: March 27, 2026

BERNADINE T.SIY	**BRIAN MATHEW P. CU**	**JOSE FERNANDO B. BUENAVENTURA**
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

Annex "B"

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Domestic Road
Pasay City 1301, Philippines
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REPORT OF THE CORPORATE GOVERNANCE COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended December 31, 2025

The Corporate Governance Committee (CG) was established to ensure that Cebu Air, Inc.'s (Company) governing processes and practices align with ethical standards, legal requirements, and the best interest of stakeholders. The CG focuses on promoting transparency, accountability, and responsible decision-making within the organization.

In line with the CG Charter, we confirm that for 2025, we fulfilled our corporate management responsibilities to the Board by:

1. Overseeing and ensuring compliance with ethical standards and legal requirements.
2. Overseeing the implementation of the Corporate Governance Manual and the Code of Business Conduct and Ethics.
3. Enhanced the overall corporate governance framework to align with the best interests of stakeholders.
4. Determined the nomination and election process for the Company's Directors.
5. Established a formal procedure to develop a policy for determining the remuneration of Directors and Officers.
6. Established efficient communication channels which aid and encourage employees, customers, suppliers, creditors and other stakeholders to raise concerns on potential unethical behaviour.
7. Reviewed recommendations concerning policies on conflict of interest, salaries and benefits policies, promotion and career advancement directives.

The Committee reports that for 2025:

- The CG is composed of three (3) members, all of which are independent directors.
- A total of two (2) meetings were held for the year.
- All meetings met the necessary requirement for quorum before proceeding.
- We exercised oversight and guidance over the Corporate Governance team.
- We discussed with the Human Resources Group on the Company's Whistleblower reports and recommended improvements in the existing policy of the Company in terms of escalation, reporting and turnaround time.
- We coordinated with the relevant groups on the Company's Environmental, Social, and Governance (ESG) initiatives and discussed enhancements to the existing framework, particularly in terms of reporting, monitoring of metrics, and board oversight.
- We reviewed and evaluated the effectiveness of the IT security and control measures, including data privacy and cyber security.
- We established and enforced compliance with laws, regulations, and ethical standards.

Date: March 27, 2026

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RICHARD B. TANTOCO	**BERNADINE T. SIY**	**BRIAN MATHEW P. CU**
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

Annex "C"

Cebu Air, Inc.
Cebu Pacific Building
Domestic Road
Pasay City 1301, Philippines
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REPORT OF THE BOARD RISK OVERSIGHT COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended December 31, 2025

The Board Risk Oversight Committee (BROC) was established to assist the Board in fulfilling its oversight responsibilities in relation to risk governance in Cebu Air, Inc. (Company). The BROC ensured, among others, that the Board and Management made well-informed decisions based on prudent assessment of risks and opportunities.

In line with the BROC Charter, we confirm that for 2025, we fulfilled our risk management responsibilities to the Board by:

- Maintaining and managing an effective, efficient, and integrated risk management process in the Company.
- Reviewed the Company's risk appetite levels and risk tolerance limits based on changes and developments in the business.
- Providing oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Corporation.
- Continuously developing a risk-aware culture that is pervasive throughout the Company, ensuring transparency in reporting of the risks.

The Committee reports that for 2025:

- The BROC is composed of three (3) members, two (2) of which are independent directors.
- A total of two (2) meetings were held for the year.
- All meetings met the necessary requirement for quorum before proceeding.
- The Company's Risk Officer (CRO), and members of top management were present in all meetings.
- We exercised oversight and guidance over the Company's Risk Management and government structure, through the ERM department.
- Risk management activities are aligned with the Internal Audit work plan, to avoid duplication of efforts.
- The following were the risks reports for 2025:
  - Safety reports from the Airline Safety Review Committee covering:
    - Safety Incidents
    - Operations Risks
    - Occupational Health and Safety
    - Safety Management System
  - Reports from the Risk Management Committee covering:
    - Fleet-Related Risks
    - Supply- Chain Related Issues and Risks
    - Information Security Related Issues and Risks
    - Cybersecurity Incidents
    - Business Continuity Incidents
    - Environmental and Sustainability Risks
    - Data Privacy Risks

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- Reports from the Treasury Risk Committee covering:
  - Fuel Hedging Risks
  - Foreign Exchange Risks
- Reports from the Customer Champions Board covering:
  - Brand and Reputational Risks
  - Customer Experience Risks
- Reports from the Asset Management Committee covering:
  - Asset Reliability & Maintenance Risks
  - Asset Availability Risk
  - Asset Disposal / Lease Return Risk

Date: March 27, 2026

BRIAN MATHEW P. CU	**JOSE FERNANDO B. BUENAVENTURA**	**RICHARD B. TANTOCO**
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

Annex "D"

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Domestic Road
Pasay City 1301, Philippines
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REPORT OF THE RELATED PARTY TRANSACTIONS COMMITTEE TO THE BOARD OF DIRECTORS
For the year ended December 31, 2025

The Related Party Transactions Committee (RPT) upholds strong corporate governance supporting Cebu Air, Inc.'s (Company) commitment in overseeing and approving transactions between the Company and its related parties. The RPT Committee ensures, among others, that the transactions of the Board and Management are conducted fairly, transparently, and in the best interest of the Company and its shareholders by, among others:

- Overseeing and approval of transactions meeting the RPT threshold between the Company and its related parties;
- Ensuring that transactions meeting the RPT threshold are conducted in the best interest of the Company and its shareholders;
- Assessing the risks, benefits, and potential conflicts of interest associated with RPTs.
- Helping maintain integrity and ethical standards within the organization.

In line with the RPT Policy, we confirm that for 2025, there were no related party transactions that met the threshold for approval of the RPT Committee.

Date: March 27, 2026

RICHARD B. TANTOCO	**JOSE FERNANDO B. BUENAVENTURA**	**BERNADINE T. SIY**
Chairperson	Member	Member

ATTESTED BY:

LANCE Y. GOKONGWEI
Chairman, Board of Directors

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Pasay City 1301, Philippines
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Statement of Internal Controls and Compliance System Attestation for 2025

Cebu Air, Inc. ("Corporation") recognizes that good corporate governance is essential to build an environment of trust, transparency and accountability necessary for fostering long-term performance, financial stability, business integrity and sustainability of the Corporation for the protection of the interests of its shareholders and other stakeholders.

To further advocate the Corporation's commitment in the pursuit of good governance and achieving compliance with applicable laws and corporate policies and procedures, it continues to strengthen the Enterprise Governance, Risk Management and Compliance (GRC) Culture and maintain a strong system of internal controls focused on accountability and oversight of operations.

Board of Directors

The Board of Directors (BOD) is primarily responsible for the governance of the Corporation and provides an independent check on management. It has oversight function and assures the continuing soundness, effectiveness and adequacy of the Corporation's control environment that consists of : (a) the Corporation that is properly and effectively managed and supervised; (b) Management that actively manages and operates the Corporation in a sound and prudent manner; (c) the organizational and procedural controls supported by effective management of information and risk management reporting systems; and (d) an independent audit mechanism to monitor the adequacy and effectiveness of the Corporation's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

Audit Committee

The Audit Committee (AudCom) assists the BOD in fulfilling oversight responsibilities over the Corporation's system of internal controls. They are also responsible for providing oversight over its financial reporting, GRC processes, Internal and External Audit processes, and monitor compliance with applicable laws and regulations.

Management

Management continues to be primarily responsible for designing, implementing and maintaining adequate and effective internal controls and risk management processes on a day-to-day basis. This includes identifying, assessing controls, and mitigating various risks. Specifically, the management has taken suitable measures to establish and uphold robust internal control systems and compliance to ensure transparency, integrity, and proper governance in its business activities. Furthermore, management diligently monitors and enhances data privacy and security, IT modernization program delivery, IT service management, and digital solutions for business operations.

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Internal Audit

Internal audit adopts a risk-based approach in developing its annual audit plans for the purpose of providing independent assessments to the AudCom, management, and outside parties on the adequacy and effectiveness of internal controls of the Corporation.

External Audit

SGV & Co., the Corporation's external auditor, is responsible for assessing and expressing an opinion on the conformity of the audited financial statements with Philippine Financial Reporting Standards and the overall quality of the financial reporting process.

Based on the above assurance and submitted reports provided by the internal auditors as well as the external auditors as a result of their reviews, we attest that the Corporation's internal controls, risk management and compliance system and governance practices are adequate.

Date: March 27, 2026.

MARY ROSE P. IGNACIO
Internal Audit Head

RYA AISSA S. AGUSTIN
Chief Audit Executive

MARK JULIUS V. CEZAR
Chief Financial Officer

M B Szucs
MICHAEL B. SZUCS
Chief Executive Officer

Cebu Air, Inc.

2025 Sustainability Report

In compliance with SEC Sustainability Reporting Guidelines for Publicly Listed Companies

INDEX

CONTEXTUAL INFORMATION

Name of Organization	Cebu Air, Inc. (Operates under the trade names “Cebu Pacific” and “Cebu Pacific Air”)
Location of Headquarters	Cebu Pacific Building, Domestic Road, Brgy. 191, Zone 20 Pasay City 1301, Philippines
Location of Operations	Cebu Pacific’s network spans operations in Southeast Asia, East Asia, the Middle East, and Australia. As of December 2025, it operates 37 domestic destinations and 83 domestic routes, as well as 26 international destinations and 42 international routes.
Report Boundary	The data in this sustainability report covers the operations, commercial, and support activities of Cebu Air, Inc. and its subsidiary, Cebgo, Inc., collectively known as “Cebu Pacific”, for the calendar year 2025. For specific flight-related energy and emissions disclosures, the 2025 sustainability report covers Cebu Air, Inc., Cebgo Inc., and AirSWIFT Transport, Inc. Notes are made for any other exceptions.
Business model, including primary activities, brands, products, services	Cebu Air, Inc., together with its subsidiaries Cebgo Inc. and AirSWIFT Transport Inc., is the leading low-cost carrier (LCC) in the Philippines. It pioneered the “low fare, great value” strategy in the local aviation industry, prioritizing safe, affordable, and reliable air travel for passengers. This is achieved through frequent, high-capacity flights, efficient aircraft utilization, a modern fleet, minimized distribution costs, and operational efficiency. Cebu Air, Inc., Cebgo Inc., and AirSWIFT Transport Inc., also provide competitive and efficient air cargo services through a network of shippers and cargo agents. In addition, Cebu Pacific conducts aircraft maintenance, repair, and overhaul through Aviation Partnership (Philippines) Corporation (Aplus), ground handling services through 1Aviation Groundhandling Services, Corp (1Aviation), aviation training through Philippine Academy for Aviation Training, Inc. (PAAT), doing business as CAE Philippines, Inc., and loyalty and rewards programs through Digital Analytics Ventures, Inc. (DAVI).
Reporting Period	01 January 2025 – 31 December 2025
Highest Ranking Person responsible for this report	Aileen M. Isidro Vice President for Corporate Strategy and Risk Officer Corporate Strategy Office CEBsustainability@cebupacificair.com

MATERIALITY PROCESS

Cebu Pacific's materiality process consists of three main steps:

1. Identification - Identification and fair representation of possible business and sustainability issues.
2. Prioritization - Evaluation and prioritization of topics using clear, replicable assessment criteria.
3. Response - Reinforcement of sustainability pillars in response to identification and prioritization of material topics.

Following this process, Cebu Pacific's most recent materiality review was conducted in 2024. It listed its significant actual and potential impacts on the economy, environment, and society based on its activities for the year and then identified the corresponding material topics based on these impacts. Topics that could significantly affect Cebu Pacific's operations and financial performance were also identified.

In topic identification, Cebu Pacific conducted industry benchmarking, reviewed its material topics from the previous report, and consulted the International Air Transport Association (IATA) Airline Sustainability Reporting Handbook and the Global Reporting Initiative (GRI) Standards and Sustainability Accounting Standards Board (SASB) Standards.

The table below presents the full list of material topics for 2025 as well as their alignment with Cebu Pacific's four Value Creation Pillars and eight guiding principles under which the material topics fall. These principles shape the Cebu Pacific's culture, performance, and growth, fueled by a strong dedication to the ideals of sustainable development.

The 2024 topic "Climate Strategy" has been renamed to "Climate Resilience" to clarify its focus on climate risk assessment and adaptation based on climate scenario analyses, distinguishing it from "Decarbonization". No other changes were made to Cebu Pacific's 20 material topics from 2024, as they remain relevant and applicable for this reporting period.

Identified Material Topics

Legend: Cebu Pacific's Value Creation Pillars

- Enriching Juan Enterprise (Economic)
- Caring for Juan Planet (Environmental)
- Growing as Juan Family (Social)
- Building Juan Community (Governance)

2025 Material Topics	Increased Enterprise Value	Operational Excellence	Cost Leadership	Sustained Value Creation	Uncompro-mising Safety	Talented and Diverse People	Customer Satisfaction	Impactful Innovation
Financial and Economic Performance	✓		✓					
Network and Fleet	✓			✓				
Product and Service Innovation	✓						✓	✓
Operational Resilience		✓					✓	
Business Continuity		✓					✓	
Crisis and Disruption Management		✓			✓		✓	
Supply Chain Management		✓	✓					✓
Digitalization							✓	✓
Cost Management			✓					
Decarbonization			✓	✓				
Climate Resilience		✓		✓				
Resource and Waste Management				✓				
Safety, Quality and Security (SQS) and Occupational Health and Safety (OHS)					✓			
People Development and Training				✓		✓		
Diversity, Equity, and Inclusion						✓	✓	
Employee Well-being and Engagement				✓		✓		
Customer Experience and Satisfaction							✓	
Corporate Governance								✓
Customer and Data Privacy							✓	✓
Cybersecurity							✓	✓

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed[a]

Disclosure	2025 Amount	2024 Amount	Units
Direct economic value generated	₽120,852,717,207	₽105,659,324,176	Php
Direct economic value distributed:	113,334,278,047	102,531,585,579	Php
• Operating costs	23,428,943,205	20,129,595,525	Php
• Employee wages and benefits	11,748,962,100	9,941,767,722	Php
• Payments to suppliers, other operating costs	67,332,407,860	65,498,477,263	Php
• Dividends given to stockholders and interest payments to loan providers	10,442,881,860	6,805,219,347	Php
• Taxes given to the government	377,876,252	155,552,531	Php
• Investments to the community (donations, CSR)	3,206,770	973,191	Php
Economic Value Retained	7,518,439,160	3,127,738,597	Php

[a] *The scope of the financial data in this table includes AirSWIFT.*

IMPACT	Cebu Pacific is able to generate wealth for its stakeholders through its business activities. This leads to the growth and development of local, national, and international economies. With greater capacity and more passengers and flights flown in 2025, Cebu Pacific recorded 14.4% more revenue compared to 2024. Of this, 94% is distributed to stakeholders, mostly in the form of payments to suppliers (59%). About 21% is spent on operating costs, while 10% is distributed as employee wages and benefits and 9% as dividends and interest payments.
STAKEHOLDERS	Customers, Employees, Suppliers and Service Providers, Government and Regulators, Partner Communities and Destinations, Investors and Shareholders, Lenders and Creditors
MANAGEMENT APPROACH	Cebu Pacific continued to show strong financial performance in 2025, primarily supported by its hub development and fleet expansion. As of 2025, Cebu Pacific has a fleet of 100 aircraft (with an average age of approximately 5.74 years) serving 83 domestic routes and 42 international routes with a total of 3,875 scheduled weekly flights. It flew 26.9 million passengers over 169,407 flights, an increase of 10% and 6%, respectively, compared to 2024. This growth can be attributed to Cebu Pacific's sustained market share in both domestic and international travel, alongside its initiatives to improve its fleet, infrastructure, personnel, and services. Cebu Pacific has also made significant acquisitions. In October 2024, Cebu Air, Inc. acquired 100% of AirSWIFT Transport, Inc. for PHP 1.38 billion, which directly contributed to Cebu Pacific's growth opportunities and continued network expansion in 2025. The step-up acquisition of 1Aviation Groundhandling Services, Corp. resulted in a gain of PHP 230.4 million (primarily from the remeasurement of its previously held interest), significantly improving Cebu Pacific's control over

ground operations and ensuring efficient, safe, and integrated services for its fleet.

Key acquisitions in aircraft support Cebu Pacific’s long-term business growth. The delivery of seven new aircraft (primarily Airbus A330neos) allowed Cebu Pacific to reach a milestone fleet of 100 planes by mid-year. At the same time, it has retired older jets to maintain fleet size, focusing on modernizing with efficient New Engine Option (NEO) jets for regional and long-haul routes. Key deliveries included the first A330neo in March and the 100th aircraft (also an A330neo) in July. These acquisitions directly contribute to cost efficiency, especially regarding the financial gains with their reduced fuel consumption.

Network and Fleet

Cebu Pacific is set to transition to an all-NEO fleet by 2030, bringing significant improvements in aircraft performance and fuel efficiency. Paired with optimized route planning, the extended flight range of these aircraft enhances connectivity across domestic and regional markets. This combination also drives cost savings, enabling reinvestment into network expansion and customer experience improvement.

In 2025, Cebu Pacific progressed with its landmark purchase agreement for up to 152 aircraft with Airbus and its comprehensive engine maintenance program with Pratt & Whitney, focusing on securing maintenance support and managing potential geopolitical impacts to receiving the aircraft. This agreement covers the upkeep of the Geared Turbofan (GTF) engine fleet for the landmark 152-aircraft order, aligning costs with actual engine usage to ensure operational resilience. This is primarily due to the potential impacts from new US tariff policies (introduced in 2025) on its deal with European-based Airbus. As of mid-2025, no delays to the scheduled 2029 start date for aircraft deliveries were reported, and Cebu Pacific continues to receive aircraft from previous orders, reaching a fleet of 100 aircraft by end 2025.

Additionally, it continues to diversify its capabilities to meet the rising demand for air travel through partnerships with other airlines like Saudi Arabia’s Flyadeal. With a Memorandum of Understanding (MoU) to explore a wide-ranging strategic partnership, this partnership allows Cebu Pacific to cover commercial initiatives as well as maintenance and engineering support. For Cebu Pacific, the wet lease deal helps maximize the use of its growing fleet by generating revenue during its slower months through third-party use.

As part of its growth strategy, Cebu Pacific also strengthened its Clark International Airport hub, launching new direct domestic connections (Clark–Naga and Clark–San Jose) and increasing seat capacity. This highlighted Clark’s growing role as a major aviation gateway outside Manila and contributes to the overall push Cebu Pacific is making towards strengthening its non-Metro Manila hubs. This includes new services and increased frequencies across key domestic markets, boosting connectivity within the Philippines.

Cebu Pacific also had strong performance on regional international services such as Hong Kong flights (which became its second-largest international market in the first quarter of 2025), with rising demand from non-Metro Manila cities. To ensure that its fleets could meet demand, it also realigned some services—like turboprop relocations from Manila to Clark—in response to operational shifts while focusing on demand-driven routes like Da Nang and Chiang Mai.

Product and Service Innovation

Cebu Pacific continues to develop innovative solutions and ancillary offerings that enhance affordability, convenience, and customer choice, while differentiating its value proposition in the highly competitive LCC market. In 2025, Cebu Pacific continues to uphold its commitment to bring low-cost flights to its passengers, bringing back its much-awaited Piso Sale promotions and other seat sale special offers.

Cebu Pacific continuously monitors opportunities to enhance its services and products. It gathers passenger feedback and recommendations via post-flight Customer Satisfaction (CSAT) surveys and takes note of sentiments shared online. The CEB Squad, a digital insights community implemented through the Alida platform, also provides Cebu Pacific with rich, actionable customer experience research that has directly shaped its product and service offerings. Proactive industry and market data analysis also allows Cebu Pacific to adapt based on the needs of the market.

To streamline customer interactions and improve efficiency, Cebu Pacific partnered with Ada, a global leader in artificial intelligence (AI) customer service, and introduced its first generative AI agent, making it the first airline in Southeast Asia to use this technology in customer service. This development will not only improve responsiveness and convenience for travelers, but also increase efficiency overall across all of Cebu Pacific's digital channels.

Business Continuity

Cebu Pacific's business continuity efforts are centered on investing in smart operations systems, strengthening maintenance and supply chains, and adopting flexible service practices, all designed to ensure stable operations, minimize disruption impact, and sustain long-term growth even amid industry pressures.

Business Continuity is being developed as an enterprise-wide capability, with the Enterprise Risk Management (ERM) function that will serve as both policy owner and program coordinator across business units. Oversight will be provided by the Risk Management Committee (RMC), which ensures alignment with the ERM framework and strategic priorities. Consistent with Cebu Pacific's compliance with minimum continuity requirements set by local aviation authorities, the ongoing rollout of the Enterprise Business Continuity Plan (BCP) is focused on building practical, operational resilience that goes beyond what is required. This includes embedding continuity planning into core processes, further strengthening coordination across functions, and ensuring that response and recovery arrangements remain aligned and well-established across the critical processes, systems, and resources of Cebu Pacific.

