

COVER SHEET

for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

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COMPANY NAME

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

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Department requiring the report

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Secondary License Type, If Applicable

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| | N | / | A |
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COMPANY INFORMATION

| | | |
|-------------------------|------------------------------|---------------------------|
| Company's Email Address | Company's Telephone Number | Mobile Number |
| www.jgsummit.com.ph | 8633-7631 | - |
| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
| 994 | Last Thursday of May | 12/31 |

CONTACT PERSON INFORMATION

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

| | | | |
|------------------------|----------------------|--------------------|---------------|
| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
| Brian M. Go | brian.go@jgsummit.ph | 8633-7631 | - |

CONTACT PERSON'S ADDRESS

41st Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City

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 year ended **December 31, 2021**
2. SEC Identification Number **184044**
3. BIR Tax Identification No. **000-775-860**
4. **JG Summit Holdings, Inc.**
Exact name of registrant as specified in its charter
5. **Pasig City, Philippines**
Province, Country or other jurisdiction of incorporation or organization
6. Industry Classification Code: (SEC Use Only)
7. **43rd Floor, Robinsons-Equitable Tower, ADB Ave. corner Poveda Road, Pasig City 1600**
Address of principal office Postal Code
8. **(632) 633-7631**
Registrant's telephone number, including area code
9. **Not Applicable**
Former name, former address, and former fiscal year, if changed since last report.
10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

Title of Each Class

Number of Shares of Common Stock
Outstanding and Amount of Debt Outstanding

Common Stock

7,520,983,658

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

Yes [/] No []

12. Check whether the registrant:

- (a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 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 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. 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 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.

The aggregate market value of stocks held by non-affiliates is ₱378,005,285,790.

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Description of Business

(A) Business Development

JG Summit Holdings, Inc. (JG Summit / the Company / the Group), which is controlled by the Gokongwei Family, was incorporated in November 1990 as the holding company for a group of companies with substantial business interests in foods, agro-industrial and commodities, real estate and hotel, air transportation, banking and petrochemicals. The Company also has core investments in telecommunications and power generation and distribution.

The Company is one of the largest and most diversified conglomerates within the Philippines. The Company was listed on the PSE in 1993.

The Company and its subsidiaries (the Group), conduct businesses throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Luzon, Visayas and Mindanao.

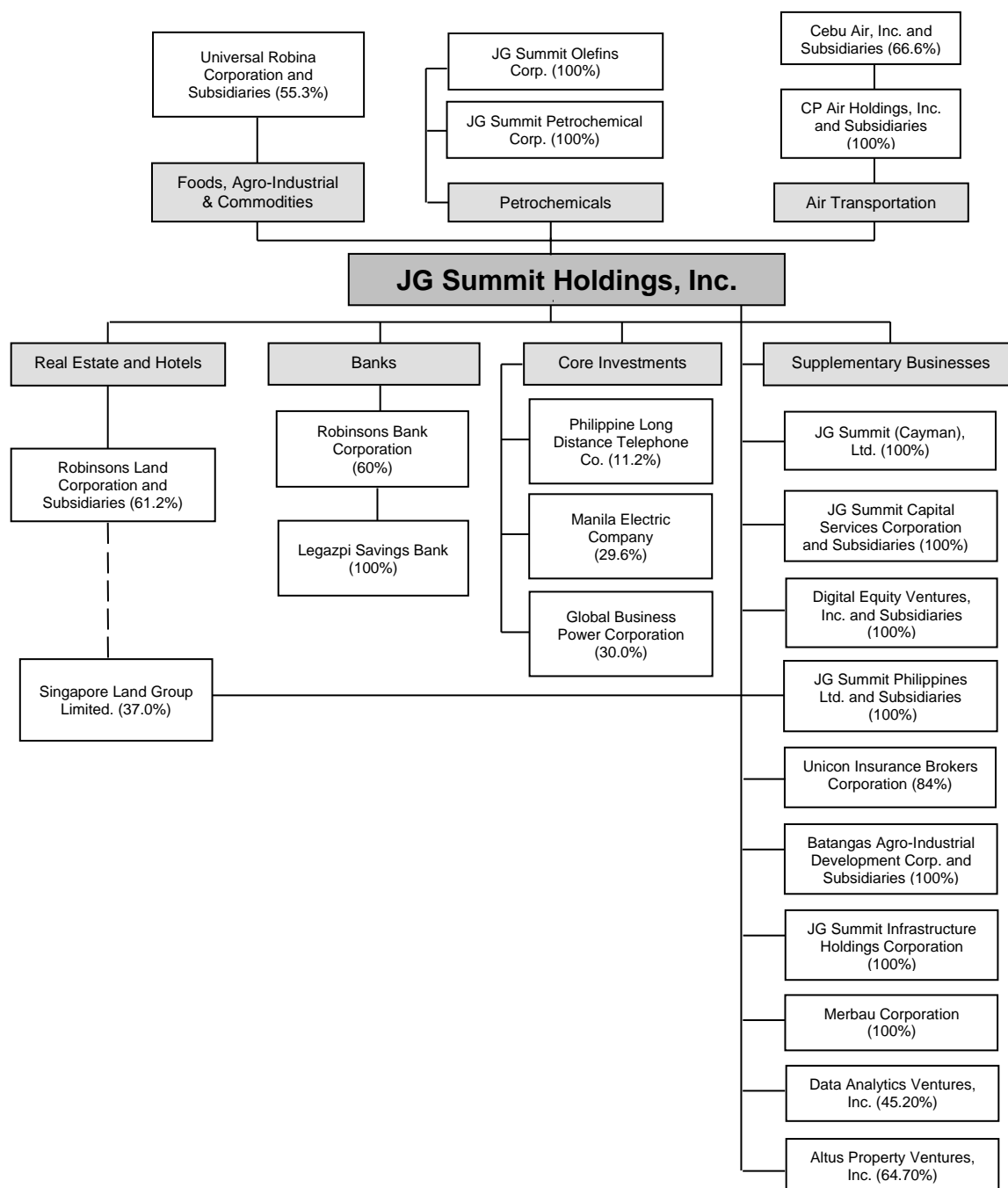
The Group also has a branded consumer foods business in the People's Republic of China (PRC), ASEAN, and a core investment in a property development company in Singapore.

The Company has not been into any bankruptcy, receivership or similar proceedings for the past two years.

The Gokongwei Family beneficially owns approximately 14.2% of the outstanding share capital of the Company. In addition, certain members of the Gokongwei Family are trustees of the Gokongwei Brothers Foundation, which holds interest in approximately 27.9% of the existing outstanding share capital of the Company.

(B) Business of Issuer

The industry segments where the Company and its subsidiaries and affiliates operate are summarized below:



The following table shows the breakdown of the Company's revenues and net profits from continuing operations by business areas (in millions except % amounts):

| | REVENUES | | | | | | Net Income attributable to Parent Co. | | | | | |
|--|----------------|------------|---------|-----|---------|-----|---------------------------------------|---|----------|---|--------|-----|
| | 2021 | | 2020 | | 2019 | | 2021 | | 2020 | | 2019 | |
| | Peso | % | Peso | % | Peso | % | Peso | % | Peso | % | Peso | % |
| Food, Agro-Industrial and Commodity Food Products | 116,896 | 51 | 113,164 | 55 | 114,241 | 40 | 12,888 | | 5,938 | | 5,399 | 17 |
| Air Transportation | 15,566 | 7 | 22,302 | 11 | 84,874 | 30 | (16,674) | | (15,092) | | 6,185 | 20 |
| Petrochemicals | 41,806 | 18 | 22,021 | 11 | 30,075 | 11 | (2,139) | | (1,979) | | 971 | 3 |
| Real estate and hotels | 39,221 | 17 | 30,518 | 15 | 39,903 | 14 | 7,600 | | 5,702 | | 11,334 | 36 |
| Banks | 9,299 | 4 | 9,189 | 4 | 8,132 | 3 | 745 | | 561 | | 432 | 1 |
| Other Supplementary Businesses | 9,624 | 4 | 7,962 | 4 | 9,364 | 3 | 3,107 | | 4,147 | | 6,921 | 22 |
| Adjustments/eliminations | (1,860) | (1) | (904) | — | (1,276) | — | (419) | | 255 | | 43 | 0 |
| Total from Continuing Operations | 230,552 | 100 | 204,252 | 100 | 285,313 | 100 | 5,108 | | (468) | | 31,285 | 100 |