Cebu Pacific partnered with Lufthansa Systems to adopt the NetLine suite, a next-generation operations control and crew management platform. This system uses real-time data on weather, airspace, aircraft performance, and crew schedules to help proactively identify and mitigate disruptions, optimize crew rostering, and improve operational decision-making—supporting continuity even during irregular operations or rapid network growth.

To address engine-related supply-chain constraints in 2025, Cebu Pacific adopted contingency measures such as flexible scheduling (including leasing arrangements) to maintain flight continuity despite capacity impacts. Cebu Pacific has also taken steps to modernize its Human Resources Management System (HRMS) by adopting Darwinbox. This platform centralizes and streamlines HR operations, driving greater efficiency and strengthening the foundation for a resilient, future-ready workforce.

Cebu Pacific also made headway into supporting its broader digital transformation roadmap with an upgraded Navitaire New Skies, successfully moving to version 4.7 in September 2025. The upgrade modernizes a long-standing core passenger service solution, ensuring it remains robust, scalable, and aligned with evolving business needs. The Systems, Innovation and Training (SIT) team conducted comprehensive user acceptance testing, validated dependencies, and coordinated with departure control system providers to align integrations and installations, enabling a smooth deployment. Cebu Pacific conducted training, data migration, and a platform upgrade from February to September 2025. These improvements will further bolster Cebu Pacific's online booking, baggage, seat selection, and overall passenger management, enabling its high-density seating and growth—as demonstrated during information technology (IT) outages where Navitaire's restoration was key to resuming operations.

In addition, Cebu Pacific is strengthening operational resilience by investing in its pilot workforce, a critical component of flight operations. It expanded its long-standing training partnership with CAE by planning an Airbus A330neo full-flight simulator at its Clark training centre to support pilot training capacity as the airline's fleet grows. This investment strengthens Cebu Pacific's ability to train pilots on both existing A320 and ATR models and future wide-body aircraft in the fleet, enhancing operational readiness and safety. Investments in simulator technology and structured cadet pathways also contribute to consistent, high-quality training required for safe and reliable flight operations, which are essential for business continuity.

Crisis and Disruption Management

Long-term planning ensures that Cebu Pacific can maintain essential functions during major or prolonged disruptions, including pandemics, infrastructure failures, or regulatory issues.

As an integral part of Crisis Management, Business Continuity should follow or run parallel in the event of a disruption or emergency, and is based on three principles:

- Risk mitigation strategies, to reduce the risk of operational disruption
- Crisis response strategies, to respond correctly in times of crisis to minimize damage
- Business restoration strategies, to get operations running as soon as possible

Lapses can negatively affect community-level economies, especially tourism-dependent areas, and service interruptions can impact passengers, employees, and communities relying on consistent transport. Thus, Cebu Pacific's business continuity plan maintains economic activity by keeping air transport and dependent tourism and trade stable, therefore preserving jobs and access to mobility during crises.

Cebu Pacific ensures that its Network Control Center (NCC) is always prepared to activate contingency plans should its main headquarters become non-operational. BCP exercises are conducted regularly to test and reinforce these plans in simulated crisis events, monitoring the speed and motion of the team's evacuation process and setup at the alternate site. This year saw further improvements and corrections to the BCP, with no reported issues from the related crisis management teams.

Cebu Pacific also prioritizes rapid and effective response to unexpected events, including natural disasters, accidents, and operational disruptions, to minimize impact and restore normal operations. It refers to its Emergency Response Procedures Manual (ERPM), an established corporate emergency response plan. This plan centrally manages and coordinates all activities to respond to major aircraft incidents, accidents, and other unfavorable events that may result in serious injuries, fatalities, or major damage causing significant disruptions to airline operations. Cebu Pacific's Operations Planning Group (OPG) plans ahead of known and forecasted events. This includes functional groups that may need to implement their departmental contingency plans. In the event of an actual crisis, the Crisis Management Team (CMT) is activated depending on the severity of the emergency. Simulations, tabletop exercises, debriefings, and audits guide continuous improvements, ensuring that response processes are efficient and contingency measures are in place to maintain operational resilience.

Operational Resilience

In 2025, Cebu Pacific has made further strides to ensure it has sufficient agency with its operations. One such example is that all domestic flights from Manila are now handled by itself, reducing its reliance on third-party small fuel suppliers. With direct control over fueling procedures, staff training, and equipment maintenance, hubs like small or remote airports can remain operational even when fuel suppliers find the market unattractive. Investing in resilient internal infrastructure and world-class systems is also central to enhancing safety, improving aircraft assignment, optimizing roster planning, and ensuring regulatory compliance.

Cebu Pacific aims to improve cargo handling efficiency by allowing cargo acceptance directly from its partner warehouses. This initiative aims to decongest the main cargo warehouse in Manila, reduce truck waiting time, improve customer experience, and support on-time uplift and delivery of goods within the Philippines. Cebu Pacific collaborates closely with 2GO Group's logistics arm (including 2GO Express and 2GO Forwarding) for cargo acceptance and handling services. 2GO acts as a key logistics partner, helping Cebu Pacific move freight efficiently and reliably through its transport network.

Likewise, Cebu Pacific's partnership with AP Cargo assists with freight brokerage, airport-to-airport cargo acceptance, documentation, and cargo clearance services. This helps shippers move goods using the airline's aircraft capacity, and leverages AP Cargo's own nationwide network to support air cargo movement and delivery. Finally, Cebu Pacific has also augmented its Manila Cargo Operations' warehouse capacity. The project involves the establishment of a full cargo acceptance operation at an offsite facility, which includes end-to-end cargo acceptance activities such as shipment intake, verification of documentation and packaging compliance, weighing and labelling, and x-ray screening to meet security clearance requirements prior to transfer to the main cargo terminal. This reduces congestion within the existing Domestic Cargo Warehouse at the Ninoy Aquino International Airport (NAIA) Terminal 4 (T4), and supports overall operational efficiency and service reliability.

Cebu Pacific aims to proactively navigate supply chain disruptions and Pratt & Whitney engine issues by securing additional spare engines, materials, and leased aircraft to minimize fleet impact and maintain reliable flight operations for passengers. These efforts are led by the EFM department. With a 45% increase in spare engines for 2025, Cebu Pacific continues to provide dependable and low-cost flights to the public, championing connectivity while supporting tourism and the broader Philippine economy. To support its Airbus fleet, EFM has widely adopted state of the art digital aircraft management tools under the Skywise Platform, enabling real-time tracking of airplane defects in-flight and allowing proactive preparedness to address the issue upon aircraft arrival. This limits the impact of last minute technical issues that can lead to delays and cancellations.

Cebu Pacific has also launched base maintenance operations and capabilities ensuring greater operational flexibility and maintenance quality, while furthering maintenance, repair, and overhaul (MRO) full-service growth in the Philippines. In 2025, Aplus completed 18 Lighter checks for Cebu Pacific, with potential to cater to other airlines in the future.

Through these initiatives, Cebu Pacific ensures it can properly and efficiently maintain its aircraft to improve On-time Performance (OTP) for its passengers. Metrics aside, these measures also play a more significant role in reinforcing its commitment to ensure reliable and safe air travel to its customers.

Supply Chain Management

In 2025, Cebu Pacific strengthened its supply chain resilience through long-term maintenance contracts, expanded repair partnerships, and integrated parts supply solutions with several third-party contractors. These initiatives are meant to reduce disruptions, improve parts availability, and ensure aircraft uptime as Cebu Pacific's network and fleet continue to grow—which also helps it to maintain a high level of service for its passengers.

Cebu Pacific signed a 12-year comprehensive maintenance services agreement with Pratt & Whitney for its GTF engine fleet. This deal helps stabilize maintenance planning, cost forecasting, and technical support for a large portion of its fleet. Likewise, Cebu Pacific partnered with AAR CORP. on a multi-year nacelle component repair agreement for its CFM56-5B engines. This strengthens the availability of critical parts and repair services through a reliable third-party supplier, reducing turnaround time and supporting aircraft availability. Finally, Cebu Pacific selected Lufthansa Technik to manage integrated consumables and expendables (C&E) supply for its fleet. By consolidating thousands of small but essential parts through a global supply network, Cebu Pacific boosts reliability and reduces the risk of grounding its aircraft due to missing components.

Cost Management

Cebu Pacific optimizes expenses across operations, fuel, maintenance, and supply chains to maintain affordable fares while ensuring sustainable profitability. Careful cost management allows more efficient use of resources, helps sustain affordable fares that support tourism and local economies, and improves accessibility for people by keeping travel within reach.

Monthly Treasury Risk Management (TRM) meetings are held to assess current risk management strategy in relation to market conditions and profit projections. If deemed the appropriate strategy, fuel and foreign exchange (FX) costs are hedged using derivative instruments to act as insurance against extreme price increases.

The team uses derivatives called "Options" that allow Cebu Pacific to benefit from lower fuel prices while still being protected from price spikes. In recent instances of price spikes, hedges for fuel and FX helped cushion some of the impact, proving they are a viable risk management tool.

The goal is to have insurance in place in case of catastrophic price increases on fuel and FX. The monthly frequency of TRM committee meetings provides a good balance between flexibility and consistency, and has been established as a formal part of senior management's regular meetings.

Cebu Pacific also aims to manage the cost of fuel and foreign currency (FX) by insuring itself against price increases through the use of hedging products. Hedging provides a form of insurance against extremely high costs, which in turn could push up ticket prices. Having insurance helps Cebu Pacific keep its pricing competitive, ultimately benefiting passengers.

The hedging program itself includes the use of financial derivative products so that a portion of Cebu Pacific's fuel and FX costs are either fixed or capped. The strategy is discussed on a monthly basis with the TRM Committee and approved at the Executive Committee level and by major shareholders.Through the careful selection of hedging instruments, Cebu Pacific was insured from extreme price moves of fuel and FX at minimal cost, and still enjoyed lower prices when the markets were not favorable.

RISKS

The following are the top enterprise risks that Cebu Pacific faced:

- Original Equipment Manufacturer Risk
- Regulatory and Geopolitical Risk
- Economic Stability Risk
- Third-Party Risk
- Safety and Climate Risk
- Digitalization Risk
- Infrastructure Constraints Risk
  Brand and Reputational Risk

OPPORTUNITIES

The following are the major opportunities for Cebu Pacific:

- Locational Advantage Unlocks Regional Market Access
- Customer Options for Sustainable Air Travel
- Tourism-Driven Demand for Travel
- Investments in Weather Information Systems Enhance Reliability
- Young and Expanding Consumer Base
- Carbon Emission Reductions Through Fuel-Efficiency Initiatives
- Enhanced Efficiency and Market Access with New and Expanded Airports

● Positive Brand Image and Reputation

Climate-Related Risks and Opportunities

Cebu Pacific acknowledges the threat of climate change to the planet, people, global economy, and its own operations. In an archipelagic region prone to tropical cyclones, the airline industries in the Philippines are significantly affected by weather and climate. Extreme weather events, such as tropical cyclones and heavy rainfall, may affect Cebu Pacific's workforce and flight operations, possibly leading to flight cancellations and damage to vulnerable assets like aircraft and ground support equipment. In addition, changing socioeconomic conditions, regulatory shifts, and technological advancements related to climate change present both risks and opportunities for the business.

Understanding these climate impacts helps Cebu Pacific prepare for and mitigate potential risks, and use opportunities to its advantage to safeguard assets, support stakeholders, and contribute positively to communities.

Cebu Pacific has also made the initiative to integrate climate responsibility into business continuity and investments. This includes identifying climate-related risks and opportunities, conducting climate resilience assessments, implementing strategies for both decarbonization and climate adaptation, and exploring sustainability-linked financing options to fund its decarbonization strategy and overall sustainability vision.

GOVERNANCE

Level	Governance/Management Response Strategy
Company Policies	● Cebu Pacific's Environment Commitment directly addresses climate-related opportunities and risks by stating its aim to reduce carbon emissions through investments in technology, efficiency, and optimization, and finding ways to offset emissions through globally accepted mechanisms.
Board	● The Board oversees climate-related risks and opportunities through the Corporate Governance Committee (CGC), which has oversight responsibilities over the environmental, social, and governance (ESG) aspects of Cebu Pacific's strategy and risk management, and the Board of Risk and Oversight Committee (BROC)
Management	● The Risk Officer responsible for the governance of the risk management framework, ensuring that key ESG-related exposures and climate risks are systematically identified, analyzed, and integrated into Cebu Pacific's overall risk profile. ● The Environment, Social, and Governance Committee (ESGC) develops and evaluates climate-related programs and metrics.
Operations handling Climate-related Risks and Opportunities	● The Sustainability Team monitors key climate-related indicators, such as greenhouse gas (GHG) emissions and carbon intensity, consolidating results and key insights for ESGC review and Board approval via the relevant committees. ● The OPG is a tactical management group that ensures Cebu Pacific sustains a high level of operational preparedness in the face of potentially disruptive events, such as adverse weather conditions. It facilitates coordinated action between different departments in handling known or forecasted disruptions.

	• The CMT is a strategic management group that handles actual disruptive events, such as impacts of adverse weather events, as they occur, with the goal of avoiding or mitigating potential impacts to the business, including operational, safety, and reputational impacts. When necessary, it also coordinates with third-party emergency response service providers in times of extreme weather crises, improving Cebu Pacific's response to climate hazards. • The Airline Safety Review Committee (ASRC), which reports to the BROC, supports climate risk management by ensuring that safety standards, policies, and procedures remain relevant and adequate in addressing risks arising from climate-related events. • The Risk Management Committee (RMC), which also reports to the BROC, oversees and guides enterprise-wide risk management strategies, including the identification, assessment, and mitigation of climate-related risks across all functions.

RISK MANAGEMENT

Cebu Pacific identified climate-related physical risks and opportunities at the facility level, alongside their operational and business impacts. Its climate resilience was also evaluated against various climate scenarios. This process gauged the inherent exposure of Cebu Pacific's assets and helped in developing tailored risk mitigation strategies to enhance operational efficiency and business continuity.

The definitions of short-term (1–5 years), medium-term (6–15 years), and long-term (16 years and beyond) in this analysis closely mirror the general timeframes used in Cebu Pacific's own strategic decision-making. The 2030–2060 timeframe, which falls under medium-term to long-term, was chosen to match the projected timelines of climate models and the operational lifespan of Cebu Pacific's assets, ensuring that the assessments remain relevant.

Cebu Pacific strengthened its climate resilience approach through a structured assessment of physical climate risks across its network. The assessment first identified key hazards relevant to its operating locations, including tropical cyclones, flooding, extreme heat, and sea level rise. Climate exposure was then screened across 41 airports, and a pilot facility was prioritized based on medium-to-high exposure and business criticality. For this pilot site, Cebu Pacific conducted climate vulnerability analysis, including cyclone wind, flood, and temperature modelling to quantify potential impacts and inform risk management and resilience planning.

This targeted analysis is the first phase of a broader strategy that Cebu Pacific intends to replicate across its portfolio of critical operational assets and to new investments. Climate resilience is increasingly integrated into its business processes, serving as a basis for refining strategic planning and for strengthening ERM and Business Continuity Planning. This ensures an approach to managing climate risks that is robust and actionable at the operating unit level.

Climate scenario analysis

Climate scenarios are used to assess impacts across different climate futures, whether emissions continue to rise globally, or eventually decline to net zero. This helps organizations assess the potential future impacts to the business, informing decisions for adaptation and mitigation strategies, and supporting long-term business resilience.

The IPCC's Representative Concentration Pathways (RCP) 8.5 and 4.5 were selected as climate scenarios. RCP 8.5 represents a high-emission scenario where GHG emissions continue to rise rapidly, leading to greater impacts from increased global temperature, faster sea-level rise, and extreme weather events as a consequence of climate inaction. RCP 4.5 represents a "middle of the road" scenario where emissions peak around mid-century before declining.

Using scenarios, the analysis encompasses a broad spectrum of potential future emissions trajectories to assess physical risks.

Cebu Pacific's physical climate-risk modeling is based on current advancements in climate science, using peer-reviewed scientific studies and subject to refinement as climate science evolves. The following are reliable tools and data sources used for Cebu Pacific's climate scenario analysis:

Parameter	**Data source or tool used**	**Advantage**
Temperature projections	Coordinated Regional Climate Downscaling Experiment for Southeast Asia (CORDEX-SEA)	High-resolution data, allowing detailed spatial and temporal analysis
Future tropical cyclone frequency and intensity	Coupled Model Intercomparison Project Phase 6 (CMIP6) of the IPCC	Incorporates atmospheric, oceanic, land surface, and sea parameters
Flood modeling / hydrological analysis	Hydrologic Engineering Center – Hydrologic Modelling System (HEC-HMS)	Tool to generate hydrographs and flood maps
	PAGASA's Climate Information and Risk Analysis Matrix (CLIRAM)	Projected rainfall data that is current and has high spatial and temporal resolution, capturing regional climatic features

Transition risks and opportunities were identified and assessed through a similar process as physical risks, considering two scenarios with different economic and regulatory conditions. These plausible climate scenarios were gleaned from a scan of risk-driving trends.

Scenario 1 presents a business-as-usual environment in which moderate pressure allows the Philippines to decarbonize at a gradual pace. Meanwhile, Scenario 2 presents a regulatory rush in which regulations exert heavy pressure on Philippine industries to decarbonize more rapidly.

Scenario	**Scenario Description**	**Scenario Basis**	**Emissions Reduction by 2050 (from 2010 levels)**	**Regional Policy Variation**
Scenario 1 Limited Transition (Business as Usual)	An intermediate-emissions scenario, with emissions increasing before declining around mid-century. It falls short of Paris Agreement Goals and is broadly aligned with emissions profiles from current emissions reductions commitments through shifts to renewables. In it, the Philippines follows suit with developing Asia-Pacific economies, and the 21st Congress of the Philippines introduces carbon pricing.	**RCP 4.5**	**24–38%**	**High**
		NGFS Current Policies	-	Medium
		PEP CES1	31.6%	-
Scenario 2		**RCP 2.6**	**41–72%**	**Low**

Regulatory Rush	A climate mitigation intensive scenario, assuming emissions peak by the end of the 2020s. It focuses on limiting warming to 2°C through global coordination to reduce energy and emissions intensity through shifting to renewable energy, nuclear power, and application of carbon capture and storage technology. In it, global pressure compels the 20th Congress of the Philippines to adopt carbon pricing.	NGFS Net Zero	-	Medium
		IPR	-	Medium
		Climate Analytics	94–100%	-

Using these scenarios, Cebu Pacific conducted the following process to identify specific factors and their impacts on business operations, as well as response strategies:

Risk & Opportunity (R&O) Identification			Risk Assessment & Prioritization			Strategy
Step: 1	**2**	**3**	**4**	**5**	**6**	**7**
Building Scenarios	**Scanning of Low Carbon Trends**	**Identifying R&Os Across Value Chain and Beyond**	**Implications**	**Qualitative Rating and Ranking**	**Quantification**	**Transition Strategy**

This analysis helped to identify potential cost savings, new market ventures, and investment areas in response to climate opportunities that can enhance Cebu Pacific's resilience and competitiveness. It embeds climate considerations into its core business activities so that it can strengthen its strategic planning and decision-making processes, foster investor confidence, and improve market positioning.

STRATEGY

The following tables present Cebu Pacific's climate-related physical and transition risks and its climate-related opportunities. These were identified through a climate scenario analysis and resilience assessment process, detailed in the previous section. The tables also present the current and potential implications of the identified risks and opportunities, as well as Cebu Pacific's adaptation and mitigation plans and actions, and the current and potential financial impacts after these controls are implemented.

Climate-related Risks

Risk	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Mitigating Measures
Physical - Acute Risks				
Rain-induced flooding near airports	Inundation of airport facilities, both landside and airside, caused by extremely heavy rainfall or overflowing rivers or streams, overwhelming drainage systems.	• Disruption in flight operations and reduced access to the airport for passengers and crew. • Flight cancellations may result in	**REVENUES**: Refunds and rebooking due to flight cancellations may result in reversal of revenues. **EXPENDITURES, ASSETS**: Repair and	The OPG uses local and international weather forecasts and aviation planning software for flight operational preparedness, ensuring effective response strategies against extreme weather events. Resources include

Risk	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Mitigating Measures
Extreme wind due to tropical cyclones	Winds associated with extreme tropical cyclones caused by higher ocean temperatures.	rebooking and refund requests. ● Flooding may damage physical assets, such as GSE. ● Disruption in flight operations. Flight cancellations may result in rebooking and refund requests. Extreme winds may also damage physical assets, such as aircraft.	maintenance costs or impairment of damaged assets.	PAGASA, WNI, Aviation Weather Center, AIMS Airline Software, and NAVBLUE. The CMT directs crisis management, including activating the Emergency Response Procedures (ERP) and potentially incorporating external assistance.
Lightning strikes due to tropical cyclones	Increased frequency of lightning strikes (associated with tropical cyclones) caused by elevated temperatures.	Disruption in ground operations. Injury for ground crew working in open spaces (e.g., runway). Lightning strikes may also damage GSE.	**EXPENDITURES, ASSETS**: Repair costs of damaged assets.	Coordination with air traffic control (ATC) is done to manage activities during lightning alerts. Alert levels are implemented with corresponding procedures such as the “Red Alert” protocol, requiring the immediate suspension of ramp and ground activities when lightning is detected. Ground personnel undergo regular training on lightning safety and emergency procedures, with strict enforcement of the “shelter-in-place” policy and designated safe shelters provided during thunderstorms. Procedures are in place for securing or moving GSE to safe areas during lightning warnings, supported by daily GSE inspections and functional checks conducted by the ground handler.
Physical - Chronic Risks				
Heat stress	Heat-related illness in employees caused by elevated atmospheric temperatures.	Decreased productivity, increased traveler discomfort, or heat-related ill-health (e.g., heat stroke).	**EXPENDITURES:** Increased energy cost to maintain safe working temperatures	● Work-rest cycles are implemented for ground personnel, with schedule adjustments during periods of extreme heat. Shaded rest areas, air-conditioned break rooms, and hydration stations are provided throughout the work area. Personnel are trained to recognize early signs of heat stress and follow established heat safety protocols. ● Operations teams closely monitor temperature advisories to plan workload distribution and minimize exposure during peak heat hours.

Risk	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Mitigating Measures
				● Travelers are provided with cooling areas and adequate ventilation in passenger processing zones. ● Medical teams are on standby to address heat-related incidents.
Engine inefficiency from elevated atmospheric temperatures	Decreased payload capacity due to reduced engine performance and aerodynamic efficiency at higher temperatures, resulting in lower thrust and lift.	Increased fuel consumption due to increased engine power requirements during takeoff.	**EXPENDITURES**: Higher fuel cost per passenger due to lower aircraft payload.	Investing in more fuel-efficient NEO aircraft to counteract the potential increase in fuel consumption associated with higher take-off thrust.
Transition - Policy and Legal Risk				
Inability to meet sustainability-linked loan (SLL) targets	Increased financing costs associated with Cebu Pacific's SLL due to the airline's failure to meet annual jet fuel emissions intensity targets.	Increased interest rates for the SLL.	**CAPITAL & FINANCING**: Unrealized savings in financing cost for the specific aircraft under SLL.	Cebu Pacific's 5F Decarbonization Strategy is aligned with its SLL targets, reducing exposure to this risk. A third party conducts external assurance on Cebu Pacific’s jet fuel emissions to comply with the SLL's requirements.
Non-compliance with obligations of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA)	Inability to meet CORSIA offsetting requirements, due to insufficient carbon credit supply.	Potential penalty for non-compliance once the mandatory implementation takes effect by the Civil Aviation Authority of the Philippines (CAAP). Non-compliance could also damage Cebu Pacific’s reputation.	**EXPENDITURES**: Potential monetary fines or unrealized cost savings by purchasing CORSIA Eligible Emission Units (EEUs) through the spot market.	Cebu Pacific's 5F Decarbonization Strategy reduces its exposure to current and emerging decarbonization policies. Cebu Pacific is engaging with suppliers of CORSIA EEUs to build a database of market-based carbon credit suppliers. Current and anticipated carbon market prices are monitored by the Sustainability and TRM teams. The Sustainability team regularly updates Cebu Pacific's emissions forecast, modeling different scenarios to inform decisions on how much CORSIA EEUs to secure.
Emerging national decarbonization policies	Non-compliance with emerging national and sectoral decarbonization laws and policies.	The Low Carbon Economy Investment (LCEI) Bill and other decarbonization policies are currently under legislation. Non-compliance may result in monetary fines and damage to the airline's reputation.	**EXPENDITURES**: Potential monetary fines, depending on the terms in the regulation.	
Transition - Market Risk				
Volatility of carbon credit prices	Increase in prices of carbon credits, particularly CORSIA EEUs, due to low supply and high demand.	Increased cost of compliance.	**EXPENDITURES**: Additional cost to purchase EEUs.	
Transition - Reputation Risk				
Loss of investor confidence due to unmet targets and commitments	Damage to reputation and loss of investor confidence due to unmet targets and commitments related to decarbonization.	Reputational damage and allegations of greenwashing. Investors who are particularly interested in Cebu Pacific’s ESG performance may pull out or may be	**CAPITAL & FINANCING**: Reduced access to capital from ESG investors	Cebu Pacific's 5F Decarbonization Strategy is aligned with the global aviation industry’s pathway toward decarbonization, consistent with the International Civil Aviation Organization (ICAO)’s

Risk	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Mitigating Measures
		deterred from investing.		Long-Term Aspirational Goal (LTAG) of Net Zero by 2050 for international aviation. Cebu Pacific monitors developments in enabling policies, infrastructure, and technology readiness that could impact its ability to meet its targets and commitments. It provides investors with transparent and timely updates on sustainability performance through quarterly investor relations presentations and annual Integrated Reports.

Climate-related Opportunities

Opportunity	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Management Actions to Realize Opportunity
Resource Efficiency				
Fuel efficiency from fleet modernization and operational efficiency	Modernization to a newer, more fuel-efficient fleet and the adoption of fuel efficiency best practices results in significant fuel savings.	Reduced fuel consumption	**EXPENDITURES**: Decreased fuel cost	Cebu Pacific targets an all-NEO fleet to maximize the fuel savings from fleet modernization. The Network Control and Operations Support team is also actively monitoring the implementation of fuel efficiency best practices.
Products/Services				
Voluntary carbon offsetting programs	Air travel initiatives that enable passengers to voluntarily offset their carbon emissions by opting for environmentally friendly air travel.	Premiums can be paid by willing passengers or corporate entities to reduce the environmental impact of air travel	**REVENUES, EXPENDITURES**: Increased revenues and lower overall cost of decarbonization	Cebu Pacific regularly conducts surveys for passengers and corporate entities, which could be used to gain insight on its customers' appetite for a voluntary offsetting program.
Markets				
Access to environmentally conscious passengers	Cebu Pacific's decarbonization initiatives improve its reputation as the leading Filipino airline in sustainability, and may potentially attract passengers who place great value in environmental stewardship.	Access to new market, potentially expanding Cebu Pacific's market share	**REVENUES**: Increased revenues	Cebu Pacific provides transparent, timely updates on sustainability performance through quarterly investor relations presentations and annual Integrated Reports.

Opportunity	Description	Current and Potential Business and Value Chain Impacts	Potential Financial Impacts	Management Actions to Realize Opportunity
Resilience				
Integration of weather and climate to improve operational resilience and business continuity	Investments in weather forecasting and climate analytics initiatives, including data collection and predictive analyses, to enhance decision-making and insights into climate trends.	Improved operational efficiency from effectively utilizing weather data, resulting in fewer delays and flight cancellations, and enhanced organizational reputation Integration of climate data into business decision-making, improving long-term business continuity	**REVENUES**: Potential increase in customers due to increased reliability **CAPITAL & FINANCING**: Increased access to capital from improved investor confidence	Aviation planning software and weather forecast services are utilized for flight planning. Cebu Pacific also conducted climate scenario analysis to identify operations at risk from climate hazards.

METRICS AND TARGETS

Cebu Pacific's climate-related metrics and targets are integrated within its robust five-pillar decarbonization strategy: Fundamentals, Fleet, Fuel, Footprint, and Finance. Each pillar corresponds to specific goals for which Cebu Pacific actively develops and implements plans.

The table below outlines Cebu Pacific's climate-related objectives and metrics it has identified to track progress for each pillar. Where available, data on Cebu Pacific's performance in the last three years for these metrics are presented in the following tables.

Pillar	Objectives	Identified Metrics
Fundamentals focuses on strengthening the overall sustainability leadership of Cebu Pacific through awareness and employee education.	Employee Awareness and Education	Number of learners
		Total number of learning hours
Fleet details Cebu Pacific's fleet modernization program through the shift to all NEO-powered aircraft and the electrification of its ground transport and support fleet.	Fleet Modernization to NEO	Number of NEO aircraft
		% of NEO aircraft in fleet
		Average aircraft fleet age
	Ground Support Electrification	Number of electric ground support equipment (eGSE)
Fuel pushes for the implementation of fuel-saving	Utilize sustainable aviation fuel (SAF) Across Cebu Pacific's Commercial Network by 2030	Scope 1 GHG emissions
		Fuel and flight emissions intensity

Pillar	Objectives	Identified Metrics
initiatives and the utilization of SAF, where economically feasible.		Fuel savings and avoided emissions from best practices
Footprint aims to mitigate Cebu Pacific's environmental impact through resource efficiency and decarbonization initiatives outside its primary operations.	Reduction of GHG Emissions	Scope 2 GHG emissions
		Scope 3 GHG emissions
	Shift to Renewable Energy	Renewable energy %
	Nature-based Solutions	Number of trees planted
		Survival rate
Finance incorporates climate responsibility into business continuity and investments.	Sustainable Financing	GHG emissions intensity (associated with SLL)

Fleet Modernization Metrics

Metric	Target	2023	2024	2025
No. of NEO aircraft	All NEO aircraft by 2030	38	51	58
% of NEO aircraft in fleet	100%	43%	52%	58%
Average aircraft fleet age (years)	-	5.9	5.5	5.74

Metric	2023	2024	2025
Jet fuel saved from transition to neo (tonnes)	51,162	65,039	79,602
Estimated GHG emissions avoided from transition to neo (tCO_2e)	161,671	205,525	251,543

Fuel Efficiency

Metric	2023	2024	2025
Fuel efficiency (pax-km/L)[a]	33	34	33

[a] Fuel efficiency data for 2023 and 2024 have been restated after refining the calculation method, ensuring the alignment of RPK values with the ICAO definition.

GHG emissions avoided from fuel efficiency initiatives (in tCO_2e)

Initiative	2023	2024	2025
Continuous Descent Approach	9,230	10,842	12,101
Single Engine Taxiing	4,491	3,919	1,862

Reduce Acceleration Altitude	6,327	10,181	13,744
Idle Reverse Thrust	1,822	2,142	2,353
Optimized Fuel Load	2,175	2,981	3,567
Reduced Flaps at Landing	497	1,622	1,293

GHG Emissions (in tCO_2e)

Disclosures	2023	2024	2025
Scope 1	9,230	10,842	12,101
• Flight emissions[a]	1,689,928	1,920,502	2,173,548
• Non-flight emissions[b]	124,937	163,253	140,071
Scope 2[c]	5,743	5,804	4,271
Scope 3[d]	614,451	591,582	573,760

[a] Scope 1 - Flight emissions data for 2023 and 2024 were restated after refining the coverage of data within the monitoring system.
[b] Scope 1 - Non-flight emissions data for 2023 and 2024 were restated to include jet fuel emissions on ground, in addition to emissions from company-owned vehicles and GSE.
[c] Scope 2 emissions data for 2023 and 2024 were restated, following the application of new internal reporting rules for electricity consumption.
[d] Scope 3 emissions data for 2023 and 2024 were restated based on a reassessment of Cebu Pacific's material categories. The scope now only includes Category 3 (Fuel- and Energy-related Activities) and Category 2 (Capital Goods).

Metric	2023	2024	2025
GHG emissions intensity for passenger transport			
gCO_2e/RPK	77.0	75.3	75.7
gCO_2e/ASK	61.3	62.1	61.2
GHG emissions intensity for cargo transport			
gCO_2e/FTK	1.37	0.94	1.47

Note: Reported figures for 2023 and 2024 have been restated after refining the calculation method, ensuring the alignment of RPK values with the ICAO definition. Abbreviations: RPK is revenue passenger kilometers, ASK is available seat kilometers, FTK is freight tonne kilometers.

Procurement Practices (Local Procurement)
Proportion of Spending on Local Suppliers *(for non-aircraft purchases)*

Disclosure	Quantity		Units
	2025	2024	
Percentage of procurement budget used for significant locations of operations spent on local suppliers[a]	52	52	%

[a]Cebu Pacific defines local suppliers as those based in the Philippines who transact using Philippine currency.

IMPACT	Cebu Pacific continues to support Filipino companies by sourcing available goods and services from local suppliers, contributing to local economic growth and job creation. This results in faster delivery lead times, effective logistics and warehousing, reasonable pricing conditions, and advantageous after-sales service.
STAKEHOLDERS	Suppliers and Service Providers, Partner Communities and Destinations

MANAGEMENT APPROACH	Cebu Pacific continues to support Filipino companies by prioritizing local sourcing where feasible, contributing to local economic growth and job creation. In 2025, Cebu Pacific spent 52% of its procurement budget on local suppliers. This covers non-aircraft-related purchases, including ground service parts and services, catering, IT software and hardware, and safety and security services. Cebu Pacific also deals with foreign suppliers for general purchases. The data reported above covers general procurement, including but not limited to: support for ground service parts and services, catering, IT software and hardware, safety and security services, general supplies, marketing campaigns, inflight products, cargo handling, and airport services. Most aircraft-related items and services are not available locally; these include aircraft, aircraft parts, fuel, and support services at international stations. Supplier resilience, accreditation, and procurement practices are discussed in more detail under Supply Chain Management in the Social Pillar section.
RISKS	● Third-party Risk ● Economic Stability Risk ● Regulatory and Geopolitical Risk Specific risks: ● The limited production capacity and reliance on specialized resources of local suppliers may result in higher costs compared to international suppliers. ● Longer lead times for overseas suppliers persist as they are challenged with ongoing labor shortages, resulting in production delays. ● Delivery delays may arise due to purchased goods shipped from overseas and prolonged processing of customs requirements.
OPPORTUNITIES	● To lay stronger foundations for supply risk mitigation plans, Cebu Pacific can map its sourcing base and begin identifying the supply risks per category. ● There is an opportunity to map commodities that can be sourced locally, then screen these new vendors using Cebu Pacific's supplier accreditation process. Having a robust, more local-based sourcing network (except for foreign Original Equipment Manufacturers [OEMs]) can contribute to better lead and turnaround times, less fuel used for transport, and flexibility in managing orders. ● A performance evaluation system could be established for both new and current vendors. ● Processes can be instituted to ensure vendors are answering truthfully. ● System efficiency could be improved through the automation of processes and better management of documentation and records. ● The Cebu Pacific team can collaborate and encourage vendors to implement environmental initiatives in their own operations.

Anti-Corruption

Training on Anti-Corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to[a]	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%

Percentage of directors and management that have received anti-corruption training*	100	%
Percentage of employees that have received anti-corruption training*	100	%

[a] Training and communication are in the form of the Anti-Bribery and Corruption (ABC) Digests, which are distributed to all employees biannually.

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were removed or disciplined for corruption	0	#
Number of incidents in which business partners were removed or disciplined for corruption	0	#

IMPACT	Anti-corruption and broader corporate governance policies strengthen transparency and accountability and help to preserve the fair distribution of wealth to Cebu Pacific and its stakeholders. This facilitates a culture of trust and ethical conduct across the organization. Furthermore, awareness of airline policies and sanctions is crucial for the prevention of incidents of corruption and other unethical practices.
STAKEHOLDERS	Employees, Suppliers and Service Providers, Investors and Shareholders, Lenders and Creditors
MANAGEMENT APPROACH	Cebu Pacific's commitment to integrity and good governance is exemplified by industry-best practices incorporated into its Governance Manual, Code of Business Conduct and Ethics, and other SEC Circulars aligned with related rules and regulations. These policies aim to safeguard stakeholder interests and maintain a fair working environment. Beyond formal rules, Cebu Pacific actively promotes a deep-seated ethical culture through comprehensive training, a clear code of conduct, and robust mechanisms for confidential reporting, which fortify internal controls and risk management. Cebu Pacific’s Anti-Bribery and Corruption (ABC) Policy outlines its stance, objectives, and specific protocols regarding various forms of corruption, bribery, extortion, and improper payments. The Policy covers all of its business activities and applies to all employees and third parties engaged by Cebu Pacific. The anti-bribery policy is thoroughly integrated into operations, with its positive outcomes managed under standard operating procedures (SOPs). These policies are also communicated to employees through understandable guides that incorporate real-life scenarios and practical examples relevant to employees, such as the ABC Digest. Training and communication on ABC are conducted through the ABC Digests, which are distributed biannually to all employees in Cebu Pacific and its subsidiaries, including the Board of Directors and Management. These are also made available via the Learning Management System. The full ABC Policy is available on Cebu Pacific’s corporate website.
RISKS	● Brand and Reputational Risk ● Third-party Risk

	Specific risks: ● Lack of awareness of Cebu Pacific's policies may result in violations that could affect business transactions and operations. ● Incidents of corruption would result in the unfair distribution of economic value among stakeholders of Cebu Pacific. ● Incidents of corruption can break the trust of internal and external stakeholders and pose reputational risks for Cebu Pacific.
OPPORTUNITIES	● Anti-corruption training can be expanded to include real-life case studies and scenario-based learning. ● Regular refresher courses can be implemented to reinforce ethical standards and compliance requirements. ● Training can be extended to key third parties, such as suppliers and contractors, to ensure alignment with company policies.

ENVIRONMENT

Resource Management – Energy

Energy Consumption within the Organization

Disclosure	Quantity		Units
	2025	2024	
Energy consumption (jet fuel)	32,221,694	29,033,272	GJ
Energy consumption (diesel)	143,982	117,926	GJ
Energy consumption (gasoline)	1,711	2,285	GJ
Energy consumption (electricity)	32,564	31,210	GJ

Note: Sustainable aviation fuel (SAF) was previously reported under this disclosure but is now excluded as it is used for aircraft delivery flights and is considered outside Cebu Pacific's operational control.

Reduction of Energy Consumption

Disclosure	Percentage change vs. 2024
Energy reduction (jet fuel)	*No reduction* (↑ 11.0%)
Energy reduction (diesel)	*No reduction* (↑ 22.1%)
Energy reduction (gasoline)	↓25.1%
Energy reduction (electricity)	*No reduction* (↑ 4.3%)

IMPACT	Cebu Pacific's present activities that still involve the use of fossil fuels produce emissions which contribute to climate change, and which may have impacts on health and air quality in nearby communities. In 2025, Cebu Pacific delivered 169,407 flights, around 6% more compared to the previous year. Heightened operations have resulted in increased absolute energy and fuel consumption, as Cebu Pacific pursues a steady fleet expansion and hub development. To offset these increases, it will continue its ongoing efforts to pursue more efficient and conservative uses of both energy and fuel. It will also continue investments into a more fuel-efficient fleet, while closely integrating its ESG initiatives with its operations.
STAKEHOLDERS	Employees, Government and Regulators, Suppliers and Service Providers, Industry Groups and Associations, Investors and Shareholders, Lenders and Creditors

MANAGEMENT APPROACH	As a low-cost carrier, improving operational efficiencies is a priority for Cebu Pacific. This is done mainly through fleet modernization, fuel-efficient practices, flight plan optimization, and renewable energy adoption, aligning with its broader 5F Decarbonization Strategy. Key initiatives include: ● **Fuel-efficient Practices:** Adoption of industry best practices such as Single Engine Taxi, Continuous Descent Approach, weight reduction measures, and optimization of fuel load, supported by data-driven tools like SkyBreathe® MyFuelCoach and Fuel Management System to monitor fuel use and CO_2 emissions. ● **Fleet modernization:** Transition from older Airbus Current Engine Option (CEO) aircraft to more fuel-efficient NEO aircraft, which can deliver 15% to 20% more fuel efficiency than their predecessors. As a result of this transition, Cebu Pacific saved 79,602 tonnes of jet fuel in 2025. ● **Electric Vehicle Transition Program:** Expansion of electric GSE to reduce emissions, highlighted by the Philippines' first all-electric aircraft turnaround at Mactan–Cebu International Airport (MCIA) using zero-emission electric GSE. ● **Renewable energy adoption:** 100% renewable energy in Aplus and Juan buildings since 2024, in partnership with ACEN Renewable Energy Solutions. This shift contributed to a 30% decrease in Scope 2 emissions. These initiatives are part of Cebu Pacific's 5F Strategy to minimize GHG emissions across the airline's operations. For a detailed discussion of specific practices, technologies, and measurable impacts, refer to the GHG Emissions section.
RISKS	● Economic Stability Risk ● Third-party Risk Specific risks: ● Cebu Pacific is vulnerable to volatility in fuel and energy prices. ● The cost of SAF is prohibitive, and supply is insufficient to meet the industry's demand.
OPPORTUNITIES	● New technological innovations with aircraft and engines can be adapted to lower the carbon emissions of the airline. ● Cebu Pacific plans to maintain its commitment to fleet modernization by consistently acquiring and integrating fuel-efficient aircraft and phasing out the CEO aircraft model. ● Investments in additional SAF production capacity are ramping up. ● Alternative, sustainable energy sources are available for ground support equipment and facilities.