Information as to domestic and foreign revenues, including foreign currency denominated revenues and dollar linked revenues, and their contributions to total revenues follow (in millions except % amounts):

| | 2021 | | 2020 | | 2019 | |
|----------|----------------|------------|---------|-----|---------|-----|
| | Amount | % | Amount | % | Amount | % |
| Domestic | 170,594 | 74 | 161,311 | 79 | 207,151 | 73 |
| Foreign | 59,958 | 26 | 42,941 | 21 | 78,162 | 27 |
| | 230,552 | 100 | 204,252 | 100 | 285,313 | 100 |

a) FOODS, AGRO-INDUSTRIAL AND COMMODITIES

Business Development

URC is one of the largest branded food product companies in the Philippines and has established a strong presence in the ASEAN region. URC has the distinction of being called the country's first "Philippine Multinational". URC was founded in 1954 when Mr. John Gokongwei, Jr. established Universal Corn Products, Inc., a cornstarch manufacturing plant in Pasig. URC is involved in a wide range of food-related businesses, including the manufacture and distribution of branded consumer foods, production of hogs and poultry, manufacture of animal feeds and veterinary products, flour milling, and sugar milling and refining. URC has also ventured in the renewables business for sustainability through its Distillery and Cogeneration divisions. In the Philippines, URC is a dominant player with leading market shares in Snacks, Candies and Chocolates, and is a significant player in Biscuits. URC is also the largest player in the Ready-to-Drink (RTD) Tea market and Cup Noodles, and is a competitive 3rd player in the Coffee business. With six mills operating as of December 31, 2021, URC Sugar division remains to be the largest producer in the country based on capacity aided by the purchase of Roxas Holdings, Inc.'s sugar mill, ethanol plant and other investment properties in La Carlota City, Negros Occidental. The acquisition also allows for operational synergies between La Carlota and URC's existing operations in Sugar and continue in the efforts to support the development of the sugar industry in the Philippines. URC's financial condition remained solid in the said period despite the acquisition.

No material reclassifications, merger, consolidation, or purchase or sale of significant amount of assets (not ordinary) were made in the past three years (2019-2021) except those mentioned in the succeeding paragraphs. URC's financial condition has remained solid in the said period.

Principal Products or Services

URC operates its food business through operating divisions and wholly-owned or majority-owned subsidiaries that are organized into three business segments: branded consumer foods, agro-industrial products and commodity food products.

Branded consumer foods (BCF) segment, including packaging division, is the URC's largest segment contributing about 71.4% of revenues for the year ended December 31, 2021. Established in the 1960s, URC's branded consumer foods segment manufactures and distributes a diverse mix of salty snacks, chocolates, candies, biscuits, packaged cakes, beverages and instant noodles. The manufacturing, distribution, sales, and marketing activities of BCF segment are carried out mainly through the URC's branded consumer foods division consisting of snack foods, beverage, and noodles and pasta, although URC conducts some of its branded consumer foods operations through its majority-owned subsidiaries and joint venture companies. URC established BOPP Packaging and Flexible Packaging divisions to engage in the manufacture of bi-axially oriented polypropylene (BOPP) films for packaging companies and flexible packaging materials to cater various URC branded products. Both manufacturing facilities are located in Simlong, Batangas and are ISO 9001:2008 certified for Quality Management Systems.

Majority of URC's consumer foods business are conducted in the Philippines but has expanded more aggressively into other ASEAN markets, primarily through its wholly-owned subsidiary, URC International. In 2021, URC acquired Munchy's, one of the leading players in the Biscuits category in Malaysia which offers a wide variety of offerings across all key Biscuit segments with well-loved brands including Munchy's Cream Crackers, Lexus Cream Sandwich, Oat Krunch, Muzic Wafer and Choc-O Cookies. The international operations contributed about 19.0% of the Company's sale of goods and services for the year ended December 31, 2021.

URC's agro-industrial products segment operates three divisions: (1) Farms, (2) Animal Nutrition and Health; and (3) Foods, Drugs and Disinfectants. This segment contributed approximately 9.8% of sale of goods and services in 2021.

URC's commodity food products segment operates three divisions: (1) sugar milling and refining through Sugar division, (2) flour milling through Flour division, and (3) renewable energy development through Distillery and Cogeneration divisions. This segment contributed approximately 18.8% of sale of goods and services in 2021.

The percentage contribution to the URC's sale of goods and services for each of the three years ended December 31, 2019, 2020 and 2021, by each of the URC's principal business segments is as follows:

| | For the years ended December 31 | | |
|------------------------------|---------------------------------|--------|--------|
| | 2021 | 2020 | 2019 |
| Branded Consumer Foods Group | 71.4% | 73.9% | 75.7% |
| Agro-Industrial Group | 9.8% | 10.5% | 15.8% |
| Commodity Foods Group | 18.8% | 15.6% | 8.5% |
| | 100.0% | 100.0% | 100.0% |

The geographic percentage distribution of the URC's sale of goods and services for each of the three years ended December 31, 2019, 2020 and 2021 is as follows:

| | For the years ended December 31 | | |
|---------------|---------------------------------|--------|--------|
| | 2021 | 2020 | 2019 |
| Philippines | 81.0% | 81.2% | 79.2% |
| International | 19.0% | 18.8% | 20.8% |
| | 100.0% | 100.0% | 100.0% |

Customers

None of the URC's businesses is dependent upon a single customer or a few customers that a loss of anyone of them would have a material adverse effect on the Company. URC has no single customer that, based upon existing orders, will account for 20.0% or more of the Company's total sale of goods and services.

Distribution, Sales and Marketing

URC has developed an effective nationwide distribution chain and sales network that it believes provide its competitive advantage. URC sells its branded food products primarily to supermarkets, as well as directly to top wholesalers, large convenience stores, large scale trading companies and regional distributors, which in turn sell its products to other small retailers and down line markets. URC's branded consumer food products are distributed directly to approximately 250,000 outlets in the Philippines and sold through various retailers and regional distributors. URC intends to expand its distribution network coverage in the Philippines by increasing the number of retail outlets that its sales force and distributors directly service.

The branded consumer food products are generally sold by URC from salesmen to wholesalers or supermarkets, and regional distributors to small retail outlets. 15 to 30-day credit terms are extended to wholesalers, supermarkets and regional distributors.

URC believes that its emphasis on marketing, product innovation and quality, and strong brand equity has played a key role in its success in achieving leading market shares in the different categories where it competes. In particular, URC launched "Jack 'n Jill" as a master umbrella brand for all its snack food products in order to enhance customer recognition. URC devotes significant expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets, including funding for advertising campaigns such as television commercials and radio, print and digital advertisements, as well as trade and consumer promotions.

URC Agro-Industrial Group (AIG) constantly provides quality products and services to both Agri trade partners and end consumers alike. Both piggery and poultry farms of URC AIG are GAHP (Good Animal Husbandry Practice) accredited, and 100% compliant to Good Manufacturing Practices (GMP). In addition, the meats and eggs brand, Robina Farms, maintains high quality and safety guarantee with its No Hormone, and No Antibiotic residue certification. This has allowed AIG to aggressively capture the quality conscious meat and eggs segment of the country as embodied by the Robina Farms brand with its key positioning of Robina-Raised, Family-Safe products. Similarly, AIG's Feeds business, championed by Uno+, Supremo Gamefowl, and Top Breed Dog brands have increased its distribution network supported by the Kabalik Farm Program covering Hog and Gamefowl and Kennel stakeholders.

Competition

The BCF business is highly competitive and competition varies by country and product category. URC believes that the principal competitive factors include price, taste, quality, convenience, brand recognition and awareness, advertising and marketing, availability of products and ability to get its product widely distributed. Generally, URC faces competition from both local and multinational companies in all of its markets. In the Philippines, major competitors in the market segments in which it competes include Liwayway Marketing Corporation, Republic Biscuit Corporation, Suncrest Foods Inc., Monde Nissin Corporation, Nestle Philippines, Inc., and Mondelez Philippines, Inc. Internationally, major competitors include Procter & Gamble, Mars Inc., Lotte Group, Perfetti Van Melle Group, PT Mayora Indah Tbk, Tan Hiep Phat Beverage Group, Nestlé S.A., PepsiCo, Inc., and Mondelez International, Inc.

URC AIG has re-oriented its business model under three major business segments: Farms, Feeds, Food Services and Drug and Disinfectants. This reorientation will allow URC AIG to pivot itself toward capturing the new opportunities brought about by the current changes in the agricultural sector as well as the new normal. The market for AIG is now more diverse, ranging from its original agri-based categories such as feeds to its more consumer-oriented categories such as processed meat under farms, and alcohol under the Drugs and Disinfectants business group. Consistent as before, the market is highly fragmented, competitive, consumer-driven, and principally domestic. URC is focused and known as a 'Kabalikat', sharing best practices with partners and providing total solutions and protection to Filipino consumers nationwide.

URC's key competitive factors are brand equity, product quality, affordability, supply availability and reliability. Considering that the three major business segments: Farms, Animal Nutrition and Health, and Foods, Drugs and Disinfectants are represented by core products directly and indirectly used by the common household, the said categories are subject to continuous changes particularly customer preferences and lifestyle. Key competitors include San Miguel Corporation, UNAHCO (Unilab Group), Aboitiz Equity Ventures, Inc. (Pilmico), and Bounty Farms.

Enhancement and Development of New Products

URC intends to continuously introduce innovative new products, product variants and line extensions in the snackfoods (snacks, biscuits, candies, chocolates and bakery), beverage, and grocery (instant noodles) products. This year alone, the URC's Branded Consumer Foods Philippines has introduced 36 new products, which contributed 2.1% to its total sales.

URC supports the rapid growth of the business through line expansion, construction and acquisition of plants.

Raw Materials

A wide variety of raw materials are required in the manufacture of the URC's food products, including corn, wheat, flour, sugar, robusta coffee beans, palm oil and cocoa powder. Some of which are purchased domestically and some are imported. URC also obtains a major portion of its raw materials from its commodity food products segments, such as flour and sugar, and flexible packaging materials from its packaging segment. A portion of flexible packaging material requirements is also purchased both locally and from abroad (Vietnam and Indonesia), while aseptic packaging is purchased entirely from China.

For its feeds segment, URC requires a variety of raw materials, including corn grains, soya beans and meals, feed-wheat grains, wheat bran, wheat pollard, soya seeds, rice bran, copra meal and fish meal. URC purchases corn locally from corn traders and imports feed wheat from suppliers in North America, Australia, Europe and China. Likewise, soya seeds are imported by URC from the USA.

For its Drugs and Disinfectant segment, URC sources its major raw materials locally. The key ingredient in Alcohol is rectified spirit which is sourced internally from its distillery plants across the country. For its animal health products, URC requires a variety of antibiotics and vitamins, which it acquires from suppliers in Europe and Asia. URC maintains approximately two months physical inventory and one month in-transit inventory for its imported raw materials.

For its farm business, URC requires a variety of raw materials, primarily close-herd breeding stocks. For its poultry business, URC purchases the parent stock for its layer chicks from Dekalb from Europe and Hy-line from the USA. Robina Farms obtains all of the feeds it requires from its Feeds segment and substantially all of the minerals and antibiotics from its Drugs and Disinfectants segment as part of its vertical integration. URC purchases vaccines, medications and nutritional products from a variety of suppliers based on the values of their products.

URC obtains sugar cane from local farmers. Competition for sugar cane supply is very intense and is a critical success factor for its sugar business. Additional material requirements for the sugar cane milling process are either purchased locally or imported.

URC generally purchases wheat, the principal raw material for its flour milling and pasta business, from suppliers in the United States, Canada and Australia.

URC's policy is to maintain a number of suppliers for its raw and packaging materials to ensure a steady supply of quality materials at competitive prices. However, the prices paid for raw materials generally reflect external factors such as weather conditions, commodity market fluctuations, currency fluctuations and the effects of government agricultural programs. URC believes that alternative sources of supply of the raw materials that it uses are readily available. URC's policy is to maintain approximately 30 to 90 days of inventory.

Patents, Trademarks, Licenses, Franchises, Concessions or Labor Contract

URC owns a substantial number of trademarks registered with the Bureau of Trademarks subject to the provisions of Republic Act (RA) 8293 also known as the Intellectual Property Code of the Philippines (IP Code) and recorded with the Intellectual Property Office of the Philippines (IPPHL). In addition, certain trademarks have been strategically registered in other countries in which it operates. These trademarks are important in the aggregate because brand name recognition is a key factor in the success of many of the URC's product lines. Trademark registration is a means to protect these brand names from counterfeiting and infringement.

Trademarks registered under RA 166, also known as the Trademark Law, are registered for twenty years. Upon renewal, these trademarks become subject to the IP Code having a registration period of ten years and renewable thereafter. In general, trademarks in other countries have a ten-year registration which are renewable as well, allowing relatively a lifetime of territorial and limited trademark registration.

URC also uses brand names under licenses from third parties. These licensing arrangements are generally renewable based on mutual agreement. URC's licensed brands include Nissin Cup Noodles, Nissin Yakisoba Instant Noodles and Nissin Pasta Express, Vitasoy, Calbee and B'lue, among others.

Licensing agreements are voluntarily registered with the Documentation, Information and Technology Transfer Bureau of the IPPHL.

Regulatory Overview

As manufacturer of consumer food and commodity food products, URC is required to guarantee that the products are pure and safe for human consumption, and that URC conforms to standards and quality measures prescribed by the Bureau of Food and Drugs (BFAD).

URC's sugar mills are licensed to operate by the Sugar Regulatory Administration (SRA) and renew its sugar milling licenses at the start of every crop year. URC is also registered with the Department of Energy as a manufacturer of bio-ethanol and as a renewable energy developer.

All of the URC's livestock and feed products have been registered with and approved by the Bureau of Animal Industry (BAI), an agency of the Department of Agriculture (DA) which prescribes standards, conducts quality control test of feed samples, and provides technical assistance to farmers and feed millers.

Some of the URC's projects, such as the sugar mill and refinery, bioethanol production, biomass power cogeneration and hog and poultry farm operations, are registered with the Board of Investments (BOI) which allows URC certain fiscal and non-fiscal incentives.

Effects of Existing or Probable Governmental Regulations on the Business

URC operates its businesses in a highly regulated environment. These businesses depend upon licenses issued by government authorities or agencies for their operations. The suspension or revocation of such licenses could materially and adversely affect the operation of these businesses.

Research and Development

URC develops new products and variants of existing product lines, researches new processes and tests new equipment on a regular basis in order to maintain and improve the quality of the URC's food products. In Philippine operations alone, about ₱209 million was spent for research and development activities in 2021 and approximately ₱193 million and ₱144 million in 2020 and 2019, respectively.

URC has research and development staff for its branded consumer foods and packaging divisions located in its research and development facility in Metro Manila and in each of its manufacturing facilities. In addition, URC hires experts from all over the world to assist its research and development staff. URC conducts extensive research and development for new products, line extensions for existing products and for improved production, quality control and packaging as well as customizing products to meet the local needs and tastes in the international markets. URC's commodity foods segment also utilizes this research and development facility to improve their production and quality control. URC also strives to capitalize on its existing joint ventures to effect technology transfers.

URC has a dedicated research and development team for its agro-industrial business that continually explores advancements in feeds, breeding and farming technology. URC regularly conducts market research and farm-test for all of its products. As a policy, no commercial product is released if it was not tested and used in Robina Farms.

Costs and Effects of Compliance with Environmental Laws

The operations of URC are subject to various laws and regulations enacted for the protection of the environment, including Philippine Clean Water Act (R.A. No. 9275), Clean Air Act (R.A. No. 8749), Ecological Solid Waste Management Act (R.A. No. 9003), Toxic Substances and Hazardous and Nuclear Wastes Control Act (R.A. No. 6969), Pollution Control Law (R.A. No. 3931, as amended by P.D. 984), the Environmental Impact Statement System (P.D. 1586), Laguna Lake Development Authority (LLDA) Act of 1966 (R.A. No. 4850), Renewable Energy Act (R.A. No. 9513), Electric Power Industry Reform Act (R.A. No. 9136) and Environmental Compliance Certificates (ECCs) requirements of P.D. No. 1586, in accordance with DENR Administrative Order No. 2003-30. URC believes that it has complied with all applicable environmental laws and regulations, an example of which is the installation of wastewater treatment systems in its various facilities. Compliance with such laws does not have, and, in the URC's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position. As of December 31, 2021, URC has invested about ₱420 million in wastewater treatment in its facilities in the Philippines.

b) REAL ESTATE AND HOTELS

Business Development

RLC is one of the Philippines' leading real estate developers in terms of revenues, number of projects and total project size. It is engaged in the construction and operation of lifestyle commercial centers, offices, hotels, and warehouse facilities; and the development of mixed-use properties, residential buildings, as well as land and residential housing developments, including socialized housing projects located in key cities and other urban areas nationwide. RLC adopts a diversified business model, with both an 'investment' component, in which it develops, owns and operates commercial real estate projects (principally lifestyle commercial centers, office buildings, hotels and warehouse facilities); and a 'development' component, in which it develops real estate projects for sale (principally residential condominiums, service lots, house and lot packages and commercial lots).

RLC was incorporated on June 4, 1980 and its shares were offered to the public in an initial public offering and were subsequently listed in the Manila Stock Exchange and Makati Stock Exchange (predecessors of the Philippine Stock Exchange) on October 16, 1989.