Water Consumption within the Organization

Disclosure	Quantity		Units
	2025	2024	
Water withdrawal	82,546	84,755[a]	cubic meter
● Surface water, including harvested rainwater	5,226	7,364	cubic meter
● Third-party water	77,320	77,391	cubic meter
Water discharge[b]	82,546	84,755	cubic meter

Water consumption	0	0	cubic meter

[a] *Water withdrawal data for 2024 has been restated to include rainwater harvesting (surface water).*
[b] *Water discharge is considered equal to withdrawal, as used water is returned to municipal treatment facilities. Water discharge data for 2024 has been restated accordingly.*

IMPACT	Cebu Pacific's water consumption may contribute to water scarcity or shortage in its areas of operation. Controlling water usage and utilizing recycled water, through initiatives like rainwater harvesting and reusing treated wastewater, helps protect the water resources of these communities while also reducing utility costs.
STAKEHOLDERS	Suppliers and Service Providers, Airport and Airport Authorities
MANAGEMENT APPROACH	Cebu Pacific sources water from third-party providers for its administrative and operational needs. Water withdrawal is regularly monitored and reported. A rainwater harvesting system is in place to mitigate reliance on municipal water supplies. Harvested rainwater primarily serves administrative functions, maintaining the requisite quality standards for operational use. In the future, the installation of water meters in rainwater recovery and recycled water tanks will help improve the measurement and monitoring of water consumption. The expansion of the Cyclean process to other aircraft and types of engines also presents an opportunity for water conservation. Monthly meetings are held with the management-level ESGC to review water withdrawal data and discuss any pressing water-related impacts and issues.
RISKS	● Third-party Risk Specific risk: ● Lack of access to water may impact ground support operations, such as maintenance and aircraft servicing.
OPPORTUNITIES	● The installation of water meters in alternate water tanks can help improve the measurement and monitoring of water use. ● The expansion of the Cyclean process to other aircraft and types of engines presents an opportunity for further water conservation.

Environmental Impact Assessment

Air Emissions

GHG Emissions

Disclosure	Quantity		Units
	2025	2024	
Direct (Scope 1) GHG Emissions – Flight emissions[a]	2,173,548	1,920,502	tonne CO_2e
Direct (Scope 1) GHG Emissions – Non-flight emissions[b]	140,071	163,253	tonne CO_2e
Energy Indirect (Scope 2) GHG Emissions[c]	4,271	6,091	tonne CO_2e
Other indirect (Scope 3) GHG Emissions[d]	573,760	591,582	tonne CO_2e

[a] *Scope 1 - Flight emissions data for 2024 has been restated after refining the coverage of data within the monitoring system.*
[b] *Scope 1 - Non-flight emissions data for 2024 has been restated to include jet fuel emissions on ground, in addition to emissions from company-owned vehicles and GSE.*
[c] *Scope 2 emissions data for 2024 has been restated, following the application of new internal reporting rules for electricity consumption.*
[d] *Scope 3 emissions data for 2024 has been restated based on a reassessment of Cebu Pacific's material categories. The scope now only includes Category 3 (Fuel- and Energy-related Activities) and Category 2 (Capital Goods).*

Air Pollutants *(data from flights only)*

Disclosure	Quantity		Units
	2025	2024	
NOx	1,599	1,431	tonne NOx
SOx	109	101	tonne SOx

IMPACT	Aircraft emissions from jet fuel use constitute the bulk of Cebu Pacific's GHG emissions. In line with increased activity and departures, Scope 1 emissions from flights increased by around 13.2% in 2025. Other Scope 1 emissions are produced from company-owned vehicles and GSE, which decreased by 14.2%. Scope 2 emissions, from electricity use in offices and stations across the country, decreased by 30% due to the shift of AirJuan and Aplus buildings to 100% renewable energy. Meanwhile, Scope 3 emissions are 3% less than in 2024 due to fewer aircraft delivered in 2025, thereby reducing Category 2 emissions. These measurements reflect an increase in the use of energy and fuel overall, as Cebu Pacific pursues a steady fleet expansion and hub development. To offset these increases, Cebu Pacific will continue its ongoing efforts to pursue more efficient and conservative uses of both energy and fuel. It will also continue investments into a more fuel-efficient fleet, while closely integrating its ESG initiatives with its operations.
STAKEHOLDERS	Employees, Customers, Government and Regulators, Suppliers and Service Providers, Industry Groups and Associations, Investors and Shareholders, Lenders and Creditors, Partner Communities and Destinations
MANAGEMENT APPROACH	Cebu Pacific has a comprehensive five-pillar (5F) decarbonization strategy that aligns with the IATA Fly Net Zero and the ICAO LTAG. Both commitments aim to achieve net-zero carbon emissions for international aviation by 2050. The 5Fs strategy comprises approaches that strengthen sustainability leadership within Cebu Pacific and outlines its overall policy on climate responsibility. This holistic framework ultimately contributes to cost reduction and improved efficiency, providing an economically sustainable decarbonization approach aligned with its goal of keeping fares affordable. **Fundamentals** This is the foundation of Cebu Pacific's key initiatives, focusing on awareness and education within the organization, instilling a sustainability mindset in all departments. In 2025, Cebu Pacific is dedicated to boosting employee engagement in sustainability. It plans to elevate its tactical projects to strategic, long-term programs that will enable employees to implement decarbonization and sustainability at the functional level. This includes approaches like sharing sessions between management and employees about sustainability practices in Cebu Pacific, such as the one held in December 2025 with its Vice President for Corporate Strategy and Risk Officer. To further improve employee engagement, Cebu Pacific, along with its parent company, JG Summit Holdings, Inc. (JGSHI), conducted an Employee Listening Survey to establish a baseline awareness and understanding of sustainability across the organization, gathering insights from 957 employees. The survey results showed strong awareness of the company's sustainability initiatives and a high level of alignment between employees' personal values and sustainability. The survey also

captured employee sentiments and suggestions, which will inform the development of a long-term internal engagement strategy to ensure that sustainability is deeply embedded in the DNA of Cebu Pacific, from the top down to the individual employee.

Fleet

Since 2023, Cebu Pacific has been aggressively modernizing its fleet, transitioning from older Airbus CEO aircraft to the more fuel-efficient Airbus NEO models. In line with this transition, in 2024, Cebu Pacific made a historic, landmark acquisition of up to 152 A321neo and A320neo aircraft, scheduled for gradual delivery up to the 2030s. This fleet expansion doubles as a core decarbonization strategy, as these next-generation aircraft deliver 15% to 20% more fuel efficiency than their predecessors. In 2025, Cebu Pacific avoided an estimated 251,543 tCO_2e of flight emissions as a result of this transition.

The new NEO aircraft are now deployed on high-demand domestic routes like Manila to Iloilo, Panglao, and Puerto Princesa, improving Cebu Pacific's domestic network and increasing inter-island connectivity. Cebu Pacific is on track to receive seven new NEO aircraft in 2026, as part of its fleet expansion to support growing travel demand and network growth.

Fuel

Cebu Pacific implements several best industry practices for fuel efficiency and flight plan optimization. The following are currently being practiced:

- Reduced flaps at landing
- Continuous descent approach
- Single-engine taxiing
- Reduced acceleration altitude
- Idle reverse thrust
- Optimized fuel load

To further improve fuel efficiency, Cebu Pacific has integrated the use of the SkyBreathe® MyFuelCoach application to enhance pilot awareness and post-flight feedback on fuel-saving behaviors. The application enables pilots to analyze outlier flights with high fuel burn, receive coaching using post-flight analytics, and increase collaboration with dispatch and flight operations to revise Operational Flight Plans for fuel-optimized routes. It also leverages feedback, historical data, and a shared monthly performance dashboard to continuously improve flight planning and promote a fuel-efficient culture.

Cebu Pacific also monitors fuel burn per flight and compliance with fuel-saving best practices using the SkyBreathe® Fuel Management System, with regular reviews by the Fuel Committee to refine initiatives. The system also quantifies fuel savings and avoided emissions from specific practices, such as continuous descent approaches and single-engine taxiing, to assess their effectiveness.

Furthermore, Cebu Pacific sets application targets for each of the best practices implemented, with the goal of achieving a measurable increase in the percentage of flights applying fuel-saving procedures.

Footprint

The Footprint pillar of Cebu Pacific's decarbonization strategy outlines a comprehensive approach that goes beyond flight emissions, with a particular focus on addressing Scope 2 (indirect emissions from purchased energy) and Scope 3 (value chain emissions).

	To reduce emissions outside of flying operations, Cebu Pacific has transitioned to 100% renewable energy in its Aplus and Juan buildings starting in 2024, and has also continued its efforts toward vehicle electrification. Another major milestone of Cebu Pacific's commitment to decarbonization was marked by the historic completion of the Philippines' first all-electric aircraft turnaround at MCIA on May 20, 2025. This initiative was done in partnership with Aboitiz InfraCapital Cebu Airport Corporation (ACAC) and TLD Asia, a provider of electric GSE. The turnaround was done for Flight 5J566, which was operated by an A321neo, and used only zero-emission electric GSE: baggage tractors, loaders, pushback vehicles, and bridge-mounted units. MCIA is also planning to support further adoption by building common-use charging stations for electric GSE to enable more airlines to transition to electric operations. Cebu Pacific also ensures that its sustainability initiatives extend beyond its airborne fleet. It continues to form partnerships and pursue investments that ensure its decarbonization goals are evenly advanced across all its different areas of operations. ● **Electrification**: Cebu Pacific acquired 27 electric baggage tractors in 2025, delivered in batches from July to September. This increases the number of its existing electric tractor units from 13 to 30, improving the fleet's efficiency while reducing emissions. ● **Renewable Energy Transition:** Cebu Pacific continues its 2024 partnership with ACEN Renewable Energy Solutions, ensuring it has now equipped two of its buildings which are critical to daily operations, maintenance works, ground handling, and catering functions. **Finance** Cebu Pacific has taken significant steps towards integrating financial performance with sustainability efforts. This ensures that its ESG initiatives are closely aligned with profitability strategies, leading the way to a new era of sustainable aviation. For Cebu Pacific, sustainable financing is not only a cost-effective strategy, but also a commitment towards reducing its negative impact on the environment. By tying sustainability with growth, Cebu Pacific ensures that it can meet its financial goals without compromising on its commitment to making flights more sustainable. As the first LCC in Southeast Asia to secure an SLL, Cebu Pacific continues to position itself as a regional leader in sustainable aviation. In 2024, the airline entered into a sustainability-linked lease deal to fund a brand-new A321neo aircraft, a critical step in its plan to transition to an all-NEO fleet by 2030. Building on this, Cebu Pacific secured its second sustainability-linked loan for two spare Pratt and Whitney GTF engines in November 2025. The deal was arranged by Crédit Industriel et Commercial, Singapore Branch. This second SLL scales Cebu Pacific's upside from preferential interest rates and further reinforces its commitment to decarbonizing its operations.
RISKS	● Regulatory and Geopolitical Risk ● Safety and Climate Risk ● Digitalization Risk ● Original Equipment Manufacturer (OEM) Risk

	Specific risks: ● Aside from environmental impacts, GHG emissions likewise pose financial risks to Cebu Pacific. Carbon offsetting requirements, as well as potential carbon taxation, will have financial implications for Cebu Pacific and the airline industry. ● For alternative propulsion, there are various technologies under consideration that would require significant investments and a potential redesign of the current business model and operations.
OPPORTUNITIES	● For SAF, there are several technological pathways and feedstocks that are being developed. Cebu Pacific will evaluate and select the most viable and cost-efficient option, which may pose financial risks as well as opportunities. ● Cebu Pacific constantly monitors developments in new propulsion technology, regulations, guidance on the voluntary carbon market and carbon offsetting (i.e., CORSIA), and best practices in the industry, among others.

Solid and Hazardous Wastes

Disclosure	Quantity		Units
	2025	2024	
Total solid waste generated[a]	1,619,244	1,599,858	kilogram
Residuals/ Landfilled	610,500	700,253[b]	kilogram
Recyclable waste	146,804	161,338	kilogram

[a]Total solid waste generated=Non-hazardous + Hazardous; [b]Restated to correct the figure from the previously reported data (704,524 kilograms)

Hazardous Waste

Disclosure	Quantity		Units
	2025	2024	
Total weight of hazardous waste generated and transported	5,035	0	kilogram

IMPACT	Majority of Cebu Pacific’s waste comes from operational activities, i.e. cargo, ramp, catering, and cabin. A portion of aviation waste, specifically seat assemblies, is diverted from disposal by repurposing and donating these to technical schools/universities offering aviation courses, contributing to educational opportunities in addition to reducing environmental impacts. Hazardous waste, meanwhile, is carefully managed as improper handling would lead to significant financial, occupational, health, and community health risks.
STAKEHOLDERS	Employees, Customers, Suppliers and Service Providers, Partner Communities and Destinations, Nongovernmental Organizations (NGOs)
MANAGEMENT APPROACH	Cebu Pacific’s waste streams originate from its head office, in-flight services, and technical maintenance. These include administrative refuse, in-flight catering and cabin waste, cargo packaging and dunnage, ramp-generated industrial waste, and aviation components reaching their end-of-life stage. To manage these impacts, it operates a Materials Recovery Facility (MRF) at its Airline Operations Center (AOC) Head Office to collect and sell recyclables. The airline has phased in biodegradable wooden cutlery for all flights departing Cebu and Clark, Cebgo domestic and regional routes from Manila, and all long-haul operations. This is complemented by an On-Board Plastic Bottle Segregation Program, where cabin crew collect bottles for recycling.

Since 2023, Cebu Pacific has partnered with New Leaf Waste Solutions Co. for waste collection and further on-site segregation. Recyclable materials collected are processed by New Leaf into pellets and flakes for use in textile production.

All other aviation-related wastes are managed under a strict policy of waste minimization and upcycling, ensuring third-party collectors maintain full regulatory compliance.

Cebu Pacific (as a part of the Gokongwei Group collective) complies with the Extended Producer Responsibility (EPR) Act of 2022. The Corporate Sustainability Manager is the designated officer for Cebu Pacific's EPR compliance.

Cebu Pacific's generated waste in 2025 increased by 1.2% compared to 2024. Notably, waste directed to landfills decreased by 12.1%, alongside an 11.6% increase in waste diverted away from landfills. These are promising results from Cebu Pacific's waste management initiatives, supported by significant improvements in data collection and organization. It will continue to improve its monitoring capabilities and use the findings to implement a more robust waste management policy across all its operations moving forward.

End-Of-Life Practices For Scrapped Aircraft Parts

The Engineering and Maintenance departments collaborate to manage waste minimization from Cebu Pacific's operations until the end-of-life of its aircraft parts. The Quality Assurance Maintenance Department (QA-MNT) and/or the Engineering & Fleet Management Shared Service Center (EFM SSC) also perform regular audits on third-party scrap haulers to assess the level of their compliance with aviation regulatory and environmental requirements.

Cebu Pacific's Maintenance and Engineering Handbook also includes a provision for upcycling, donation, and selection of scrap haulers, hazardous waste recyclers, treaters, and disposal companies to ensure compliance with aviation regulatory and environmental requirements. This helps mitigate the potential negative impact of scrapped, beyond economical repair (BER) parts ending up in landfills.

Scrapped and mutilated BER parts are either upcycled or sold to authorized scrap haulers, who in turn hand over these parts to another third-party to melt metals into blocks that can be reused.

The pollution control officer from Cebu Pacific's maintenance arm keeps a record of all scrapped BER parts handed over to scrap haulers, which includes corresponding disposal approval forms per pick up of hauled scrapped BER parts.

All scrapped BER parts are properly documented through scrap tags, disposal approval forms issued by Cebu Pacific, and scrap certifications for mutilation from the scrap haulers.

The EFM Scorecard includes the following metrics:

- Proper Disposal Management at 2.0%:
- Recycling/Upcycling Initiatives 1.0%
- Adopting Eco-effective methodologies 1.0%

As of August 2025, approximately 3,209 kg of rotable, BER, or scrapped parts have been prevented from ending up in landfills.

Special/Hazardous Waste (Fuel)

Hazardous waste is a major byproduct of Cebu Pacific's operations. Cebu Pacific pursues a strict policy for the management and disposal of any hazardous waste, avoiding any serious health and safety risks. This monitoring is also extended to any third-party contractors, ensuring that any unlawful discharges are avoided.

The Admin and Facilities Department, under the supervision of the Pollution Control Officer, manages all hazardous waste. Cebu Pacific partners with accredited Treatment, Storage, and Disposal (TSD) facilities for proper waste treatment, ensuring that all hazardous waste is properly treated before disposal.

Cebu Pacific ensures that all Jet A1 Fuel in circulation is properly evaluated and tested prior to delivery to aircraft. With fuel noted for disposal, it ensures that the third-party transporters and treaters are duly capable and accredited by the authorities to avoid mishandling that may affect the public or the environment.

While there are no specific policies on the disposal of hazardous fuel waste such as contaminated fuel and those defueled from aircraft, the Fuel team strictly follows the provisions indicated under RA 6969 or the Toxic Substances and Hazardous and Nuclear Wastes Control Act, which is directly implemented by Department of Environment and Natural Resources–Environmental Management Bureau (DENR-EMB).

The Fuel team ensures a quarterly pull-out schedule of contaminated and drained Jet A1 fuel. Cross-contamination and storage issues are avoided by downgrading the majority of waste fuel as commercial kerosene prior to its sale to accredited third-party transporters.

Storage (container/drums/trucks) for drained and contaminated fuel are readily available and properly segregated, with drained fuel from refuelers, bridgers, and service tanks collected in fast flush tanks. All good fuel is pumped back to the recovery tank, quarantined, and is then subject for testing. If passed, it is transferred to a storage tank. As of 2025, the goal is to limit quarterly collection to three drums of waste, with the rest of the collected fuel can be processed and stored in the recovery tank.

Defueled products from load adjustment and maintenance of aircraft are stored in empty containers as contaminated fuel and are not to be returned to any aircraft. The 5J Aircraft Maintenance team is constantly aware and ready to address fuel contamination during regular and unscheduled maintenance checks.

Food, Packaging, and General Waste

Apart from aviation waste, Cebu Pacific also generates considerable waste in other areas of its operations. To reduce its general waste, it has implemented a comprehensive waste reduction strategy in three key areas: food, packaging, and general waste. From its own measurements, the above areas tend to generate the most waste, but are also the areas that it has most control over.

	Cebu Pacific implements a policy on the control of non-conforming products and equipment for its Catering (CNS) department. This procedure covers the responsibility of CNS personnel and management with regard to the disposal of non-conforming products and equipment within the catering facility in Manila and other hubs, allowing Cebu Pacific to monitor and better manage its food waste. Food waste reduction directly ties into more effective cost-saving initiatives, ensuring that Cebu Pacific is able to stick to its strict fiscal policy. The following policies are implemented to reduce food waste: ● Pre-ordered Meals: Having an estimate of the number of ambient meals to be served allows Cebu Pacific to control its food allocation for flights, while ensuring a buffer allocation for last-minute orders and on-board purchases. This balances food waste management with customer satisfaction. ● Return to Vendor (RTV) arrangement: Through this initiative, good-quality surplus food is returned to the vendor to prevent unnecessary food waste. Food quality is maximized through clear handling protocols and return conditions, as well as optimized pick-up schedules (twice a month). ● In-house selling: Surplus food is also subject to in-house selling to prevent food waste. The safety of food products is ensured through clear quality and shelf-life standards. ● NGO Donation: Good-quality surplus food is donated to accredited, vetted partner NGOs. The process follows strict safety protocols, in accordance with partner organizations' own food donation safety standards. Regular pickups and monitoring are scheduled. ● Monitoring of food loss and generated waste: Food loss and generated waste are monitored monthly based on consumption/sales and equivalent product or packaging weight. This way, Cebu Pacific can track the effectiveness of its food and general waste reduction initiatives and pinpoint areas for improvement.
RISKS	● Brand and Reputational Risk ● Third-party Risk Specific risks: ● The leakage of hazardous waste poses serious health and safety risks and will impact the reputation and operations of Cebu Pacific. ● Unlawful discharge by third party contractors may result in environmental damage and penalties.
OPPORTUNITIES	● The disclosure covers waste from the Head Office, cargo, ramp, catering, and cabin. Operations in outstations are covered by third-party contractors. Cebu Pacific is continuously improving the system to effectively monitor solid and hazardous waste generation and collection across the entire organization.