On November 13, 2017, the BOD of RLC approved in principle the stock rights offering (SRO) of up to ₱20 billion composed of 1.1 billion common shares, with a par value of ₱1.00 per share, to all stockholders as of record date January 31, 2018. RLC intended to use the proceeds from the Offer to finance the acquisition of land located in various parts of the country for all its business segments.

RLC has obtained the approval of the BOD of the Philippine Stock Exchange, Inc. (PSE) for the listing and trading of the rights shares on January 10, 2018, while the PSE's confirmation of exempt transaction covering the offer was obtained on December 14, 2017. The following are the key dates of the SRO:

- Pricing date – January 24, 2018
- Ex-date – January 26, 2018
- Record date – January 31, 2018
- Offer period – February 2 to 8, 2018
- Listing date – February 15, 2018

RLC has successfully completed its ₱20 billion SRO of common shares following the close of the offer period on February 8, 2018. A total of 1.1 billion common shares from the SRO were issued at a price of ₱18.20 each. The listing of the shares occurred on February 15, 2018.

On July 31, 2019, the BOD of RLC approved the declaration of property dividend, of up to One Hundred Million (100,000,000) common shares of Altus Property Ventures, Inc. (APVI) (formerly Altus San Nicolas Corp.) in favor of the registered shareholders (the Receiving Shareholders) as of August 15, 2019. The SEC approved the property dividend declaration on November 15, 2019 and the Certificate Authorizing Registration was issued by the Bureau of Internal Revenue on December 6, 2019.

The Receiving Shareholders received a ratio of one (1) share of APVI for every fifty-one and 9384/10000 (51.9384) shares of RLC, net of applicable final withholding tax on December 20, 2019. No fractional shares were issued and no shareholder was entitled to any fractional shares. RLC's remaining interest in APVI after the dividend distribution is 6.11%.

As of December 31, 2021, JG Summit, RLC's controlling shareholder, owned approximately 61.19% of RLC's outstanding shares.

Principal Products or Services

RLC has seven business divisions: a) Robinsons Malls, b) Residential Division, c) Robinsons Offices, d) Robinsons Hotels and Resorts, e) Robinsons Logistics and Industrial Facilities, f) Integrated Developments Division; and g) Chengdu Ban Bian Jie.

a.) Robinsons Malls

Robinsons Malls (or Commercial Centers Division) develops, leases and manages lifestyle commercial centers or shopping malls throughout the Philippines. As of December 31, 2021, RLC operates fifty-three (53) shopping malls, comprising nine (9) malls in Metro Manila and forty-four (44) malls in other urban areas throughout the Philippines, and has another one (1) new mall and one (1) expansion in the planning and development stage for completion in the coming year.

Commercial Centers Division continued to be affected by the pandemic. Footfall was still lower in 2021 compared to pre-pandemic level and rental concessions were still given to tenants, particularly during the months of March to April and August to September when the government imposed stricter community quarantines. However, during the last quarter of the year, the malls' performance perked up because of the easing up of quarantine restrictions and the widespread vaccination, including the vaccination of minors below 18 years old.

To encourage customers to visit, Commercial Centers Division launched several traffic-generating programs such as alfresco dining, outdoor activities in open areas, bicycle parking and repair stations, and most of all, supporting the government in its vaccination drive by offering free spaces for LGU vaccinations.

In September, the RLC's 53rd mall was opened, Robinsons Place La Union. Featuring surfing decors and ocean murals, Robinsons Place La Union is the biggest mall in the province with a wide variety of fashion outlets and dining establishments. The full-service lifestyle center takes pride in showcasing the best of the Ilocos Region. This was followed in December by the opening of the expansion of its Dumaguete mall. Furthermore, Robinsons Place Tacloban was reopened after its rehabilitation.

The main revenue stream of Commercial Centers Division is derived from the lease of commercial spaces and it comprises a significant part of RLC's revenues. Historically, revenues from lease rentals have been a steady source of operating cash flows for RLC. RLC expects that the revenues and operating cash flows generated by the malls business shall continue to be a major driver for the Company's growth in the future.

As of calendar year 2021, RLC has one (1) new mall and one (1) expansion in the planning and development stage for completion in the coming year. RLC's business plan for Commercial Centers Division over the next five years, subject to market conditions, is to sustain its growth momentum via development of new lifestyle centers and expansion of existing ones.

RLC also leases commercial properties to affiliated companies. Rental income arising from the lease of commercial properties to affiliated companies amounted to about ₱2.4 billion and ₱2.1 billion for the calendar years ended December 31, 2021 and 2020, respectively.

b.) Residential Division

RLC's Residential Division develops and sells residential developments for sale/pre-sale. As of December 31, 2021, RLC's Residential Division has eighty-two (82) residential condominium buildings/towers/housing projects under its **RLC Residences** brand and thirty-nine (39) housing subdivisions under its **Robinsons Homes** brand, of which ninety-eight (98) have been completed and twenty-three (23) are still ongoing. It currently has several projects in various stages for future development that are scheduled for completion in the next one (1) to six (6) years.

RLC's Residential Division focuses on the construction and sale of residential condominiums under its RLC Residences brand, and house and lot and subdivision projects under its Robinsons Homes brand.

The Residential Division is categorized into two (2) brands. The different brands differ in terms of target market, location, type of development and price ranges to allow clear differentiation among markets. These two brands are:

RLC Residences

RLC's Residences is the new brand that integrates Robinsons Luxuria, Robinsons Residences, and Robinsons Communities to provide a seamless customer journey for its clients. The brand primary focus is to build beautiful and well designed residential condominiums in key urban areas and central business districts. The brand redefined its new core offering under its enhanced customer-centric value propositions: Raise, Live and Connect. Raise stands for raising living standards through elevated design and quality

standards, elegant lobbies, and global design and property consultants. Live is all about living smart and productive through the digital solutions for a hassle-free condo-living experience and the introduction of work-from-home nooks and smart home features integrated within the units. Lastly, Connect promotes meaningful connections through amenities for bonding and the convenience of being near life's essentials.

As part of the new brand's efforts to provide a more customer-centric service to its clients and to answer the growing need to do transactions safely at home due to the pandemic, RLC Residences introduced multiple digital innovation such as the myRLC Homeowners Portal (for RLC Residences property residents) and Buyer's Portal (for property buyers) in order to help them access their accounts in real time and accomplish other obligations at the comforts of their home such as payments and gate pass filings. The myRLC Homeowners Portal also provides easier access to the Ring Rob Concierge, RLC Residences' exclusive service for residents where they can book for home services online such as water delivery, laundry, interior design, and more. For potential clients, RLC Residences also has its virtual gallery of its model units that clients may access anytime, anywhere.

In terms of home offerings, RLC Residences also integrated home upgrades in its new properties. These upgrades are the inclusion of work-from-home provisions in all units, smart home features, pantry and storage areas inside the unit, bike parking areas and allotment of more open spaces within the development among others.

Currently, there are eighty-two (82) residential projects under its portfolio, of which sixty-eight (68) are completed while fourteen (14) are still under construction.

Robinsons Homes

Robinsons Homes (or Homes Division) is one of the residential brands of RLC. It offers choice lots in master planned, gated subdivisions with option for house construction to satisfy every Filipino's dream of owning his own home.

As of December 31, 2021, Homes Division has thirty-nine (39) projects in its portfolio. Nine (9) of these projects are on-going construction.

RLC's primary focus is to build more house and lot developments in Luzon and target the affordable to mid-cost market segment. It will continue to be on the lookout for growth opportunities in the Visayas and Mindanao regions.

c.) Robinsons Offices

Robinsons Offices (or Office Building Division) develops office buildings for lease. As of December 31, 2021, this division has completed twenty-eight (28) office developments. These are located in Quezon City, Mandaluyong City, Cebu City, Ilocos Norte, Tarlac City, Naga City, Davao City and Iloilo City. We also have office projects in the Central Business Districts of Pasig City, Makati City and Taguig City. Furthermore, to ensure business growth and continuity, the Company has a robust pipeline of new offices for completion the following year.

RLC engages outside architects and engineers for the design of its office developments. Due to the sustained growth from the IT Business Process Management (IT-BPM) sector and increasing office space demand from multinational and logistic companies despite the COVID-19 pandemic, RLC has secured a number of major customers as long-term tenants in its office buildings. It also has continuously improved its developments

including building features, office layouts and amenities. RLC is one of the leading providers of office spaces in the Philippines.

In its effort to be environmentally responsive, Office Building Division has built sustainable, green office buildings over the years. The projects are Leadership in Energy and Environmental Design (LEED) certified. The US Green Building Council registered LEED buildings are: Tera Tower (LEED Gold), Exxa Tower (LEED Silver), Zeta Tower (LEED Silver) and recently Giga Tower (LEED Gold).

The contactless building features that the RLC has incorporated into its office buildings, to ensure the health, safety and overall well-being of its occupiers include: metal detectors with built in thermal scanners, infrared activated alcohol and soap dispensers among others. Also, RLC installed microbial film on frequently touched surfaces, foot bath at entrances, hand sanitation stations and foot decals to encourage social distancing to help prevent the spread of viruses.

For our upcoming offices in Metro Manila, Office Buildings Division has enhanced the contactless features of the development by incorporating in its design the inclusion of destination control elevators, QR code activated turnstiles and phone application enabled visitor management systems.

RLC plans to apply and register the new and upcoming buildings in Metro Manila with LEED. It has also taken the necessary steps to ensure that its indoor air quality will meet and possibly exceed standards set by the government.

In 2021, Office Buildings Division completed three new offices namely Bridgetowne East Campus 1, home to the Philippines' largest telco neutral data center occupying about 18,000 sqm of GLA and is located within the Bridgetowne Destination Estate in Quezon City, Cybergate Iloilo 1 (located within the Robinsons Place Pavia Complex in Iloilo City) and Cybergate Omega (located within the Ortigas Central Business District). These three new offices increased net leasable area by 12% to 688,600 square meters and brought the total count of office developments located in central business districts and in key cities across the country to twenty-eight (28).

For 2022, RLC is targeting to increase its leaseable area with the completion of new office developments.

Meanwhile, RLC continues to strengthen its portfolio of flexible workspace business called '*work.able*'. *work.able* offers plug and play workspaces to clients who are looking for flexible office solutions such as private offices, venues for meetings and events and co-working spaces. As of December 31, 2021, the Company has five (5) *work.able* centers located in Ortigas CBD in Pasig City, Quezon City and Taguig City. In November 2021, another multinational company signed up for a Build-to-Suit *work.able* deal at Cyber Omega, a testament on the strong demand and resiliency of the business. This new site is targeted to be completed by March 2022.

As of calendar year 2021, RLC has six (6) office projects in the planning and development stage and for completion in the succeeding year.

d.) Robinsons Hotels and Resorts

Robinsons Hotels and Resorts owns, develops, and operates hotels and resorts within Metro Manila, and urbanized and targeted tourist destinations in the Philippines. It has a diverse portfolio covering the following brand segments: upscale deluxe hotels, mid-

market boutique city and resort hotels, essential service value hotels, and luxury resorts. As of December 31, 2021, RLC operated twenty (21) hotels and resort for a total of 3,230 rooms in strategic metropolitan and urbanized locations consisting of eleven (11) Go Hotels, six (6) Summit Hotels and Resorts, one (1) Grand Summit Hotel, and three (3) international deluxe brands. In 2021, RLC unveiled its very own upscale deluxe hotel brand, Grand Summit Hotel in General Santos City. Grand Summit Hotel Gensan boasts 102 deluxe guest rooms, a wide range of amenities, and its own all-day dining restaurant, Café Summit. A welcome addition to the South Cotabato region, Grand Summit Hotel Gensan is RLC's first own lifestyle and celebrations hotel. RLC currently has a lineup of developments for the expansion of its portfolio of hotels and resorts.

RLC has entered into an agreement with its franchisee, Roxaco-Asia Hospitality Corporation, for four (4) Go Hotels present in Manila Airport Road, Ermita Manila, Timog-Quezon City, and North EDSA-Quezon City. Combined, the four Go Hotels account for 804 rooms.

In 2021, RLC operated a maximum of 18 of its 21 hotel properties in the midst of a global pandemic that crippled the hospitality and tourism industries. Occupancy rates in these operational hotels ranged from 5% to 100% as of December 31, 2021. The launch of Grand Summit Hotel Gensan added 68 operational rooms, bringing total room keys to a total of 3,230.

In response to the challenges brought about by quarantine measures, RLC repurposed its accommodation facilities and offered relevant solutions to customers. Summit Hotels and Resorts and Go Hotels launched 'Working-On-the-Go Private Offices' to offer affordable private office packages for the growing work-at-home population. Go Hotels also rolled out long-stay services under the 'Just-Got-Home' program, which primarily attracted urban professionals looking for a budget-friendly place that is in close proximity to their workplaces and other key establishments. As quarantine accommodation facilities grew in need during the pandemic, RLC's various hotel properties secured accreditation from government agencies in order to offer comfortable and safe quarantine rooms for returning overseas workers, balikbayans, and the like. Four of its properties, Summit Galleria Cebu, Dusit Thani Mactan Cebu, Crowne Plaza Manila Galleria, and Holiday Inn Manila Galleria secured Multiple-Use Establishment accreditation from the Department of Tourism and Department of Health. This allowed the four hotels to serve both quarantine and non-quarantine guest accommodations.

In preparation for the anticipated recovery of the Philippine tourism and hospitality industry, the Hotels and Resorts Division is geared up to add room keys to its portfolio in 2022 with the openings of Summit Hotel Naga, Go Hotel Naga, Go Hotel Tuguegarao, and the remaining rooms of Grand Summit Hotel Gensan. In the same year, RLC intends to launch Fili Urban Resort, the Philippines' first ever five-star homegrown hotel brand. These new properties will push total hotel room count to over 3,800 rooms by the end of 2022.

e.) Robinsons Logistics and Industrial Facilities

Robinsons Logistics and Industrial Facilities (RLX) focuses on industrial leasing under RLX Logistics and Facilities (RLX). As of December 31, 2021, RLX has seven (7) industrial facilities in its portfolio in key strategic locations Calamba City, Laguna, Muntinlupa City, Cainta, Rizal, San Fernando City, Pampanga, and Mexico City, Pampanga. It now has a presence within the National Capital Region, and in both the North and South of Metro Manila. RLX will continue to ramp-up its portfolio by

completing new facilities in Calamba, Laguna. Total net leasable area reached 167,000 square meters as of December 31, 2021.

The accelerated growth of e-Commerce in the Philippines significantly increased demand for logistics facilities with new specifications. RLC capitalized on this opportunity and supplied the need for logistics facilities with capabilities and features tailor-fit for Fast-Moving Consumer Goods (FMCG) and e-Commerce companies, among others. Key specifications of these facilities include high ceilings, raised flooring, loading docks with roll up doors, high strength flooring, and complete Fire Detection and Alarm Systems (FDAS), and fire protection systems. Through all these, RLC ensures the longevity and safety of its logistics facilities, and enables optimized operations for customers.

In 2021, RLX division completed three (3) new logistics facilities located in Muntinlupa City, San Fernando City, Pampanga, and Mexico City, Pampanga. These new facilities, along with previously completed projects in Calamba City, Laguna, have cemented RLX division in key strategic locations. It now has presence within the National Capital Region, and in both the North and South of Metro Manila.

The three new logistics facilities increased gross leasable area to about 167,000 square meters, bringing the total count of industrial warehouses nationwide to seven (7). All RLX projects, except RLX Mexico which was completed in December 2021, are fully leased out.

For 2022, RLX division will continue to ramp-up its portfolio by completing new facilities in Calamba, Laguna. To further accelerate the growth of GLA, RLX is exploring purchasing existing logistics facilities and upgrading these facilities to meet design standards.

RLX is on track to becoming the fastest growing logistics facility provider in the country. As it looks to expand its reach and support more businesses, exceptional service continues to be of utmost priority.

f) Integrated Developments Division

RLC's Integrated Development Division (IDD) focuses on strategic land bank acquisition in collaboration with corporate land acquisition, exploration of real-estate infrastructure projects, and partnerships that create growth opportunities. IDD cautiously advanced with the development of its landmark premier destination estate---the 30.6-hectare Bridgetowne in Pasig and Quezon City; the 18-hectare Sierra Valley in Cainta and Taytay, Rizal, and the 216-hectare Montclair in Porac and Angeles, Pampanga. RLC will continue to make substantial progress in its landmark destination estates. To strengthen earnings, the division will likewise explore innovative real estate formats, new business ventures, and strategic partnerships for its mixed-use developments.

Notwithstanding the effects of COVID-19, IDD cautiously advanced with the development of its premier destination estates Bridgetowne, a 30.6-hectare property that connects the cities of Pasig and Quezon, Sierra Valley, an 18-hectare property in Cainta and Taytay, Rizal, and Montclair, a 216-hectare property in Porac and Angeles, Pampanga.