Effluents

Disclosure	Quantity		Units
	2025	2024[a]	
Total volume of water discharges	82,546	84,755	cubic meter
Total volume of wastewater recycled	16,200	16,130	cubic meter

[a] 2024 data restated to equate water discharges to water withdrawn, as used water is returned to municipal treatment facilities. Data for wastewater recycling has also been corrected upon review, excluding harvested rainwater and now covering only treated wastewater.

IMPACT	Improper treatment and discharge of wastewater causes pollution to surrounding areas, bodies of water, or water reservoirs, posing health risks to local communities and biodiversity that rely on these resources.
STAKEHOLDERS	Employees, Government and Regulators
MANAGEMENT APPROACH	To manage effluents, Cebu Pacific operates a wastewater treatment system that efficiently processes 80 cubic meters of wastewater daily. Strict adherence to environmental regulations is ensured before discharge. Wastewater quality sampling is conducted quarterly at the AOC Head Office through a government-accredited partner, Intertek. Water quality parameters are tested to ensure adherence with the limits set in national effluent standards. Cebu Pacific employs the Cyclean system to manage engine wash effluent, preventing environmental contamination at the airport and nearby water sources. A 40-liter collection unit captures runoff from the engine drain, ensuring that all maintenance washing activities meet the wastewater spillage prevention policy of NAIA T3.
RISKS	● Regulatory and Geopolitical Risk Specific risks: ● Water is closely monitored to avoid contamination, as most of Cebu Pacific's water is sourced from Maynilad. ● Drought and water shortages may heavily impact day-to-day operations.
OPPORTUNITIES	● The installation of a water meter for rainwater recovery and recycled water tanks can help record water consumption precisely from such sources.

Environmental Compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	Quantity	Units
Total amount of monetary fines for non-compliance with environmental laws and regulations	0	#
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	#
No. of cases resolved through dispute resolution mechanism	0	#

IMPACT	Non-compliance with environmental standards and regulations may lead to damage to the environment, as well as sanctions, penalties, and reputational damage to Cebu Pacific.
STAKEHOLDERS	Employees, Government and Regulators, Investors and Shareholders, Lenders and Creditors

MANAGEMENT APPROACH	Through its Environmental and Social Policy, Cebu Pacific has committed to regulatory compliance, consistent monitoring, and transparent reporting of data in these critical areas of business sustainability. The ESGC monitors Cebu Pacific's environmental compliance and performance and upholds its commitment to applicable regulatory requirements. The Committee is responsible for addressing identified issues and ensuring that any reported concerns are fully investigated and negotiated.
RISKS	● Regulatory and Geopolitical Risk ● Brand and Reputational Risk Specific risk: ● Overlooking renewal of environmental permits and non-compliance to environmental regulations may lead to sanctions, penalties, and damage to the environment and to Cebu Pacific's reputation.
OPPORTUNITIES	● Conducting regular in-house checks to ensure compliance. ● Alignment with best practices in environmental management.

SOCIAL

Employee Management

Employee Data

Disclosure	Quantity		Units
	2025	2024	
Total number of employees	4,937	4,683	#
Number of Male employees	2,268	2,154	#
Number of Female employees	2,669	2,529	#
Attrition rate[a]	6	7	%

[a] Cebu Pacific's formula for attrition rate = Voluntary Turnover/Average of employee headcounts of the previous and current reporting periods

Additional Disclosure

Disclosure	Quantity		Units
	2025	2024	
Number of Male flying employees	1,433	1,363	#
Number of Female flying employees	1,842	1,720	#
Number of Male non-flying employees	835	791	#
Number of Female non-flying employees	827	809	#

Employee Benefits

List of Benefits	% of female employees who availed for the year 2025	% of male employees who availed for the year 2025
Statutory Benefits		
SSS (Sickness)	1%	1%
SSS (Loan)	11%	5%
PhilHealth	2%	1%
Pag-ibig	8%	16%
Parental leave (maternity/paternity)[a]	6%	3%
Parental leave - Solo parent	0.4%	-
Vacation leaves	94%	92%
Sick leaves	86%	78%
Voluntary Benefits		
Medical benefit (HMO)	97%	96%
Psychological Counseling	1%	0.3%
Retirement (aside from SSS)	1%	1%
Further education support	1%	1%
Company stock options	-	-
Flexible working hours	18%	15%
Profit sharing	91%	93%
Life insurance	97%	96%
Rice subsidy	96%	97%
Medical allowance	88%	90%
Christmas allowance	99%	98%
Travel insurance	71%	67%
Uniforms	6%	12%
Transportation Allowance	76%	34%
Fleet Gasoline Privileges	0.3%	0.1%
Clothing Allowance (Pilots only)	2%	33%
Availment of free flights (headcount)	Employees: 4,539 Dependents: 13,003	
Travel benefits (same-sex and common-law partners)	306	
HMO (same-sex and common-law partners)	1	

Inflight Crew Meals	*All cabin crew are provided with inflight meals.*
Telecommuting or Work from Home	*Applicable to all employees with support/back-office function.*

[a] For maternity leave, 105 days (15 weeks) are given to employees; for paternal leave: 7 days (1 week) are given.

IMPACT	Fair and competitive wages and benefits provide direct positive impacts to Cebu Pacific's employees through just compensation, decent livelihoods, and socioeconomic safety nets. This also helps Cebu Pacific build a strong employer brand and attract and retain good talent, directly impacting business outputs through improved productivity, reduced turnover, and enhanced safety.
STAKEHOLDERS	Employees
MANAGEMENT APPROACH	Cebu Pacific promotes employee welfare through wellness programs, engagement activities like its Leaders Beyond Boardroom sessions, and feedback mechanisms that nurture a motivated and resilient workforce. It is committed to the holistic well-being of every employee, recognizing that employee health, safety, mental well-being, work-life balance, and inclusive engagement are fundamental to delivering safe and outstanding service. It pursues these initiatives across a wide range of activities that benefit its employees. Foremost among them is the Juan CEB Community (JCC) initiative, where 15 active employee-led groups co-own employee engagement with Cebu Pacific HR. In 2025, JCC welcomed new groups (Sky Pickleball, Skybound Crew [Dance], and Tennis Club) and extended membership to 1Aviation, Aviation Partnership, and AirSWIFT. JCC enables Cebu Pacific to make programs more sustainable through regular check-ins with leads and by offering design thinking and leadership workshops to enhance program management capabilities. It also oversees the opening of new clubs/groups and hosts the Annual JCC Fair to promote itself and encourage employee participation with diverse interests. Cebu Pacific gives its employees accessible health benefits, including mental health support and on-site programs for basic diagnostic testing and preventive care. This includes 20 monthly slots for free mental health consultations and the use of transparent, two-way communication channels (Pulse survey, employee Net Promoter Score [eNPS], Town Halls, and open-door policies) to help Cebu Pacific better identify and reduce the mental strain employees may experience. In cases where employees get sick, Cebu Pacific implements a sickness monitoring strategy to determine if the premises need to be sanitized. It also conducts Wellness Weekdays, a day set aside for various medical procedures like a vaccination drive, dental service, and wellness booths. This is all in addition to expanded Clinic Services, ultimately promoting proactive health care for all employees. **Measuring Engagement Effectiveness** Cebu Pacific is a service-oriented business, and its employees in customer-facing roles (like flight attendants, gate agents, or pilots) are crucial to creating the brand experience. If employees are happy, engaged, and proud of where they work, it's more likely that they will pass that energy onto passengers, which improves the overall customer experience.

This is why it utilizes the eNPS system, a globally recognized approach which assesses employee satisfaction based on their likelihood of recommending Cebu Pacific as an employer. Its eNPS score has consistently been above average against other airlines in the region that report this metric, posting a result of +30 in 2025.

This is a favorable score, indicating a ratio of 30% more satisfied employees compared to dissatisfied employees. Overall satisfaction in wellness activities also showed a favorable score with a total of 3.93 out of 4. This shows that employees are generally satisfied with how Cebu Pacific engages them on a day-to-day basis.

Benefits Provided to Cebu Pacific Employees

Cebu Pacific provides government-mandated as well as company-initiated benefits above the minimum standards fixed by law, such as subsidies and allowances, life and travel insurance, and free flight tickets to employees and their dependents. In addition, Cebu Pacific also provides the following benefits:

- PHP 200,000 to PHP 300,000 health maintenance organization (HMO) coverage
- Expanded eligibility criteria of dependents and maximum benefit limit in HMO coverage
- Expanded onsite clinic size and services (phlebotomy, electrocardiography [ECG], urinalysis, X-ray, ultrasound, and dental services through Juanderful Smile)
- Emergency leave, which covers family members' emergencies
- Free-of-charge flights

Employees also get additional support for any financing needs they may have. In 2025, Cebu Pacific, 1Aviation, and Aplus officially partnered with Savii (formerly Uploan), a Philippines-based salary-linked financial wellness provider that partners with employers to offer benefits like salary loans, free insurance, and savings tools aimed at improving employee financial well-being.

These initiatives help Cebu Pacific employees better manage their expenses, and allow them to benefit from the same fiscal discipline that the organization itself commits to.

RISKS	● Cebu Pacific is dependent on the availability of an adequate supply of experienced pilots.
OPPORTUNITIES	● Cebu Pacific is looking into the standardization of payroll processing for our international employees. Vendor selection and contract review are ongoing to engage with the right payroll providers. ● Cebu Pacific continues to evaluate its compensation strategy to respond to dynamics in the industry.

Employee Training and Development

Disclosure	Quantity		Units
	2025	2024[a]	
Total Training Hours provided to employees	339,823	361,806	hour
Female Employees	214,721	234,830	hour
Male Employees	125,103	126,976	hour
Average Training hours provided to employees	68.8	77.3	hour/employee
Female Employees	80.5	92.9	hour/employee
Male Employees	55.2	59.0	hour/employee

[a] Training data for 2024 has been restated. The scope now includes training for pilots and cabin crew. In addition, the new figures are the result of dividing total training hours by headcount, while the previous formula divided total training hours by the number of unique learners. The new formula aligns with the approach of JGSHI in reporting training data. The restatements are:

- *Total: restated from 21,574 to 361,806 hours; Total (Female): restated from 11,440 to 234,830 hours; Total (Male): restated from 10,134 to 126,976 hours; Average: restated from 18.5 to 77.3 hours/employee; Average (Female): restated from 16 to 92.9 hours/employee; Average (Male): restated from 24.9 to 59.0 hours/employee*

IMPACT	Cebu Pacific offers training programs to equip employees with the essential skills for their current and future roles, empowering them to advance and meet their career development goals. New skills are also introduced to support Cebu Pacific's long term performance. Aside from increased employee engagement and individual performance, well-trained employees contribute to innovation, operational efficiency, and customer service, driving Cebu Pacific's success.
STAKEHOLDERS	Employees, Customers, Suppliers and Service Providers
MANAGEMENT APPROACH	Cebu Pacific supports the personal and professional growth of its workforce through scalable, flexible, and personalized learning solutions. Using data-driven tools and digital solutions, it tracks progress, identifies skill gaps, and tailors programs to individual needs for evolving operational and safety demands. In 2024, the implementation of IMinCEB strengthened transparent, skills-based career progression. To ensure a more intentional approach in selecting employees for enrollment in the 2025 Accelerator Program, Cebu Pacific introduced guardrails, setting a 7–10% threshold of the departments' total headcount for in-role progression, aimed to balance career growth opportunities with organizational priorities and budget constraints. Juan O'Clocks (or check-in sessions) were also held with department leaders to cascade the 10% guideline to them and ensure that these in-role promotions are budgeted in ANAPLAN. There are also in-depth discussions with the Management Committee on the profiles submitted for promotion prior to any presentations or organizational reviews, while HR continues to align with the departments the timing and prioritization of the promotions. Building on these structured talent management processes, continuous employee training is crucial for Cebu Pacific because it ensures staff remain up-to-date with evolving safety regulations, technologies, and operational procedures. Regular training enhances skills, reduces human error, and maintains high standards of safety, efficiency, and customer service. Talent management, combined with learning and development form a comprehensive knowledge base that helps employees upgrade their skills and transition to higher positions within Cebu Pacific. Some of its programs for upgrading employee skills and transition assistance programs include:

	● Flight Operations: AIMS and CLEAR systems training for new training admin staff ● Human Factor IATA Course (virtual) for Human Factor staff ● Airbus Instructor Pilot Course for Pilot Managers ● Self-development courses available for self-enrollment via HR (Excel training, finance/budgeting, etc.) ● Juan Leader Program to help identify and develop Cebu Pacific's potential leaders ● Workforce Innovation and Navigation for Growth in the Skies (WINGS) Pilot Training Program to help pilots master core interpersonal skills while advancing in leadership and strategic management ● DEI Journey Training modules to raise awareness, build skills and embed inclusive behaviors across the organization ● LinkedIn Learning for improving specific key competencies and developmental areas Cebu Pacific also launched initiatives such as Compass Day and sustained programs like CEB Way, Behavioral Standards Training, Public Communications Training, and Leaders as Coaches, training thousands of employees and reinforcing recognition to boost performance. By the end of 2025, these trainings supported 3,088 customer-facing employees, ensuring they have the skillset necessary to improve their interactions with passengers. Training data for 2025 has significantly increased as the reporting scope has been expanded to cover not only CEB U and external classes (both foreign and local), but includes training for Pilots and Cabin Crew as well. Classes under CEB U include general education, while external classes are functional programs specific for each department. Meanwhile, the scope for Pilots and Cabin Crew training includes ground operations, simulations, flight training, and both regulatory and nonregulatory topics.
RISKS	● Employees may leave the organization for better opportunities elsewhere after receiving sufficient training opportunities.
OPPORTUNITIES	● There is a need to further enhance the inclusivity and adaptability of training initiatives to extend these opportunities to the flying crew. For this, flexible, digital, and mobile-friendly programs would help to accommodate their unique schedules. ● There is a growing demand for behavioral development programs that enhance communication, teamwork, and leadership across different employee groups. ● Learning opportunities can be widened by offering digital platforms, workshops, mentoring, and microlearning. ● Strengthening the 70-20-10 learning model will enhance experiential, social, and formal learning, engaging employees through hands-on training and peer interactions. Collaborating with industry experts for external certifications can also elevate the value of our training initiatives. ● Regular assessments through feedback and learning analytics will help refine programs, ensuring they remain relevant. Communication campaigns and

	recognition of learning achievements will foster a continuous learning culture, while motivating employees to take ownership of their development.

Labor Management Relations

Disclosure	Quantity	Units
% of employees with Collective Bargaining Agreements	34	%
Number of consultations conducted with employees concerning employee-related policies	15	#

IMPACT	Collective Bargaining Agreements (CBAs) ensure that the interests of employees are heard and addressed. Constant and open communication between management and employees enables Cebu Pacific to address issues as they arise and gives employees the freedom to negotiate their terms of employment, which can contribute to satisfaction, retention, and productivity.
STAKEHOLDERS	Employees
MANAGEMENT APPROACH	Cebu Pacific promotes strong employee relations through a CBA with its cabin crew, ensuring their interests are addressed. Through the CBA, open and consistent communication between management and cabin crew allows for the timely resolution of issues. Furthermore, the CBA provides structured mechanisms for wages, work rules, scheduling, and dispute resolution, reducing the risk of labor unrest and operational disruptions. It also promotes transparency, trust, and consistent standards across the workforce, supporting employee engagement and morale. A well-managed CBA enhances Cebu Pacific's workforce stability, while also enabling constructive labor–management collaboration. Cebu Pacific has not experienced any labor strikes or work stoppages in the past five years. It facilitates collaborative interaction with the cabin crew through consultation meetings while management maintains accessibility, encouraging direct communication. As of 2025, the Juan Wing Association of the Philippines (JWAP) is the sole bargaining unit of regular cabin crew of Cebu Pacific. Its CBA with cabin crew covers the years 2023–2026.
RISKS	● A failure in CBA negotiations may lead to disruptions in operations. ● Issues that are communicated to management but not addressed effectively may cause employee dissatisfaction.
OPPORTUNITIES	● Cebu Pacific plans to continue engagement activities to maintain good labor relations, such as regular catch-up sessions with union officers to get the pulse from the employees. ● The partnership mindset among Cebu Pacific leaders and union officers can be strengthened through more involvement of the union officers in making decisions that affect the welfare of the employees. ● Other initiatives that strengthen the culture of trust and respect between Cebu Pacific and the union can help avoid retaliation and disagreements.

Diversity and Equal Opportunity

Disclosure	Quantity		Units
	2025	2024	
% of Female Employees	54	54	%
% of Male Employees	46	46	%
Number of employees from indigenous communities or vulnerable sector*	N/A	N/A	#

** This metric is not tracked by Cebu Pacific*

Additional Disclosure - Women in Management Positions

Disclosure	Quantity		Units
	2025	2024	
Share of female employees in management positions (excluding pilots)	51	50	%
Share of female employees in management positions (including pilots)	22	21	%

IMPACT	Workplace diversity brings together people from different backgrounds who contribute their strengths and talents to the organization, regardless of race, gender, and ethnicity. This strengthens Cebu Pacific's company culture, fosters innovation, improves employer brand, and reflects a socially responsible business.
STAKEHOLDERS	Employees
MANAGEMENT APPROACH	Cebu Pacific champions Diversity, Equity, and Inclusion (DEI) to fulfill its organizational mission. It fosters a diverse and inclusive workplace that values equal opportunity, fair treatment, and representation across all employee groups. Just as it strives to create memorable moments for passengers through affordable flights, it guarantees equality and fair opportunities for employees through a respectful, non-discriminatory workplace, as outlined in its D&I Policy. To put this commitment into practice, Cebu Pacific actively develops safe spaces for all its employees, formalized by an Anti-Harassment Safe Space policy. It ensures incidents of discrimination, bullying, or bias are handled properly, with clear escalation channels and confidential reporting. Furthermore, Cebu Pacific engages with partners such as the Philippine Business Coalition for Women Empowerment (PBCWE), the Philippine Business and Disability Network (PBDN), Philippine Financial & Inter-Industry Pride (PFIP), and The Vanguard Academy (TVA) for benchmarking and assessment to ensure continuous improvement in its policies. Cebu Pacific fosters an inclusive workplace that respects and celebrates gender identity and expression, recognizing that a strong sense of belonging drives retention, innovation, and closer collaboration and teamwork across different departments. It supports employees through celebrations like Women's Day, Solo Parents' Day, and Pride Month; continuation of Employee Resource Groups (ERGs) like Rainbow Routes, Sky Parents, and EmpowHER; and expanded DEI initiatives in 2025, such as a self-ID survey (declaration of preferred gender), neurodiverse internship programs, inclusive hiring for transgender cabin crew, and an inclusive onboarding that accounts for diverse backgrounds, language needs, and accessibility requirements. These efforts have strengthened diversity across the organization, with women holding 41% of executive roles and a workforce representing 32 nationalities and 21 religious affiliations as of 2025.

RISKS		● Mismanaging diversity can be detrimental to the organization and may lead to misunderstanding and conflict among employees. ● If not effectively implemented, these efforts may be perceived as performative. ● There is also a risk of internal resistance to these initiatives.
OPPORTUNITIES		● Cebu Pacific shall review and, when necessary, amend and/or repeal existing company rules, regulations, and policies that may be found to be misaligned with its Diversity and Inclusion Policy. ● Cebu Pacific also aims to expand partnerships with business network groups, such as the PBCWE for women empowerment, the PFIP for LGBTQIA+ members, and the PBDN for persons with disabilities.

Aviation Safety

Disclosure	Quantity		Units
	2025	2024	
Aviation accidents	0	0	#
No. of work-related fatalities	0	0	#

IMPACT	Cebu Pacific ensures the safety and reliability of its operations by upholding the highest standards in flight and ground safety, quality assurance, and security protocols. Raising awareness of safety issues and implementing formal emergency response plans supports operational resilience, regulatory compliance, and business continuity.
STAKEHOLDERS	Employees, Customers, Government and Regulators, Airport and Airport Authorities, Suppliers and Service Providers, Investors and Shareholders, Partner Communities and Destinations
MANAGEMENT APPROACH	Safety is one of Cebu Pacific's top priorities and is embedded across its flight operations. Safety governance is implemented through Cebu Pacific's SQS framework, under which a structured Safety Management System (SMS) is maintained in accordance with CAAP's State Safety Programme, aligned with the Standards and Recommended Practices of ICAO. The safety management reporting structure of Cebu Pacific is composed of three levels: Safety Action Group (SAG), Safety Review Committee (SRC), and Airline Safety Review Committee (ASRC). Each working group involves different levels of management and frontliners to promote transparency and open communication, implement Cebu Pacific's safety initiatives, and instill a proactive safety culture within the organization. Cebu Pacific's SQS policy ensures management provides all necessary resources for safe operations, encouraging communication of potential risks. It maintains compliance with the IATA Operational Safety Audit (IOSA) program, an internationally recognized system assessing operational management and control. In 2025, Cebu Pacific renewed its IOSA registration under the more stringent Risk-Based IOSA framework, reinforcing its commitment to the highest global standards. These protocols help the airline maintain zero governmental enforcement actions related to aviation safety. **Aviation Safety Initiatives** Cebu Pacific implements other initiatives to proactively identify and reduce risks across flight operations, maintenance, and ground handling. These initiatives help prevent accidents, minimize human and technical errors, and

ensure compliance with aviation regulations.