With Bridgetowne's Phase 1 substantially completed, the demolition of existing structures on the Phase 2 parcel was the group's primary focus to jump-start development of its second phase. On the other hand, Sierra Valley's interim retail thrived in 2021 achieving a leased rate of 100%, 90% of which began operating within 2021. Finally, Montclair

substantially completed construction of its new interchange connecting to SCTEX. Once operational, the new interchange will ease access from Montclair to major transportation infrastructures including Clark Airport, Subic Freeport, NLEX, TPLEX, and the future Malolos-Clark Railway project.

RLC will continue to make substantial progress in its landmark destination estates. To strengthen earnings, the division will likewise explore innovative real estate formats, new business ventures, and strategic partnerships for its mixed-use developments.

g) Chengdu Ban Bien Jie

RLC's Chengdu Ban Bien Jie is a residential development with minor commercial component located in Chendu, China. It is RLC's first international foray spanning across 8.5 hectares of land acquired in 2016 through a public auction.

Building on its well-established expertise and reputation in the Philippines, RLC expanded its presence beyond local shores and launched its first international venture with a residential project in Chengdu City, China. The city of Chengdu, the capital of Sichuan Province, is the fifth largest city in China with over 16 million residents and is considered as one of the richest urban areas in the country. RLC's Ban Bian Jie Project is strategically located in Wuhou District, the largest of the five inner districts of Chengdu. Situated next to the majestic sceneries of the Jiang An River and Yong Kang Forest Park, the project's prime location and quality features make it an attractive and preferred choice for employees and families.

The Chengdu Ban Bian Jie project is a residential development with a total gross floor area of approximately 220,000 square meters. Comprised of a series of carefully designed high-rise towers, townhouses and shops, Chengdu Ban Bian Jie caters to the sophisticated, discerning lifestyle of the upper-middle-class market. The project features an entertainment area for children, and various sports facilities, including gyms and a swimming pool, to suit even the most active residents. With its convenient proximity to the main Chengdu Shuangliu International Airport, the sprawling community offers entertainment centers, a shopping complex, and relaxation areas, such as the clubhouse and ecological gardens, for rest and recreation.

The percentage contribution to RLC's revenues for the three years ended December 31, 2021, 2020 and 2019 by each of its business segment is as follows:

| | For the years ended December 31 | | |
|-------------------------------------|---------------------------------|--------|--------|
| | 2021 | 2020 | 2019 |
| Commercial Centers | 23.2% | 30.9% | 48.8% |
| Residential | 16.6% | 43.5% | 27.0% |
| Office Buildings | 16.7% | 20.3% | 15.5% |
| Hotels and Resorts | 3.4% | 3.9% | 7.3% |
| Integrated Developments | 8.3% | 1.4% | 1.4% |
| Logistics and Industrial Facilities | 1.0% | — | — |
| Chengdu Ban Bian Jie | 30.8% | — | — |
| | 100.0% | 100.0% | 100.0% |

Competition

Commercial Centers Division

RLC's two major competitors are SM Prime Holdings, Inc. (SMPHI) and Ayala Land, Inc. (ALI). Each of these companies has certain distinct advantages over RLC, including SMPHI's considerably larger mall portfolio and ALI's access to prime real estate in the heart of Metro Manila. There are a number of other players in the shopping mall business in the Philippines, but they are significantly smaller and, because of the high barriers to entry into the business (which include cost, branding, reputation, scale and access to prime real estate), RLC expects that it will continue to compete principally with these two major companies in this market sector for the foreseeable future. RLC has, however, recently seen an increase in the development of specialty malls by companies that are not traditional players in the industry, and it is unclear whether or how this trend might affect the competitive landscape. Shopping mall operators also face competition from specialty stores, general merchandise stores, discount stores, warehouse outlets, street markets and online stores.

RLC believes its strength is in its mixed-use, retail, commercial and residential developments. RLC operates on the basis of its flexibility in developing malls with different sizes depending on the retail appetite of the market per location. It is focused on balancing its core tenant mix and providing a more distinctive shopping mall experience to its loyal customers, as well as its ability to leverage the brand equity and drawing power of its affiliated companies in the retail trade business.

Residential Division

- **RLC Residences**

RLC Residences continues to develop beautiful, well-designed, high-quality homes catered to young professionals, starting and growing families under the BC1 segment looking for a home in the city that they can proudly call their own. Competitors such as Alveo Land, MEG, Filinvest Land, Inc. (FLI), and Ortigas & Co. target the young professionals and starting families under this bracket. There are also a number of players who try to compete in this segment of the market with one or two projects. Projects under RLC Residences remain among the top of mind developments as a result of growing experienced sales and distribution networks and convenient locations. Projects are located within Central Business Districts or RLC's mixed-use development. RLC Residences has numerous competitors in the middle-income segment. This is in part a function of the fact that, as compared to other business areas, RLC does not enjoy the same "early mover" advantage. Currently, they are companies like Avida Land (AL), FLI, SMPHI, and DMCI Homes. Based on public records and independent industry reports and its own market knowledge, the Company believes that it is among the top five middle-ranked condominium developers in the Philippines in terms of revenues from sales. The Company believes that it can successfully compete in this market segment on the basis of its brand name, technical expertise, financial standing and track record of successfully completed, quality projects.

The brand strives to compete with developers who have already established their names in tapping the elite market. RLC Residences aims to increase its share of this market segment and steer buyers of competitors such as Ayala Land Premier, Rockwell Land Corporation (ROCK), Century Properties Group, Inc. (CPGI) and Megaworld Corporation (MEG) to its developments.

- **Robinsons Homes**

Robinsons Homes stands in close competition with ALI, FLI and Vista Land Lifescapes, Inc. (VLL). It competes on the basis of location. It is a nationwide residential subdivision developer with projects in Laoag, Tarlac, Pampanga, Antipolo, Angono, Cavite, Batangas, Puerto Princesa, Bacolod, Cebu, Cagayan de Oro, Davao and General Santos. Robinsons Homes is committed to provide green communities with lifestyle amenities in response to changing needs of the market. RLC believes that its market specific branding, reliability to deliver and consistent quality products at an affordable price has contributed to its ability to generate sales and its overall success.

Robinsons Offices

RLC believes that competition for office space is principally on the basis of location, quality and reliability of the project's design and equipment, reputation of the developer, availability of space, and PEZA registration. The biggest competitors of RLC under this segment are ALI, Megaworld and SM. RLC competes in this market on the basis of the strategic locations of its buildings, including their proximity to the malls and residences as part of its mixed-use developments and its accessibility to public transportation, building features as the office projects can accommodate all types of tenants including companies in the IT Business Process Management (IT-BPM) sector, corporate headquarters and traditional offices. RLC also believes that its established reputation of good quality, ease of doing business, and completing projects on time makes it one of the most preferred choices of the IT-BPM industry as well as local and multinational companies. RLC is committed in providing an excellent customer experience and satisfaction by developing office projects of high quality and reliability, meeting the evolving needs of its customers. RLC is committed in providing an excellent customer experience and satisfaction by developing office projects of high quality and reliability, meeting the evolving needs of its customers.

Robinsons Hotels and Resorts

RLC competes in different markets for its hotels and resorts segments. Across all of its hotel formats, its main competitors in terms of number of rooms are: Ayala Land, Alliance Global Group Inc., SM Hotels and Conventions Corporation, and Filinvest Land Inc. Aside from these large hotel owners and developers, there is a growing number of small independent players and foreign entrants that increases the competitive landscape of hospitality in the country.

RLC continues to solidify its position and ability to serve travellers in multiple points of the Philippines through growing its hotel and resorts portfolio while enhancing its overall brand. With its longstanding expertise in developing and managing hotels and resorts, RLC is focused on scaling its business with improving standards leading up to world-class quality.

Logistic and Industrial Facilities Division

Even before the Covid-19 pandemic, demand for logistics facilities has been on the rise in the country and this demand further increased during the pandemic. Under its RLX Logistics Facilities brand, RLX develops excellent quality logistics facilities in industrial centers of growth around the Philippines. The biggest competitors of RLC in the development of logistics facilities are Ayalaland Logistics Holdings Corp. and Double Dragon Properties Corp.

Integrated Developments Division

RLC is an accomplished developer of integrated developments. RLC has developed four major mixed used developments in Metro Manila alone, namely, Robinsons Galleria, Robinsons Forum, Robinsons Manila, and Robinsons Magnolia. These projects are anchored by Robinsons Mall with components of Office and/or Residential and/or Hotel/Leisure. Furthermore, it continues to develop its destination estates namely Bridgetowne, Sierra Valley and Montclair. IDD remains focused on this fast-growing development format.

Despite the Covid-19 pandemic, major developers are still into integrated developments. Developers have been acquiring big parcels of land and incorporating different real estate components to attract investors and customers. The biggest competitors of RLC in integrated developments are Ayala Land, Inc., Megaworld Corp, Filinvest, Inc., Double Dragon Properties Corp., and SM Prime Holdings.

IDD will harness opportunities for synergies with RLC's other business units: Commercial, Residential, Hotel, and Office Division. RLC, having years of experience in these real estate components, will thus have a competitive advantage. With efficient master planning, innovative designs, and quality construction, RLC is committed to sustainable and future-proof communities.

Raw Materials/Suppliers

Construction and development of malls, high-rise office and condominium units as well as land and housing construction are awarded to various reputable construction firms subject to a bidding process and management's evaluation of the price and qualifications of and its relationship with the relevant contractor. Most of the materials used for the construction are provided by the contractors themselves in accordance with the underlying agreements, although sometimes RLC will undertake to procure the construction materials when it believes that it has an advantage in doing so. RLC typically will require the contractor to bid for a project on an itemized basis, including separating the costs for project materials that it intends to charge. If RLC believes that it is able to acquire any of these materials (such as cement or steel) at a more competitive cost than is being quoted to it, it may remove these materials from the project bid and enter into a separate purchase order for the materials itself, to reduce project costs.

Customers

RLC has a broad base of customers, comprised of both local and foreign individuals, and institutional clients. RLC is not dependent on a single or a few customers, the loss or any of which would have a material adverse effect on the business taken as a whole.

Related Party Transactions

RLC leases significant portions of its commercial centers and office buildings to companies controlled by the Gokongwei Family, including Robinsons Department Store, Robinsons Supermarket and Handyman Do-It-Best. Other affiliates from whom RLC earns rental income include Top Shop, Robinsons Bank and Cebu Pacific. RLC's policy with respect to related party transactions is to ensure that these transactions are entered into on terms comparable to those available from unrelated third parties.

In addition, JG Summit also provides RLC with certain corporate services including debt management, corporate finance, corporate planning, procurement, human resources, controller and treasury services, legal and corporate communications.

Regulatory and Environmental Matters

Shopping Malls

Shopping mall centers are regulated by the local government unit of the city or municipality where the establishment is located. In line with this, mall operators must secure the required mayor's permit or municipal license before operating. In addition, no mall shall be made operational without complying first with the provisions of the fire code and other applicable local ordinances. Furthermore, shopping malls with food establishments must obtain a sanitary permit from the Department of Health. It is also compulsory for shopping malls discharging commercial waste water to apply for a waste water discharge permit from the DENR and to pay the fee incidental to the permit.

As a tourism-related establishment, shopping malls may obtain accreditation from the Department of Tourism. A shopping mall can only be accredited upon conformity with the minimum physical, staff and service requirements promulgated by the Department of Tourism.

For the shopping malls owned by the Company, RLC has ensured that it is compliant with all of the above regulations.

Residential Condominium and Housing and Land Projects

Presidential Decree No. 957 (The Subdivision and Condominium Buyers' Protective Decree) as amended, is the principal statute which regulates the development and sale of real property as part of a condominium project or subdivision. The law covers subdivision projects and all areas included therein for residential, commercial, industrial and recreational purposes as well as condominium projects for residential or commercial purposes. It also sets out standards for lower density developments.

Republic Act No. 4726 (The Condominium Act), on the other hand, is the primary law governing condominiums. The law covers the legal definition of a condominium, the rights of a unit owner, and the rules governing transfers, conveyances and partitions in condominiums.

The Housing and Land Use Regulatory Board (HLURB) is the administrative agency of the Government which, together with local government units, enforces these laws and has jurisdiction to regulate the real estate trade and business. Subdivision or condominium units may be sold or offered for sale only after a license to sell (LTS) has been issued by the HLURB. The LTS may be issued only against a performance bond posted to guarantee the completion of the construction of the subdivision or condominium project and compliance with applicable laws and regulations.

All subdivision and condominium plans are subject to approval by the relevant Local Government Unit (LGU) in which the project is situated and by the HLURB. The development of subdivision and condominium projects can commence only after the HLURB has issued a development permit. Approval of such plans is conditional on, among other things, the developer's financial, technical and administrative capabilities. Alterations of approved plans which affect significant areas of the project, such as infrastructure and public facilities, also require the prior approval of the LGU and HLURB.

Owners of or dealers in real estate projects are required to obtain licenses to sell before making sales or other dispositions of lots or real estate projects. Republic Act No. 9646 (The Real Estate Service Act of the Philippines) provides that real estate consultants, appraisers, assessors and brokers must pass the requisite exams and be duly registered and licensed by the Professional Regulation Commission (PRC), while real estate

salespersons, or those who act of a real estate broker to facilitate a real estate transaction, only need to be accredited by the PRC.

Project permits and the LTS may be suspended, cancelled or revoked by the HLURB by itself or upon a verified complaint from an interested party for reasons such as non-delivery of title to fully-paid buyers or deviation from approved plans. A license or permit to sell may only be suspended, cancelled or revoked after notice to the developer has been served and all parties have been given an opportunity to be heard in compliance with the HLURB's rules of procedure and other applicable laws.

Residential subdivision developments must comply with applicable laws and standards regarding the suitability of the site, road access, necessary community facilities, open spaces, water supply, the sewage disposal system, electrical supply, lot sizes, the length of the housing blocks and house construction. Under current regulations, a developer of a residential subdivision is required to reserve at least 30% of the gross land area of such subdivision for open space for common uses, which include roads and recreational facilities. A developer of a commercial subdivision is required to reserve at least 3.5% of the gross project area for parking and pedestrian malls, but the minimum parking area requirement may be further increased by ordinances promulgated by LGUs.

Republic Act No. 7279 (Urban Development and Housing Act of 1992), as amended by Republic Act No. 10884, requires developers of proposed subdivision projects to develop an area for socialized housing equivalent to at least 15% of the total subdivision area or total subdivision project cost and at least 5% of condominium area or project cost, at the option of the developer, in accordance with the standards set by the HLURB. Alternatively, the developer may opt to buy socialized housing bonds issued by various accredited government agencies or enter into joint venture arrangements with other developers engaged in socialized housing development. The Company has benefited from providing low-income housing or projects of such types which are financially assisted by the government. These policies and programs may be modified or discontinued in the future.

The Government may also adopt regulations which may have the effect of increasing the cost of doing business for real estate developers. Under R.A. No. 10884, income derived by domestic corporations from the development and sale of socialized housing is exempt from project related income taxes, capital gains tax on raw lands used for the project, value-added tax for the project contractor concerned, transfer tax for both raw completed projects, and donor's tax for lands certified by the LGUs to have been donated for socialized housing purposes. Under the current Investment Priorities Plan issued by the Board of Investments, mass housing projects including development and fabrication of housing components, are eligible for government incentives subject to certain policies and guidelines. In the future, since the sale of socialized housing units comprise a portion of homes sold by the Company, any changes in the tax treatment of income derived from the sale of socialized housing units may affect the effective rate of taxation of the Company.

Hotels

To encourage inbound investments and economic growth, the Philippine Board of Investments (BOI) as operated by the Department of Trade and Industry (DTI), provides tax incentive packages to eligible businesses operating in the Philippines. Enterprises that provide tourism-related services fall under the eligible industries for these incentives.

All hotels and resorts operated by the Company are compliant with the Hotel Code and registered with the Board of Investments.

Since the onset of the COVID-19 pandemic in 2021, the Philippine hospitality industry has been subjected to various implementing rules and regulations set by the government's Inter-Agency Task Force (IATF) and Department of Tourism. These guidelines are regularly updated according to the requirements of community quarantine classifications intended to manage and curb the pandemic.

Zoning and Land Use

Under the agrarian reform law currently in effect in the Philippines and the regulations issued thereunder by the Department of Agrarian Reform (DAR), land classified for agricultural purposes as of or after 15 June 1988, cannot be converted to non-agricultural use without the prior approval of DAR.

Land use may be also limited by zoning ordinances enacted by local government units. Once enacted, land use may be restricted in accordance with a comprehensive land use plan approved by the relevant local government unit. Lands may be classified under zoning ordinances as commercial, industrial, residential or agricultural. While a procedure for change of allowed land use is available, this process may be lengthy and cumbersome.

Special Economic Zone

The Philippine Economic Zone Authority (PEZA) is a government corporation that operates, administers and manages designated special economic zones (Ecozones) around the country. PEZA registered enterprises locating in an Ecozone are entitled to fiscal and non-fiscal incentives such as income tax holidays and duty-free importation of equipment, machinery and raw materials. Information technology (IT) enterprises offering IT services (such as call centers and business process outsourcing using electronic commerce) are entitled to fiscal and non-fiscal incentives if they are PEZA-registered locators in a PEZA-registered IT Park, IT Building, or Ecozone. RLC actively seeks PEZA registration of its buildings, as this provides significant benefits to its tenants. As of 2020, a number of RLC malls and office buildings are PEZA-registered.