Cebu Pacific’s fleet continues to utilize various technologies and developed procedures that reduce risks associated with busier airports or shorter runways. These include the following:

- On-board Runway Overrun Warning/Runway Overrun Prevention System (ROW/ROPS): is an advanced technology onboard the Airbus fleet designed to support safe landing operations. By continuously assessing aircraft performance, runway length, and environmental conditions, ROW/ROPS enhances decision making during approach and landing. This also provides an additional layer of safety, particularly at airports with shorter runways or during variable weather conditions.

- Area Navigation (RNAV): enhances flight safety by enabling aircraft to follow precise and consistent flight paths, even in challenging terrain or weather conditions.

- Ground Proximity Warning System (GPWS): provides timely alerts to pilots if the aircraft is approaching terrain or obstacles too rapidly. This early warning capability significantly enhances situational awareness and flight safety.

- Traffic Collision Avoidance System (TCAS): continuously monitors nearby aircraft and provides real-time traffic advisories and resolution maneuver to pilots, reducing the risk of mid-air collisions by ensuring safe separation between aircraft.

- Flight Data Monitoring (FDM): a proactive safety management tool that continuously records and analyzes flight data to identify operational trends, deviation from standard procedures and potential risks.

Cebu Pacific is constantly adopting new technologies that allow it to conform to the highest safety standards, ensuring that it is compliant with the latest aviation regulations for safe operations.

Security

The security of Cebu Pacific’s passengers, equipment, and staff are also essential to promote a safe aviation environment. A robust security policy allows Cebu Pacific to comfortably proceed with its operations on a day-to-day basis, while still possessing the capabilities to respond efficiently to security threats and risks when they arise.

Cebu Pacific’s security personnel are vital to its risk management and operational resilience. They safeguard critical assets (passengers, aircraft, and infrastructure) by preventing security breaches that could cause severe financial, legal, and reputational damage. Strong security capability supports regulatory compliance, ensures continuity of operations, and protects brand trust, positioning Cebu Pacific as a safe and reliable carrier in a highly competitive and security-sensitive industry.

In 2025, mandatory training on Anti-Sexual Harassment and the Safe Spaces Act was introduced for both organic and third party security personnel. These are required before deployment across Cebu Pacific’s Security Operations,

	better equipping security personnel to protect these human rights in their day-to-day work and when responding to incidents. Following this newly introduced policy, Cebu Pacific aims for 100% completion for training security personnel on its human rights policies and procedures, and continues to work towards this goal. It has also strengthened its bomb threat management procedures to ensure coordinated response, and minimal operational disruption. This includes conducting Bomb Threat Management workshops, strengthening close coordination with the Philippine National Police (PNP) across all Cebu Pacific domestic stations, and enhancing operational communication channels. This initiative has resulted in significant improvements, including reduced flight disruptions, clearly defined communication channels, strengthened public awareness, established guidelines for access pass issuance during emergencies, and reinforced legal measures for handling offenders. Within a long-term safety management plan, airline security personnel play a strategic role in sustaining risk prevention, operational continuity, and organizational resilience. They serve as the frontline defense against evolving security threats, providing continuous monitoring, intelligence gathering, and rapid response capabilities that reduce the likelihood and impact of any security incidents. Cebu Pacific's security also integrates into SMSs that enable data-driven risk assessment, regulatory compliance, and continuous improvement. Over time, well-trained security personnel help support its strategic objective of safe, reliable, and sustainable operations. The following are specific highlights from 2025 that showcase Cebu Pacific's initiatives for aviation safety. More information on these stories can be found in its forthcoming 2025 Integrated Report. ● ***Aligning With Globally Recognized Standards for Safety*** - Through benchmarking with IATA's incident taxonomy, Cebu Pacific can now implement higher standards of safety with its operations. ● ***Advancing Safety Excellence at Cebu Pacific*** - Cebu Pacific continues to uphold and promote a high standard of safety in aviation by holding its Inaugural Safety Workshop and celebrating its annual Safety Week.
RISKS	● Safety and Climate Risk ● Third-party Risk ● Original Equipment Manufacturer (OEM) and Aircraft on Ground (AOG) Risk ● Brand and Reputational Risk Specific risk: ● Lack of emergency preparedness and communication across Cebu Pacific puts operations and stakeholders at risk in the event of an emergency
OPPORTUNITIES	● Enhancements in the safety reporting platform can provide additional information to help decision-makers support more relevant initiatives based on identified hotspots and emerging threats. This will also allow

Cebu Pacific to participate in IATA's safety incident data-sharing program to benchmark its performance with regional operators and global standards.

<u>Workplace Conditions, Labor Standards and Human Rights</u>

Occupation, Health and Safety

Disclosure	Quantity		Units
	2025	2024	
Safe Man-hours	9.2	8.7	million hours
No. of work-related fatalities	0	0	# of cases reported
No. of work-related injuries[a]	55	37	# of cases reported
No. of work-related ill-health[b]	6		# of cases reported
No. of safety drills	2	3	event

[a]Includes injuries requiring first aid, medical treatment, or resulting in lost time (LTI);
[ba] Cases of ill health were previously classified under "injuries". A clearer distinction was implemented in 2025.

IMPACT

Cebu Pacific is committed to safeguarding the health, safety, and well-being of its employees by maintaining rigorous workplace safety standards, quality assurance, and security protocols. Promoting awareness of occupational hazards and implementing structured emergency response plans helps protect employees, fosters a proactive safety culture, and supports a healthy and secure work environment.

STAKEHOLDERS

Employees, Contractors (Suppliers and Service Providers)

MANAGEMENT APPROACH

Cebu Pacific complies with the OHS Standards set by the Department of Labor and Employment (DOLE) - Bureau of Working Conditions and adheres to the rigorous standards of the IOSA program, an internationally recognized evaluation system designed to assess an airline's operational management and control systems.

Occupational Health and Safety (OHS) Policy and Management System

Cebu Pacific maintains robust occupational health and safety programs to protect its employees in the workplace. Safety measures for passengers are addressed separately under the <u>Customer Management</u> section.

Cebu Pacific is committed to maintaining a safe and healthy workplace in compliance with OHS standards. In line with its strong safety culture, it also places importance in workplace safety. Its primary goal is to achieve and maintain zero work-related accidents by continuously promoting a safe environment for employees, enforcing compliance with OHS standards, and implementing preventive measures to eliminate hazards at work.

An implemented OHS program for Cebu Pacific is as required by DOLE under Republic Act No. 11058. Regular reporting of OHS metrics are submitted to DOLE. All Cebu Pacific employees, flight and ground operations, offices, and aircraft are covered by the SMS, while service providers are required to have their own independent SMS policies and program as part of their acceptance.

The OHS management program is maintained with an active OHS core group composed of members from Cebu Pacific's People, Admin Services & Facilities, Safety, and Security and Network Control and OPS Support departments.

The Fatigue Risk Management System (FRMS) is also a continuous initiative launched in 2017 and 2019 for the A330 and A320/A321 fleets. It has been a constant initiative within Cebu Pacific to ensure the flight crew's health and overall flight safety, and is one of Cebu Pacific's best approaches to ensuring its flight crew can attend to their duties without sacrificing their welfare, performance, or work quality. Cebu Pacific also follows DOLE guidelines, allowing flexible and compressed workweek arrangements, with overtime paid for work beyond eight hours per day.

Across its areas of operation, Cebu Pacific designates trained first aid responders and safety officers within its offices to provide immediate assistance to employees. For passengers, cabin crew are responsible for delivering first aid and immediate attention as needed during flights.

Tracking Safety Performance

Driven by the corporate safety targets, each operational department has developed their own safety performance metrics and indicators that are tracked throughout the year to proactively and reactively manage risks in all areas of operations. Examples of these are metrics on crew injuries, ground incidents, aircraft technical issues, and high-level flight events.

Cebu Pacific specifically targets a 10% reduction in work-related injuries (based on the average from the previous three years), or no more than 8.17—or 0.28 for serious injuries—per 1000 employees. Likewise, Cebu Pacific also targets a 10% reduction for-flight and ground- related incidents, with a 100% on time closure of immediate action for any high or extremely high-risk safety reports or issues.

Hazard Identification, Risk Assessment, and Incident Investigation

Cebu Pacific uses predictive, proactive, and reactive approaches to hazard identification. This includes digital hazard and incident reporting, investigation, flight data monitoring, internal and external audits, inspections, and change management activities.

All employees are provided access to the central safety reporting system, accessible through web or mobile, to report any work-related hazards or incidents. Cebu Pacific's documented "Just Culture" Policy ensures that they are guaranteed immunity when reporting, except only if gross negligence and willful violation of procedures was done.

While confidential details are always withheld from endorsed reports, a Confidential Report may also be submitted directly to the Vice President of SQS, who personally handles or delegates the resolution of an issue and provides another layer of protection.

Incident investigations may be carried out internally by the department concerned or by an assigned investigator from Safety. Work-related incidents are investigated with an approach that seeks to understand the organizational factors, first and foremost, that have contributed to an incident. At that point, the appropriate level of control is applied depending on the practicality of implementation and its level of effectiveness. A post-investigation audit and surveillance is carried out to ensure that the application of measures is implemented as designed.

Furthermore, any work situations deemed too dangerous to work in are escalated to the Safety department through the safety reporting system. This report is then coursed through the People department for proper resolution. Just Culture Policy also applies to anyone who refuses to work in an environment where no adequate protection is provided to ensure their safety and well-being.

Employee reports and the results of quality and safety audits, inspections, and incident investigations are analyzed to identify the root cause and determine the appropriate corrective actions to discuss with stakeholders and concerned departments for implementation and manage associated risk. The Quality Assurance (QA) division validates the effectiveness of these actions and reports it to the Accountable Manager.

Taking a risk-based approach on safety reports provides a better framework for management. Hence, residual risk is measured as part of Cebu Pacific's corporate targets to monitor how all departments across all areas of operations are mitigating risk. Based on trends and the recurrence rate of identical safety issues that are reviewed monthly, the department and management is able to identify actions to address issues sustainably, if not immediately.

Safety Culture and Training

Cebu Pacific initiated an employee survey on safety reporting and culture. Feedback from 273 respondents showed strong awareness of safety initiatives and a clear understanding of their role within its safety management system, with opportunities identified to further improve the speed of safety reporting.

Furthermore, Cebu Pacific pursues a consistent safety culture in its operations, including regular safety training sessions. Proper training reduces human error—often the leading cause of aviation incidents—while promoting compliance with strict aviation regulations. It also protects passengers, crew, and aircraft, enhances operational reliability, and strengthens public trust in Cebu Pacific's safety standards.

Orientations and training required by the personnel within the Safety department are documented, monitored for completion, and reviewed periodically to ensure it addresses any changes in needs to support their function.

Meanwhile, the use of computer-based training has aided Cebu Pacific in deploying mandatory safety training to employees, with face-to-face orientations still conducted for newly onboarded employees. The Safety department actively monitors these training records. Other activities to promote safety are done all year long to maintain employee engagement.

The Cabin Services Team conducts a quarterly virtual Safety Cascade for cabin crews as well, focusing on key performance indicators (KPIs) on workplace safety, safety reports, and current safety issues. These courses aim to expand the knowledge of employees on hazard reporting processes, and Cebu Pacific's broader SMS framework.

Cebu Pacific also issues bulletins and publications, including quarterly safety digests, covering health issues, accident lessons, and leading industry best practices to enhance safety awareness.

OHS Services and Programs

Cebu Pacific ensures the quality of its OHS services by maintaining a well-equipped clinic staffed with qualified medical professionals who provide reliable and timely care. The clinic offers dental services, regular vaccinations, and free medical consultations with partnered physicians from companies like Maxicare to promote overall employee well-being.

These services are readily accessible to all employees, alongside more improvements like a renovated breastfeeding room. With these approaches, Cebu Pacific ensures that health concerns are addressed promptly and preventive care is encouraged, supporting a safe and healthy workplace.

In addition to these facilities, the conduct of annual physical examination (APE) and random alcohol and drug testing helps identify and eliminate health-related hazards in flight operations. Regular APE ensures employees are medically fit for duty and detect conditions that could affect safety. Finally, random alcohol and drug testing prevents and deters substance use that may impair performance, helping maintain a safe, healthy, and compliant workplace.

The tests are conducted on all personnel across the Cebu, Clark, Iloilo, and NAIA Terminal 2 and 3 hubs. This program demonstrates Cebu Pacific’s ongoing vigilance through unannounced, periodic testing that sustains operational safety beyond one-time compliance.

The test’s primary goals are to:

- Safeguard the safety and well-being of passengers, crew members, and the public by preventing the risks associated with substance use and impairment in safety-sensitive roles
- Promote a culture of accountability and compliance with both company policies and applicable civil aviation regulations on substance use
- Ensure the physical and mental fitness of flight and cabin crew in the performance of their duties

The testing reinforces Cebu Pacific’s zero-tolerance stance on substance use and strengthens the overall safety culture within flight operations. It also serves as a proactive measure to prevent potential safety incidents or reputational risks arising from substance-related impairment.

Cebu Pacific also offers other health programs and services aside from those that evaluate its employee’s physical well-being: it also has initiatives like CEB CARES (Compassion, Affirmation, Respect, and Empathy) and Juan Community to support mental health.

Through CEB CARES, Cebu Pacific brings free mental health consultations to all employees. Designed as a safety and wellbeing program for its employees and flight crew, the CEB CARES program also directly reinforces customer safety through a healthy and fit workforce.

	Worker Participation and Health-related Data Privacy Cebu Pacific Cabin Crew employees are unionized, with appointed managers regularly meeting with union representatives to discuss various concerns, including occupational health and safety matters. These meetings are done on a monthly basis with Cebu Pacific's SAG, as this is done across different departments between line managers and frontline workers. In addition, Cebu Pacific ensures the confidentiality of workers' personal health-related information by strictly adhering to data privacy and medical confidentiality policies. This upholds fairness, non-discrimination, and compliance with the Data Privacy Act of 2012, ensuring that all employees are treated equally regardless of their health status or participation in OHS programs. Employees' personal health-related information and participation in any health services are not used to grant or deny any form of favorable treatment. Since such information is accessible only to authorized medical personnel and cannot influence employment decisions, promotions, or work assignments. Results of the APE are released only to the concerned employee and are not shared with anyone else without consent. Likewise, results of random alcohol and drug testing are kept strictly confidential and disclosed only with proper authorization, in compliance with the Data Privacy Act of 2012 and relevant company policies. These policies and initiatives show Cebu Pacific's firm commitment to the safety and well-being of its employees, ensuring a secure and healthy work environment.
RISKS	● Safety and Climate Risk ● Third-party Risk ● Original Equipment Manufacturer (OEM) and Aircraft on Ground (AOG) Risk ● Brand and Reputational Risk Specific risk: ● Lack of emergency preparedness and communication across Cebu Pacific puts operations and stakeholders at risk in the event of an emergency
OPPORTUNITIES	● Increase the number of safety drills to ensure employee preparedness. ● Enhancements in the safety reporting platform can provide additional information to help decision-makers support more relevant initiatives based on identified hotspots and emerging threats. This will also allow Cebu Pacific to participate in IATA's safety incident data-sharing program to benchmark its performance with regional operators and global standards. ● Safety briefing videos can be explored as an avenue to promote safety in company events such as town halls and anniversary celebrations. The content of these videos would be regularly updated to align with the latest safety guidelines and event requirements.

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Policies

Topic	Y/N	Reference
Forced Labor	Y	• Vendor Compliance Addendum (For Suppliers under the Supplier Code of Conduct)
Child Labor	Y	
Human Rights	Y	• Commitment to Human Rights *(listed under Company Policies)* • Sexual Harassment Policy • Solo Parent Leave • Magna Carta Special Leave for Women

IMPACT	Policies on forced labor, child labor, and human rights serve as protection of basic and universal rights both within Cebu Pacific and across its value chain.
STAKEHOLDERS	Employees, Government and Regulators, Suppliers and Service Providers, Investors and Shareholders, Lenders and Creditors
MANAGEMENT APPROACH	Cebu Pacific's strategy for maintaining good relationships and interactions with its employees is based on its 5C approach: Credibility, Cadence, Communication, Clarity, and Compassion. Furthermore, Cebu Pacific ensures that human and labor rights are protected in its operations. Cebu Pacific adheres to standards and regulations set forth by DOLE regarding forced labor and child labor. Cebu Pacific published its Commitment to Human Rights in 2024, a statement expressing its responsibility to uphold and respect the human rights of all stakeholders across its operations and value chain. Currently, its principles on human rights are outlined in existing company policies such as its codes of conduct, labor, and compliance policies. Furthermore, given that Cebu Pacific outsources substantial products, services, and business processes, there is a compelling need to establish strategies to manage the associated reputational and operational risks arising from supplier relationships. To mitigate these, in 2024, Cebu Pacific cascaded its new Supplier Code of Conduct or Vendor Compliance Addendum that requires its vendors to comply with all applicable laws and regulations in relation to labor and wages, as well as health and safety, anti-corruption, and environment.
RISKS	• Regulatory and Geoolitical Risk • Third-party • Brand and Reputational Risk Specific risk: • Violations of labor laws and human rights cause direct harm to the affected workers and may lead to legal actions against Cebu Pacific. This would also have implications on its operations, reputation, and employee retention.
OPPORTUNITIES	• Review of policies to identify other material areas for accreditation.

Supply Chain Management

Supplier Accreditation Policy

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	Reference
Environmental Performance	Y	Vendor Compliance Addendum
Forced Labor	Y	
Child Labor	Y	
Human Rights	Y	
Bribery and Corruption	Y	

IMPACT	Inadequate supplier selection criteria may impact the quality of goods procured and the fulfillment of service contracts and deliverables, negatively affecting the quality and customer experience of Cebu Pacific's products and services. Lack of due diligence may also result in negative social and environmental impacts in Cebu Pacific's supply chain, such as labor law violations.
STAKEHOLDERS	Employees, Suppliers and Service Providers
MANAGEMENT APPROACH	Cebu Pacific is committed to fair supplier selection, compliance with aviation regulations, and ensuring that sourcing practices support operational reliability and accountability. These commitments not only safeguard it from potential legal liabilities, but ensure a healthy supply chain across all areas.

Supply Chain Resilience

Supply chain resilience is inherently linked to the relationship that Cebu Pacific cultivates with its suppliers. In 2025, it strengthened its supply chain resilience through long-term maintenance contracts, expanded repair partnerships, and integrated parts supply solutions with several third-party contractors.

These initiatives are meant to reduce disruptions, improve parts availability, and ensure aircraft uptime as Cebu Pacific's network and fleet continue to grow—which also helps it to maintain a high level of service for its passengers.

Supplier Accreditation

Cebu Pacific manages its network of suppliers through various methods, including a supplier accreditation process, quarterly performance reviews, and oversight by the QA team. The Vendor Compliance Addendum, released in 2024, also requires its suppliers to abide by its standards on labor, occupational health and safety, grievance mechanisms, anti-bribery and anti-corruption, and environmental laws and regulations. These help ensure suppliers meet regulatory standards, reduce risks to operations, mitigate ESG risks, and maintain the integrity of its sourcing practices.

Cebu Pacific's supplier accreditation process is guided by the Supplier Accreditation Policy. This ensures that new vendors undergo due diligence by reviewing their commercial, financial, technical, and ESG qualifications. The accreditation criteria cover quality and reliability, timeliness, rapport, price competitiveness, the ability to provide prototypes, samples/proof before ordering, and the ability to replace rejects, and product inventory. Various stakeholders are involved in the overall review.

Accredited suppliers and contractors undergo the Newly Accredited Suppliers Orientation Program (NASOP) to ensure alignment with Cebu Pacific policies. To ensure that suppliers remain compliant, random on-site visits and performance

	evaluations are periodically performed. When issues occur, suppliers are required to provide explanations and corrective actions. Quality-related concerns may be escalated to the QA team, which has the authority to suspend suppliers if necessary. This process helps maintain accountability, safeguard operations, and prevent recurring issues. Positive impacts are strengthened through long-term supplier partnerships, recognition of high-performing vendors, and the promotion of reliable sourcing practices. Given this, Cebu Pacific works closely with trusted suppliers to build resilience and efficiency in its supply chain. The goals are to strengthen supplier performance, ensure timely issue resolution, and maintain proper liquidation of Cash in Advance (CIA) transactions. Indicators include supplier ratings (TAT), dispute resolution timeliness, and compliance with procurement and financial governance requirements. Effectiveness is tracked through procurement KPIs such as supplier performance evaluations, monitoring of order dispute resolution timelines, and tracking liquidation of CIA transactions. These provide a clear view of supplier reliability and governance compliance. Cebu Pacific's preventive and monitoring measures have proven effective, with most suppliers maintaining acceptable performance levels. Dispute resolution processes have been streamlined, and CIA liquidation practices remain in line with governance standards. These demonstrate steady progress in strengthening supplier accountability and procurement reliability. Lessons learned include the importance of early supplier evaluation, consistent monitoring, and clear escalation processes when issues arise. These insights have been integrated into procurement policies through the reinforcement of accreditation requirements, improvement of documentation, and maintenance of stronger coordination between Procurement, QA, and Finance teams. Cebu Pacific's Supplier Accreditation Policy was not updated or changed in 2025, and continues to be the benchmark it uses to evaluate its suppliers. Additionally, Cebu Pacific's accreditation process for local suppliers is governed by the Corporate Supplier Accreditation Team (CORPSTAT) of its parent, JGSHI, which works alongside the Business Unit Supplier Accreditation Team (BUSAT) and is better equipped to review local and foreign suppliers.
RISKS	● Third-party Risk ● Regulatory and Geoolitical Risk ● Safety and Climate Risk Specific risk: ● Lax accreditation processes may lead to unfulfilled contracts or quality issues. Furthermore, this may lead to potentially working with sub-par vendors which are not compliant with business requirements.
OPPORTUNITIES	● Adoption of green procurement practices to incorporate sustainability framework, strategy, and programs in the supply chain.

<u>Relationship with the Community</u>

Significant Impacts on Local Communities

Weave campaign (partnership with local craftspeople)
Through QR flight codes, Cebu Pacific showcased the artistry and craftsmanship of local communities, leveraging modern innovations to showcase traditional arts. Using some of the most distinctive weaving styles in the country, Cebu Pacific collaborated with the communities of these cultural crafts to promote the history and significance of Philippine textile art. The weaves showcased includes *Binakol* from Ilocos Norte (via Laoag), *Tennun* from Basilan (via Zamboanga), *Ramit* from Mindoro (via San Jose), *Hablon* from Iloilo, and *Patadyong* from Antique (via Caticlan). Exemplary cabin crew and pilots also wore Ramit scarves and Binakol ties, respectively—honoring the care with which weavers pour into their craft, and reflecting the same level of service embodied by the Cebu Pacific team. Cebu Pacific collaborated closely with key representatives of each local community's craftsmanship to bring this campaign to life: the Paoay Weavers of Ilocos Norte supported by Mariano Marcos State University (MMSU); the Hanunuo Mangyan of Occidental Mindoro supported by the Awati Ti Kape Community Development Program; the Baraclayan Weavers Association of Iloilo; the Patnongon Multipurpose Cooperative and Bagtason Loom Weavers Association of Antique; and the Tennun by Oriental Weaves of Zamboanga supported by MMSU. For this campaign, Cebu Pacific was recognized as a Textile Champion by the Department of Science and Technology-Philippine Textile Research Institute (DOST-PTRI), with which it committed to a partnership to promote local textile art and their communities. By spotlighting the artistry of local weaving communities and explaining their traditions, the campaign helped turn a functional marketing tool into an educational and emotionally meaningful experience for travelers. This cultural narrative fostered pride and curiosity among Filipinos and tourists alike. **Vulnerable groups:** Traditional weavers in various groups across the Philippines **Impact on Indigenous peoples:** Yes **Community rights and concerns of communities:** Economic opportunities and visibility **Mitigating Measures:** No negative impact

Humanitarian response
Cebu Pacific provides humanitarian support in times of crises, such as typhoons or earthquakes. Using its route network and coordinating with local government units (LGUs) and NGOs, Cebu Pacific provided humanitarian support to families affected by typhoons. In December 2025, it conducted an outreach activity in typhoon-affected areas in Aurora, Bacolod, Cebu, Iloilo, and Palawan. More than 5,000 families received essential food and hygiene supplies during the Christmas season, with LGUs receiving Waves for Water (W4W) filtration systems. These actions not only help these communities rebuild, but also aligns emotional impact with real, practical recovery support, reinforcing trust and goodwill. Cebu Pacific also maintains a response team called Gabay Volunteers. They are part of Cebu Pacific's

family assistance and humanitarian response during crises, offering aid when it is most needed. They are trained in handling aircraft accident/incident survivors and Next of Kin, with a Family Assistance Training held every year to refresh their skills and knowledge. The Family Assistance Training is led by GoCrises, an external emergency response service provider. New Gabay Volunteers are being trained through this program, while serving as the recurrent training for the current Gabay Volunteers.

Location: Various locations/cities around the Philippines

Vulnerable groups: Affected communities and individuals in times of crises

Impact on Indigenous peoples: Not identifiable

Community rights and concerns of communities: Humanitarian response and support

Mitigating Measures: No negative impact

Mangrove reforestation

In 2025, Cebu Pacific continued its partnership with the Ramon Aboitiz Foundation, Inc. (RAFI) for joint Mangrove Reforestation Projects in two sites, Cebu and Batangas.

Cebu Pacific formally turned over 10,000 mangrove trees planted in 2023 to the Tapon Fisherfolks Association and the local government of Dumanjug, Cebu. The community-led approach ensures that the local residents (often directly impacted by environmental issues like flooding and erosion) are given the tools and knowledge to sustainably care for the mangroves. This builds long-term capacity, ensuring the project is not just a one-time effort but a continuous part of the community's environmental stewardship.

Cebu Pacific also joined SMBC Aviation Capital for a mangrove planting project in Sitio Sulok, Lian, Batangas in March 2025. Through this initiative, 3,000 mangrove seedlings were planted, aiming to restore vital coastal ecosystems and empower local communities. Apart from environmental protection, the project is also expected to provide livelihood opportunities for members of the local people’s organization, Samahan ng Mangingisda sa Sulok (SAMLOK). The organization is set to manage seedling production, site preparation, and the long-term maintenance of the mangrove area.

These efforts set a positive example of cross-industry collaboration for environmental sustainability and reflect Cebu Pacific's commitment to minimizing its environmental impact and contributing to efforts that help mitigate climate change.

Location: Dumanjug, Cebu and Lian, Batangas

Vulnerable groups: Local coastal communities facing flood risk

Impact on Indigenous peoples: Not identifiable

Community rights and concerns of communities: Community-led environmental stewardship, climate adaptation, and livelihood opportunities

Mitigating Measures: No negative impact

Social work and youth development
In 2025, Cebu Pacific celebrated its nine-year partnership with the United Nations International Children's Emergency Fund (UNICEF) for the "Change for Good" program, a long-standing initiative that aims to raise funds for children in need. It encourages passengers to donate their loose change during flights, which is then used to fund UNICEF's work for children's health, education, and protection. To date, the program has raised over PHP 112 million. Cebu Pacific also hosted a "Youth Career Talk" and an airport tour for Alternative Learning System (ALS) students in Clark, Pampanga. This event aims to involve young people in the aviation industry and offer insights into various career paths—especially with the Youth Career Talk introducing students to the possibilities within aviation, tourism, hospitality, and other sectors connected to Cebu Pacific's operations. By pairing this event with an airport tour, Cebu Pacific gave the participants a real-world look at what working in aviation involves: seeing ground operations, meeting employees, and possibly even talking to experts in different roles like pilots, cabin crew, and ground staff. **Vulnerable groups:** Children in need; youth in alternative learning systems **Impact on Indigenous peoples:** Not identifiable **Community rights and concerns of communities:** Funding to meet basic needs; career opportunities and support **Mitigating Measures:** No negative impact

Honoring Filipino migrant workers
In June 2025, Cebu Pacific celebrated its 20-year presence in Hong Kong with a special tribute to OFWs. Hong Kong has a significant Filipino community, many of whom use Cebu Pacific for their travel between the Philippines and Hong Kong, whether for work or visiting family. As a result, Cebu Pacific has had a strong connection with the destination and the modern-day heroes that live and work there. Cebu Pacific partnered with the Philippine Alliance Filipino community to honor five outstanding OFWs during the "Gawad Parangal Para sa Bagong Bayani" ceremony. Each awardee received a plaque of recognition and a complimentary international roundtrip ticket for exemplifying Cebu Pacific's values of integrity, service, trust, courage, and the best of the Filipino spirit. This was the first time Cebu Pacific extended its internal values awards to members of the public, underscoring how central OFWs have been to Cebu Pacific's history over the past 30 years. In highlighting their contributions, Cebu Pacific reaffirmed its commitment to Filipino migrant workers through ongoing and future support initiatives. The commemoration served both as a milestone celebration of Cebu Pacific's Hong Kong route and as a gesture of appreciation toward OFWs, reinforcing its role in connecting Filipinos with opportunities, loved ones, and home. **Vulnerable groups:** Filipino migrant workers/OFWs **Impact on Indigenous peoples:** Not identifiable **Community rights and concerns of communities:** No immediate needs/rights **Mitigating Measures:** No negative impact

Discounted airfare for vulnerable groups
To help support and make air travel more accessible for socially vulnerable groups, Cebu Pacific provided discounted airfares to a total of 638,217 passengers, including senior citizens (518,413 passengers), persons with disability (119,598 passengers), and students (206 passengers). **Location:** Across Cebu Pacific domestic destinations **Vulnerable groups:** Senior citizens and persons with disability **Impact on Indigenous peoples:** Not identifiable **Community rights and concerns of communities:** Access to affordable air travel **Mitigating Measures:** No negative impact

IMPACT	Cebu Pacific uses its reach and resources to implement programs that support Filipino culture, communities, and socially vulnerable groups.
STAKEHOLDERS	Partner Communities and Destinations, Nongovernmental Organizations (NGOs)
MANAGEMENT APPROACH	Cebu Pacific pursues a comprehensive CSR strategy by engaging in initiatives that benefit communities, employees, and society at large, beyond its core business operations. It aligns Cebu Pacific's business success with societal impact, creating long-term value for both it and the communities it serves.
RISKS	● Brand and Reputational Risk Specific risks: ● Initiatives may be perceived as tokenistic or misaligned with community priorities ● Weak oversight of partners or fund misuse may result in legal, financial, or ethical issues ● Programs may unintentionally create dependency, exclude vulnerable groups, or generate community tension
OPPORTUNITIES	Cebu Pacific continuously evaluates opportunities to partner with stakeholders to contribute to government and civic programs and initiatives that require air transport services.

Customer Management

Customer Satisfaction

Disclosure	Quantity		Units
	2025	2024	
Customer Satisfaction – Net Promoter Score (Post-Flight)	+35	+28	#
CSAT tracked full year (Post-Flight) Rating scale of 1-5, with 5 as the highest			
Value for Money	3.77	3.71	#
Bag Drop and Check-In Queuing Time	3.97	3.86	#
Boarding Experience	3.85	3.81	#
Bag Delivery Speed	3.9	3.8	#

Agent Service	3.9	3.87	#
Cabin Crew	4.17	4.14	#
Inflight Announcements	4.17	4.12	#
Cabin Interiors	3.98	3.95	#
Pre-Ordered Meals	3.61	3.57	#

IMPACT	Regular measurement of customer satisfaction allows Cebu Pacific to continuously improve its services to meet passengers' needs and concerns. To enhance customer well-being and minimize inconvenience, it provides proper assistance and has established a Customer Journey Management Team to address service-related concerns. These efforts give customers peace of mind throughout their travel experience and encourage them to continue choosing Cebu Pacific for their future journeys.
STAKEHOLDERS	Customers, Employees, Investors and Shareholders
MANAGEMENT APPROACH	Cebu Pacific continues to build a digitally driven organization that enhances passenger service, reduces costs, and improves employee learning and workflows through optimized processes. The Digital and Information Technology Office supports this effort by promoting a customer-centric digital transformation that leverages technology to drive innovation and streamline operations. This includes enhancing the airline's website and mobile app to create a seamless digital journey by simplifying booking, check-in, and booking management while prioritizing customer experience. To strengthen customer engagement, Cebu Pacific continues to implement a communication strategy that combines digital and traditional platforms. By integrating technology-driven self-service tools with traditional customer engagement channels, the airline aims to deliver seamless customer experiences that meet diverse traveler preferences and improve overall satisfaction. Customer experience governance is anchored by the **Customer Champion Board**, an internal forum that brings together senior leaders (including Directors, Chiefs, and key Managers) to review and act on matters related to the passenger journey. The board analyzes customer feedback, evaluates experience performance, and aligns on actions to improve the end-to-end journey. Insights from customer reports, operational data, and discussions within the board ensure cross-functional accountability and translate into concrete operational improvements. **Customer as the Focal Point for Future of Travel** Feeding into the Champion Board are insights from the **Customer Council**, a curated group of customers representing diverse demographics and hubs who participate in surveys, focus groups, and product testing. A subset of this group, the **CEB Squad**, provides rich, actionable customer experience research via the Alida platform. Their findings inform board discussions and help shape Cebu Pacific's product, service, and marketing decisions. For example, CEB Squad insights helped identify partners that embody Filipino culture and craftsmanship, contributing to Cebu Pacific's 2025 campaign highlighting Philippine textiles.

	Generative AI for Better Customer Experience Cebu Pacific also continues to enhance customer service through innovation, including the launch of its generative AI agent Charlie in February 2025 in partnership with Ada. As the first airline in Southeast Asia to fully adopt generative AI for customer support across channels, Cebu Pacific has strengthened its ability to provide real-time assistance. Charlie automates common inquiries such as bookings, itinerary changes, and travel requirements, delivering personalized and context-aware responses. Early results show a 34%+ increase in automated resolution rates, 50%+ higher CSAT scores, and under one-minute wait times for high-priority cases. Guided by its Generative AI Policy, Cebu Pacific continues to explore responsible AI use cases to further improve customer experience and operational efficiency. Beyond digital tools, Cebu Pacific also engages passengers directly through structured feedback platforms. In 2025, the airline launched the Customer Council, a curated group of customers representing diverse demographics and hubs who participate in surveys, focus groups, and product testing. Led by the CX and Enterprise Analytics teams, the council holds monthly sessions covering topics such as ancillary products, customer service, and digital experience. On-ground immersion activities and engagements with Cebu Pacific leaders ensure insights are effectively translated into strategic decisions. These efforts have helped Cebu Pacific better understand the drivers behind ancillary purchases and digital channel usage, informing future products, policies, and customer experiences. **Leveraging Digital Capabilities for Better Service** To support these initiatives, Cebu Pacific continues to strengthen its digital infrastructure. In 2025, the airline laid the groundwork for major upgrades to its digital channels through Project Lift, which aims to modernize the Cebu Pacific website and mobile apps through a complete re-architecture and redesign built on a modular, mobile-first, and performance-optimized platform. The project enables faster performance, improved search engine discoverability, and stronger booking conversion capabilities. Cebu Pacific also worked with Systems, Innovation, and Training (SIT) team to support the New NAIA Infra Corporation (NNIC) in deploying self-service airport technologies such as self-service kiosks, self-bag drop facilities, biometric screening, pre-security e-gates, self-boarding gates, and cashier/payment kiosks. Rolled out in the fourth quarter of 2025, these improvements enhanced airport efficiency and reduced wait times for passengers at NAIA Terminals 2 and 3, allowing Cebu Pacific to better manage travel surges. Moving forward in 2026, Cebu Pacific will continue to develop core user journeys such as booking, check-in, and managed booking under the new platform, building on the opportunity to use new design systems and UX standards to modernize the digital experience.
RISKS	● Brand and Reputational Risk Specific risk: ● Delayed response time and the inability to address concerns may lead to

		customer dissatisfaction.
OPPORTUNITIES	●	Cebu Pacific's customer management strategies undergo continuous innovation and development every year, with digital platforms offering more opportunities for improving the customer experience.

Customer Health and Safety

Disclosure	Quantity		Units
	2025	2024	
No. of substantiated complaints on product or service health and safety	95	106	#
No. of complaints addressed	95	106	#

IMPACT	Cebu Pacific implements several aviation safety initiatives and engages well-trained personnel to ensure a safe environment for its guests. It maintains channels to receive product and service-related health and safety concerns, and regularly addresses and closes these.
STAKEHOLDERS	Customers, Employees, Government and Regulators, Airport and Airport Authorities, Investors and Shareholders. Partner Communities and Destinations
MANAGEMENT APPROACH	Passenger safety remains the priority of Cebu Pacific. It continues to implement strict safety measures designed to reassure travelers and protect the public from unnecessary dangers. **Wildlife Management** Wildlife management is crucial for Cebu Pacific because wildlife strikes (especially bird strikes) pose serious safety risks to aircraft during any phase of flight. These strikes can damage engines and critical aircraft structures, endanger passengers and crew, and in rare cases lead to accidents. Effective wildlife management around airports also reduces flight delays, cancellations, and costly repairs, helping airlines maintain operational reliability. Additionally, it supports regulatory compliance and lowers insurance and maintenance costs, while helping protect surrounding biodiversity from harm. Bird strike risks at Cebu Pacific are under the jurisdiction of its Wildlife Hazard Management Program (WHMP). This program ensures that Cebu Pacific has a comprehensive bird strike incident mitigation strategy across all its hubs, and closely works with airport and aviation personnel to reduce bird strike risks. Cebu Pacific values the safety of its passengers, and plans to explore and test new technological advancements to enhance the WHMP in high-risks stations. In doing so and by ensuring that partnerships with airport authorities, staff, and LGUs are sustained, Cebu Pacific continues to uphold its commitment to safer skies for everyone **Customer Journey Management** In addition to the WHMP that mitigates the risk of bird strikes, Cebu Pacific implements other initiatives that protect passengers and maintain public confidence in air travel. Across its areas of operation, Cebu Pacific designates trained first aid responders and safety officers within its offices to provide immediate assistance to employees. For

	passengers, cabin crew are responsible for delivering first aid and immediate attention as needed during flights. Cebu Pacific also continuously strengthens its crisis and disruption management through the **Customer Journey Management Team (CJMT)**, established in 2023 to ensure passengers' welfare and safety during operational disruptions. The CJMT addresses issues such as delayed updates, weak coordination, outdated communications, multiple AOGs, extended turnaround times, and customer dissatisfaction at different touchpoints. It implements proactive measures including real-time internal updates, timely passenger announcements, recovery actions (rebooking, food, accommodations), and efficient complaint handling, ensuring safe and smooth passenger movement across check-in counters, boarding gates, and service areas. By shifting the organization's focus from purely operational metrics to prioritizing customer safety and satisfaction, the CJMT has driven tangible results, including a 100% increase in customer net promoter score (NPS), from +14 to +28, even with a growing passenger base. The team has enhanced operational resilience by improving response times and on-ground coordination, reducing the need for crisis activations during disruptions such as typhoons. Looking ahead, the CJMT continues to identify inefficiencies, trial new tools, and gather passenger feedback, reinforcing Cebu Pacific's commitment to safe, efficient, and customer-focused disruption management.
RISKS	● Brand and Reputational Risk Specific risk: ● Complaints on health and safety may lead to customers not availing of Cebu Pacific products and services.
OPPORTUNITIES	● Improvements in occupational health and safety, such as increased safety drills and better incident reporting to enhance data-driven safety decisions, can also improve customer health and safety.

Marketing and Labeling

Disclosure	Quantity		Units
	2025	2024	
No. of substantiated complaints on marketing and labeling	22	14	#
No. of complaints addressed	22	14	#

IMPACT	Ethical, transparent, and responsible advertising encourages trust from stakeholders and strengthens customer loyalty. Cebu Pacific ensures the use of appropriate and responsible marketing communications in line with the Ad Standards Council (ASC) and Department of Trade and Industry (DTI) regulations in the Philippines.
STAKEHOLDERS	Customers, Employees, Government and Regulators, Media and Publications
MANAGEMENT APPROACH	In 2025, Cebu Pacific rapidly grew its brand valuation. According to Brand Finance's Philippines 2025 brand rankings, Cebu Pacific was highlighted as one of the top performing Philippine brands, particularly noted as the fastest-growing brand in the country.

	Taking advantage of growing passenger numbers and revenues in 2025, Cebu Pacific cemented its rising relevance within key markets. Brand Finance awarded Cebu Pacific an AAA brand rating, one of the highest possible designations, paired with a BSI score of 86.1 out of 100—signaling robust consumer perception and competitive strength in the airline sector. 2025 was a milestone year for Cebu Pacific's brand valuation. It showcased significant growth, strong equity, and regional recognition while continuing its strategy as a leading LCC in Southeast Asia. ● 2025 Valuation: The brand value rose to USD 386 million, making it the fastest-growing Filipino brand of the year. It ranked 23rd in the "Philippines 50" list for overall brand value. ● 2024 Valuation: While the exact 2024 standalone figure is often cited through the 86% growth rate observed in 2025, the implied valuation for 2024 was approximately USD US 208 million. ● 2023 Valuation: Cebu Pacific debuted on Brand Finance's most valuable Filipino brands list with a valuation of USD194 million, ranking 20th in the country at that time. **Complaints on Marketing and Labeling** Most of the concerns were identified through active monitoring and engagement on Cebu Pacific's official social media platforms. These were promptly escalated to the Marketing Team for verification, correction, and the dissemination of accurate information. Cebu Pacific continues to adhere to the ASC and DTI regulations in the Philippines, ensuring it uses responsible advertising, follows rules that protect consumers, and promotes ethical marketing practices.
RISKS	● Brand and Reputational Risk Specific risk: ● Issues and complaints about marketing and labeling may lead to customers not availing Cebu Pacific products and services.
OPPORTUNITIES	● Appropriate marketing communications and product labeling may attract new customers and encourage existing customers to continue using Cebu Pacific products and services.

Customer Privacy

Disclosure	Quantity		Units
	2025	2024	
No. of substantiated complaints on customer privacy	0	0	#
No. of complaints addressed	0	0	#
No. of customers, users, and account holders whose information is used for secondary purposes	0	0	#

IMPACT	Cebu Pacific responsibly handles customer information while doing business by operationalizing the compliance requirements mandated by the National Privacy Commission (NPC). This encourages trust from their customers as well as the

	confidence that their data are safe and in good hands. Any misuse can expose customers to harm and lead to regulatory and reputational risks for Cebu Pacific.
STAKEHOLDERS	Customers
MANAGEMENT APPROACH	Good governance means maintaining integrity and fostering trust among stakeholders. Cebu Pacific embodies this by safeguarding customer information, enforcing responsible data management practices that comply with privacy regulations, such as those mandated by the NPC. This increases passengers' trust in Cebu Pacific and gives them confidence that their personal data is safe and secure. Cebu Pacific expresses its commitment to protect the personal information and privacy of its passengers through its privacy policies, found on its corporate website through the links below: ● Privacy Policy ● Data Privacy Manual Personal data breaches are one of the biggest challenges that could result in significant negative impacts on Cebu Pacific and its stakeholders. In this regard, Cebu Pacific empowers its Information Security team (alongside other teams) and undertakes continuous monitoring and evaluation of people, processes, and technologies to identify emerging threats in its operational landscape. When the Information Security team identifies threats that pose critical or high risks, it reports to the ESGC and RMC (and semi-annually to the Board Risk Oversight Committee [BROC] and CGC) for proper guidance. Cebu Pacific has implemented regular privacy impact assessments, performed regular vulnerability assessments and penetration testing, published regular digests and information campaigns, conducted training and workshops on managing incidents and breaches, and regularly reported any critical risks identified to its relevant Board and committees. As a result of these sustained efforts, Cebu Pacific has not experienced personal data breaches in the past three years. Upskilling and educating its personnel have contributed to managing and preventing such risks as well. Cebu Pacific continues to target zero personal data breaches. Cebu Pacific's Data Privacy Management (DPM) team handles data privacy issues and complaints. The DPM team conducts an annual review of its Data Privacy Manual and its Privacy Management Program (PMP) to ensure that the process of handling data subject complaints remains effective and efficient. The Data Privacy Manual standardizes how Cebu Pacific implements organizational, physical, and technical measures that will protect the personal information of its data subjects, including employees and passengers, in the course of business operations. It also demonstrates Cebu Pacific's compliance with the Data Privacy Act (DPA). It covers policies, procedures, and protection measures regarding the collection of personal information, outlining their use, storage, and transfer, and whether they should be retained or disposed of securely. The PMP documents how Cebu Pacific embeds privacy and data protection into its strategic framework and daily operations, and maintains this through organizational commitment and oversight of coordinated projects and activities. It includes Vision/Mission/Purpose, Management Buy-In, risk management via privacy impact

	assessments, program oversight, capability building through training, and DPA compliance. Cebu Pacific's DPM team applies several policies and documents, including an AI Policy, Retention Policies and Procedures, among others. Policies and procedures related to data privacy and cybersecurity are aligned with the latest regulatory requirements. In addition, addressing data subject rights (DSRs) has been improved through process adjustments, such as who to contact for a particular DSR, when to follow up, and so on. DSRs are quickly addressed within the time frame required by regulations. In 2025, the DPM team maintained the following reporting mechanisms: ● Internal policies and procedures to track data subject requests and risks to data privacy breaches, including the conduct of Privacy Impact Assessments on systems, processes, and procedures ● Participation in the ESGC and RMC meetings to update Senior Management ● Semi-annual BROC and CGC meetings to update the Board ● Annual registration of the Data Protection Officer and Data Processing System under the NPC ● Annual submission of security incidents report to the NPC Cebu Pacific will continue to explore additional ways to enhance its cybersecurity protocols, ensuring that passenger data is used safely and responsibly within Cebu Pacific.
RISKS	● Digitalization Risk ● Brand and Reputational Risk ● Regulatory and Geopolitical Risk Specific risk: ● Mishandling of customer data may lead to reputational risks, non-compliance with regulations, and sanctions.
OPPORTUNITIES	● Holding face-to-face workshops, with activities involving active participation, can better instill privacy-related disciplines and principles in attendees. This can be done by developing participant-focused material, working with People Development in delivering workshops, and inviting resource persons/experts from outside Cebu Pacific.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	#

IMPACT	Data breaches compromise the privacy of stakeholders and sensitive business information. This may lead to direct negative impacts to Cebu Pacific's stakeholders and erode their trust in the organization; in addition, sensitive data breaches may undermine Cebu Pacific's market strategy and competitiveness.
STAKEHOLDERS	Customers, Employees, Suppliers and Service Providers, Investors and Shareholders, Lenders and Creditors

MANAGEMENT APPROACH	Cebu Pacific continuously enhances its defenses against cyber threats to protect critical systems, customer data, and operational reliability. The Chief Digital and Information Officer has oversight on cybersecurity matters and management. Cebu Pacific invests in cybersecurity solutions and conducts regular assessments of emerging risks through vulnerability management, penetration testing, and effective threat mitigation. The IT and Information Security Policies and Procedures Manuals are regularly reviewed and updated to ensure adequacy and responsiveness to emerging threats. A Cybersecurity Incident Response Playbook is also in place to guide responders in investigating and resolving unwanted events. To promptly identify and address emerging risks, the team consistently monitors trends and threats in all aspects of the cyber landscape, including people, process, and technology. Any critical and high cybersecurity risks are reported monthly to the RMC and semi-annually to the BROC. Internal and external audits are conducted to ensure compliance with applicable standards, laws, and regulations. This is done to continuously monitor the risk posture and cybersecurity maturity level of the organization. Additionally, a cybersecurity awareness program is conducted annually to raise employee awareness on the importance of cybersecurity knowledge and skills to help minimize the risks of cyberattacks. Results of the internal and external audits are analyzed and reported to IT senior management. Completion rates of the cybersecurity awareness campaigns are monitored and periodically cascaded to each department to drive employee compliance. The results are then reported to each department, including its management committee member. An action plan is determined and continuously monitored to implement the results of internal and external audits.
RISKS	● Digitalization Risk ● Brand and Reputational Risk ● Regulatory and Geopolitical Risk Specific risks: ● Digitalization for operational efficiencies also increases the risks of cyber threats and vulnerabilities across the business. ● Weak cybersecurity measures may lead to data infiltration, compromising both business and customer data.
OPPORTUNITIES	● As with Customer Privacy, holding face-to-face workshops with activities involving active participation can better instill data privacy-related disciplines and principles in attendees.

CORE BUSINESS CONTRIBUTIONS TO THE U.N. SUSTAINABLE DEVELOPMENT GOALS

Goal 5: Gender Equality - Achieve gender equality and empower all women and girls
Target 5.5: Ensure women's full participation and equal leadership opportunities **Key Products/Services and Business Activities**

Cebu Pacific aims to foster an inclusive and equitable workplace where everyone can take flight by inspiring more Filipinas to pursue careers in aviation and contribute to a more diverse and inclusive industry. It will advance this goal through awareness, mentorship, and leadership development programs, while ensuring equal opportunities in training and promotion. Progress will be monitored and disclosed through the percentage of female pilots in the workforce.

Metrics and 2025 Performance:

- **8%** Female pilots as a percentage of total pilots (%)

Societal Value/Contribution to UN SDGs

By increasing female representation among pilots, Cebu Pacific will attempt to help close gender gaps in aviation, foster diversity, and set an industry example for women as pilots. These intentions are meant to promote gender equality and women's participation in leadership roles in aviation, a traditionally male-dominated field.

Potential Negative Impact of Contribution

Risk of unintended bias or inequality despite established policies.

Management Approach to Negative Impact

Regular monitoring and review of diversity, equity, and inclusion policies to address gaps.

Goal 8: Decent Work and Economic Growth - Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Target 8.5: Achieve full and productive employment and decent work for all women and men

Key Products/Services and Business Activities

Cebu Pacific is committed to creating quality employment opportunities by expanding its workforce, with a particular focus and prioritization on recruiting local talent. Cebu Pacific has also pledged to invest in comprehensive training programs for pilots and cabin crew. It regularly provides skills development and upskilling initiatives to ensure employees are equipped for career advancement and operational excellence. Cebu Pacific has also adopted the *People, Policies, and Procedures Manual*. Within the manual, Cebu Pacific outlines its employees' right to decent work and reinforces its employment standards as well as training and development procedures. To evidence the effectiveness of its overall plans for its employees, Cebu Pacific will report on these three relevant metrics moving forward to disclose its efforts on local hiring and training.

Metrics and 2025 Performance:

- **4,937** Total employees (#)
- **96%** Proportion of local employees as percentage of total (%)
- **320,129 hours** Training provided for pilot training and cabin crew training (hours)

Societal Value/Contribution to UN SDGs

By increasing total employment, raising the proportion of local employees, and providing extensive training, Cebu Pacific aims to support full and productive employment and decent work for all. These efforts help foster economic growth, enhance workforce skills, and ensure that both women and men have access to quality jobs and professional development in the aviation sector.

Potential Negative Impact of Contribution

Employees may leave Cebu Pacific for better opportunities elsewhere after receiving sufficient training.

Management Approach to Negative Impact
To foster knowledge transfer, Cebu Pacific also updated its external training bond matrix to extend the maximum duration from 2 years to 3 years. This ensures that expertise gained from external training is effectively shared with colleagues and also enhances employee retention and strengthens investment protection. In general, Cebu Pacific also aims for high retention in its workforce through competitive remuneration and benefits and meaningful avenues of employee engagement.

Target 8.9: By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products

Key Products/Services and Business Activities
Cebu Pacific is expanding its route network by launching new services to previously underserved destinations and increasing both its domestic and international connections. It works closely with local communities and tourism stakeholders to ensure that new routes support local economies and cultural exchange. Siargao is an example of Cebu Pacific's impact. This destination previously only had four weekly flights and 62,000 visitors. Today, following Cebu Pacific's route to the area, there are 63 weekly flights and nearly 600,000 visitors, powering a thriving tourism economy. Cebu Pacific will continue sharing its plans for increased connectivity in the future and report on new destinations as relevant.

Metrics and 2025 Performance:
- **1** New destinations that were previously underserved (#)
- **37** Total network of domestic destinations (#)
- **26** Total network of international destinations (#)

Societal Value/Contribution to UN SDGs
By increasing the number of destinations served—especially in underserved areas—Cebu Pacific aims to promote sustainable tourism that creates jobs, stimulates local businesses, and highlights local culture and products. These efforts are intended to drive inclusive economic growth, support community development, and strengthen the tourism sector across the Philippines and the region.

Potential Negative Impact of Contribution
- Increased GHG emissions from more flights
- High volume of tourists in local areas may have detrimental effects on the environment and society.

Management Approach to Negative Impact
- Cebu Pacific continues its 5F Strategy for decarbonization (Fundamentals, Fleet, Fuel, Footprint, and Finance), making efforts towards energy efficiency and the use of renewable energy across its operations.
- Close partnership and cooperation with stakeholders of these destinations.

Goal 9: Industry, Innovation, and Infrastructure - Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Target 9.1: Develop quality, reliable, sustainable infrastructure to support economic development and human well-being

Key Products/Services and Business Activities
Cebu Pacific is investing in fleet expansion, logistics capabilities, and digital transformation to increase the number of passengers and essential goods it transports. It is also enhancing digital adoption through

initiatives such as mobile ticketing, contactless check-in, and real-time information systems to improve operational efficiency and customer experience. By allowing for more passengers and cargo to be carried on an annual basis, Cebu Pacific is supporting sustainable infrastructure.

Metrics and 2025 Performance:[a]

- **26.9 million** Passengers transported (#, millions)
- **214,952 tonnes** Cargo goods transported (tonnes)
- **84%** Digital adoption (%)[b]

Societal Value/Contribution to UN SDGs
By transporting more passengers and essential goods and increasing digital adoption, Cebu Pacific supports the development of quality, reliable, and sustainable infrastructure. These efforts help drive economic development, improve access to goods and services, and enhance the well-being of communities across the Philippines and the region.

Target 9.4: By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities

Key Products/Services and Business Activities
Cebu Pacific is modernizing its fleet by increasing the proportion of NEO aircraft and introducing more modern, fuel-efficient planes each year. It is committed to phasing out older, less efficient models and investing in advanced technologies that reduce fuel consumption and emissions. The goal is to have a fleet of 100% NEO aircraft by 2030 to upgrade its existing infrastructure.

Metrics and 2025 Performance:

- **58%** New Engine Option (NEO) proportion of total aircraft (%)
- **7** Number of modern fuel-efficient aircraft introduced per annum (#)

Societal Value/Contribution to UN SDGs
By upgrading its fleet with cleaner, more resource-efficient aircraft, Cebu Pacific is supporting the transition to sustainable aviation infrastructure. These actions help reduce environmental impact, improve operational efficiency, and demonstrate leadership in adopting environmentally sound technologies and practices in the airline industry.

Potential Negative Impact of Contribution
Remaining GHG emissions

Management Approach to Negative Impact
Cebu Pacific continues its 5F Strategy for decarbonization (Fundamentals, Fleet, Fuel, Footprint, and Finance), making efforts towards energy efficiency and the use of renewable energy across its operations.

[a] *The scope of data presented here includes AirSWIFT.*
[b] *"Digital adoption" refers to the use of online bookings.*

Goal 11: Sustainable Cities and Communities - Make cities and human settlements inclusive, safe, resilient and sustainable

Target 11.2: Provide access to safe, affordable, and sustainable transport system

Key Products/Services and Business Activities
Cebu Pacific prioritizes safety by maintaining rigorous operational standards, conducting regular wildlife

hazard assessments at airports, and continuously investing in staff training and advanced safety technologies. It is committed to minimizing aviation incidents and maintaining a record of zero passenger fatalities.

Metrics and 2025 Performance:

- **0** Aviation Accidents (#)
- **0** Passenger fatalities (#)
- **6** Wildlife hazard assessments conducted at airports (#)

Societal Value/Contribution to UN SDGs

By reducing aviation incidents, preventing passenger fatalities, and proactively managing wildlife hazards, Cebu Pacific supports the provision of safe, affordable, and sustainable transport systems. These efforts enhance passenger confidence, ensure reliable service, and contribute to the overall safety and sustainability of air travel in the Philippines and the region.

Potential Negative Impact of Contribution

None identified

Management Approach to Negative Impact

None identified

Goal 13: Climate Action - Take urgent action to combat climate change and its impacts

Target 13.1: Strengthen resilience to climate hazards

Key Products/Services and Business Activities

Cebu Pacific has conducted climate scenario analysis to identify and assess the effect of climate hazards, such as flooding, extreme wind, and extreme heat, to its operations. To mitigate the impact of these, Cebu Pacific has systems in place for aviation planning in anticipation of extreme weather, crisis management including coordination with internal and external teams, and heat safety protocols, among other measures.

Societal Value/Contribution to UN SDGs

Through proactive aviation planning and crisis management, Cebu Pacific strengthens its climate resilience, protecting the safety of both staff and passengers and minimizing damage to assets due to climate hazards.

Target 13.2: Integrate climate change measures into national policies, strategies, and planning

Key Products/Services and Business Activities

Cebu Pacific is proactively integrating climate change measures into its business strategy by setting targets to reduce Scope 1 GHG emissions, improve carbon intensity per available and revenue passenger kilometer, reduce jet fuel consumption intensity, and track emissions avoided through fuel efficiency initiatives. Cebu Pacific continuously implements fuel efficiency initiatives to avoid additional CO_2 emissions and regularly monitors and reports on these metrics to guide ongoing improvement. In addition to introducing NEOs into its fleet, Cebu Pacific is committed to improving fuel efficiency by optimizing flight plans and implementing fuel-saving best practices in aircraft operations through its pilots. It regularly monitors and reports on jet fuel consumption intensity to identify further opportunities for efficiency gains.

Metrics and 2025 Performance:

- **2,313,619** Total Scope 1 GHG Emissions (tCO_2e)
- **61.2** Passenger Carbon Intensity per Available Seat Kilometer (gCO_2/ASK)
- **75.7** Passenger Carbon Intensity per Revenue Passenger Kilometer (gCO_2/RPK)
- **2.99** Passenger jet fuel consumption intensity (liters/100 RPK)
- **34,919** CO_2 Emissions Avoided through Fuel Efficiency Initiatives (tCO_2)

Societal Value/Contribution to UN SDGs

By reducing passenger jet fuel consumption intensity and systematically reporting on its climate-related metrics, Cebu Pacific supports the sustainable management and efficient use of natural resources. These efforts help lower its environmental footprint, conserve energy, and promote responsible resource use in the aviation sector. Through active management and reduction of GHG emissions and carbon intensity, Cebu Pacific is integrating climate change measures into its operations and planning. This approach aligns it with national and global climate goals, contributes to the decarbonization of the aviation sector, and demonstrates leadership in climate action.

Potential Negative Impact of Contribution

Remaining GHG emissions

Management Approach to Negative Impact

Cebu Pacific continues its 5F Strategy for decarbonization (Fundamentals, Fleet, Fuel, Footprint, and Finance), making efforts towards energy efficiency and the use of renewable energy across its operations.

OTHER CONTRIBUTIONS TO THE U.N. SUSTAINABLE DEVELOPMENT GOALS

Goal 10: Reduced Inequalities - Reduce inequality within and among countries

Target 10.2: Empower and promote social inclusion

Activities

Cebu Pacific actively supports local communities through a range of community programs focused on education, health, disaster response, and economic empowerment. It partners with local organizations to ensure that its initiatives reach underserved and vulnerable populations.

Metrics and 2025 Performance:

- **2** Total local communities supported through community program since 2023 (#)[a]

Societal Value/Contribution to UN SDGs

By increasing the number of local communities supported, Cebu Pacific aims to empower marginalized groups and promote social inclusion. These efforts help reduce inequalities, foster community resilience, and ensure that the benefits of economic growth and connectivity are shared more broadly across society.

Potential Negative Impact of Contribution

Uneven access to opportunities or resistance to inclusion efforts, which could limit impact.

Management Approach to Negative Impact

Cebu Pacific ensures equal access to opportunities through policy reviews, training, and regular engagement with stakeholders to address gaps and strengthen inclusion efforts.

[a] Refers to Brgy. Dumanjug, Cebu and Sitio Sulok, Batangas.

Goal 13: Climate Action - Take urgent action to combat climate change and its impacts

Target 13.1: Strengthen resilience to climate hazards

Activities

Cebu Pacific undertakes reforestation and conservation initiatives by planting and protecting trees, including targeted mangrove restoration projects. It collaborates with local communities and environmental organizations to maximize the ecological and social benefits of these efforts.

Metrics and 2025 Performance:

- **0** Total trees planted or protected (#)[a]

Societal Value/Contribution to UN SDGs

By increasing the number of trees and mangroves planted or protected, Cebu Pacific also helps strengthen the resilience of communities to climate hazards such as flooding and coastal erosion. These actions enhance ecosystem services, support biodiversity, and contribute to climate adaptation and disaster risk reduction in vulnerable areas.

Potential Negative Impact of Contribution

Challenges in sustaining high survival rates due to environmental factors.

Management Approach to Negative Impact

Continuous monitoring and community involvement to maintain and protect the mangrove ecosystem, in collaboration with partners.

[a] No new trees planted for 2025. In 2025, the 10,000 trees planted in 2023 were turned over to the local community.