Singapore Land Group Limited

In May 1999, the Company, through a subsidiary, acquired a 23.0% stake in a Singapore listed company, Singapore Land Group Limited (SLG)(formerly United Industrial Corporation Limited/UIC) which is a Singapore-based real estate company and is one of the leading diversified developers of commercial and retail properties. It has a portfolio of 2.5 million square feet of office space and 1 million square feet of retail premises, which includes some of Singapore's well-known landmarks such as Singapore Land Tower, The Gateway and Marina Square. It also has overseas investments in Shanghai, Beijing and Tianjin, China, and London, UK. As of December 31, 2021, the Company's indirect interest in the shares of SLG increased to 37.0%.

c) AIR TRANSPORTATION

Business Development

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

CEB was incorporated on August 26, 1988 and was granted a 40-year legislative franchise to operate international and domestic air transport services in 1991. It commenced its scheduled passenger operations in 1996 with its first domestic flight from Manila to Cebu. In 1997, it was granted the status as an official Philippine carrier to operate international services by the Office of the President of the Philippines pursuant to Executive Order (E.O.) No. 219. International operations began in 2001 with flights from Manila to Hong Kong.

In 2005, CEB adopted the low-cost carrier (LCC) business model. The core element of the LCC strategy is to offer affordable air services to passengers. This is achieved by having: high-load, high-frequency flights; high aircraft utilization; a young and simple fleet composition; and low distribution costs.

CEB's common stock was listed with the Philippine Stock Exchange (PSE) on October 26, 2010, the Parent Company's initial public offering (IPO).

CEB has eleven special purpose entities (SPE) that it controls, namely: Summit C Aircraft Leasing Limited (SCALL), Tikgi Aviation One Designated Activity Company (TOADAC), Summit D Aircraft Leasing Limited (SDALL), CAI Limited (CL), Sampaguita Leasing Co., Ltd. (SLCL), Dia Boracay Ltd. (DBL), Mactan Leasing Co., Ltd. (MLCL), Cebuano Leasing Co., Ltd. (CLCL), Dia El Nido Ltd. (DENL), Tarsier Leasing Co., Ltd. (TLCL), and RAMEN Aircraft Leasing Limited (RALL). Other than CAI Limited, these are SPEs in which the Parent Company does not have equity interest, but have entered into finance lease arrangements with for funding of various aircraft deliveries.

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

On November 3, 2020, CEB 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 CEB.

CEB, its eleven SPEs, CEBGO, Inc. (the "Airline Group") and A-plus (collectively known as "the Group") are consolidated for financial reporting purposes.

On March 1, 2018, CEB incorporated 1Aviation Groundhandling Services Corporation (1Aviation), a wholly-owned subsidiary before the sale of 60% equity ownership to Philippine Airport Ground Support Solutions, Inc. (PAGSS) and Mr. Jefferson G. Cheng. The subsequent sale has resulted in a joint venture between the aforementioned parties.

In June and August 2019, Boracay Leasing Limited (BLL) and Surigao Leasing Limited (SLL) were dissolved due to full payment of loans and transfer of ownership of related aircraft to CEB and CAI Limited. Panatag One Aircraft Leasing Limited (POALL) was also subsequently dissolved in December 2019 due to the sale of the related three (3) A320CEO aircraft to Sunrise Asset Management, LLC, a subsidiary of Allegiant Travel Company.

In April 2021, Panatag Two Aircraft Leasing Limited (PTALL) was dissolved following the full payment of loans and transfer of ownership of related aircraft due to sale of four (4) A321 CEOs to EOS Aviation 6 Ireland Limited. In June 2021, two (2) of the four (4) aircraft were further transferred from EOS Aviation 6 Ireland Limited to EOS Aviation 9 Ireland Limited.

The COVID-19 outbreak which started in January 2020 prompted CEB to suspend its flights to and from China, Hong Kong, Macau and South Korea in varying periods between February and April 2020. As the virus continue to spread, by March 19, 2020, all of CEB's commercial operations have been grounded due to a government-declared community quarantine. CEB has since resumed some of its regular services but is still below its pre-pandemic level of operations. Prior to the suspension of all its regular flights due to the COVID-19 outbreak, CEB operated 78 domestic routes and 25 international routes with a total of 2,717 scheduled weekly flights.

As of December 31, 2021, CEB operates a route network serving 55 domestic routes and 14 international routes with a total of 1,229 scheduled weekly flights, as it gradually recommenced operations starting June 3, 2020 on a General Community Quarantine (GCQ) to GCQ city basis in terms of scheduled services. CEB will continue to expand its operations as more local and foreign governments welcome flights into their cities and ease their travel restrictions. It operates from seven hubs, including the Ninoy Aquino International Airport (NAIA) Terminal 3 and Terminal 4 both located in Pasay City, Metro Manila; Mactan-Cebu International Airport located in Lapu-Lapu City, part of Metropolitan Cebu; Diosdado Macapagal International Airport (DMIA) located in Clark, Pampanga; Davao International Airport located in Davao City, Davao del Sur; Ilo-ilo International Airport located in Ilo-ilo City, regional center of the western Visayas region; and Kalibo International Airport in Kalibo, Aklan and Laguindingan Airport in Misamis Oriental.

As of December 31, 2021, CEB operates a fleet of 74 aircraft which comprises of twenty-two (22) Airbus A320 CEO, seven (7) Airbus A321 CEO, six (6) Airbus A320 NEO, nine (9) Airbus A321 NEO, six (6) Airbus A330 CEO, two (2) Airbus A330 NEO, eight (8) ATR 72-500, and fourteen (14) ATR 72-600 aircraft. It operates its Airbus aircraft on both domestic and international routes and operates the ATR 72-500 and ATR 72-600 aircraft on domestic routes, including destinations with runway limitations. The average aircraft age of the Airline Group's fleet is approximately 5.8 years as of December 31, 2021.

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

A-plus, on the other hand, is engaged in the business of line maintenance (including certification and providing mechanic assistance), to provide technical ramp, equipment handling, including the provision of equipment for pushback, water and toilet servicing and operation of aircraft ground support equipment and to provide light maintenance aircraft checks (up to and including "A" checks).

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

| | For the years ended December 31 | | |
|---------------------|---------------------------------|--------|--------|
| | 2021 | 2020 | 2019 |
| Passenger Services | 40.0% | 55.8% | 72.7% |
| Cargo Services | 41.1% | 23.9% | 6.8% |
| Ancillary Services* | 18.9% | 20.3% | 20.5% |
| | 100.0% | 100.0% | 100.0% |

**includes A-Plus' revenue from rendering line and light maintenance services to third party customers*

On May 16, 2016, CEB and other market champions in Asia Pacific, announced the formation of the world's first, pan-regional low cost carrier alliance, the Value Alliance. CEB, together with Jeju Air (Korea), Nok Air (Thailand) and Scoot (Singapore) will deliver greater value, connectivity and choice for travel throughout Southeast Asia and North Asia, as the airlines bring their extensive networks together.

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. CEB has not been subjected to any bankruptcy, receivership or similar proceeding in the said period.

Distribution Methods of Products or Services

CEB has three principal distribution channels: the internet; direct sales through booking sales offices, call centers and government/corporate client accounts; and third-party sales outlets.

Internet

In January 2006, CEB introduced its internet booking system. Through www.cebupacificair.com, passengers can book flights and purchase services online. The system also provides passengers with real time access to CEB's flight schedules and fare options. CEBGO, Inc.'s flights can be booked through the Cebu Pacific website and its other booking channels starting March 2014.

In December 2014, the Parent Company also launched its official mobile application which allows guests to book flights on-the-go through their mobile devices.

CEB's participation in the Value Alliance with other low-cost carriers in the region will increase its distribution reach by enabling its customers to view, select and book the best-available airfares on flights from any of the airlines in a single transaction, directly from each partner's website. This is made possible through the groundbreaking technology developed by Air Black Box (ABB). ABB allows guests to enjoy the full suite of ancillary choices they have come to appreciate from low cost carriers across all partner airline sectors in a single itinerary.

Booking Offices and Call Centers

As of December 31, 2021, CEB operates two booking offices located in the Philippines. These offices handle ticketing transactions and customer service issues, such as customer requests for change of itinerary. CEB has also four regional branch offices in Hong Kong, South Korea, Japan and China.

Government/Corporate Client Accounts

As of December 31, 2021, CEB 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. Further, clients may choose to settle their accounts by post-transaction remittance or by using pre-enrolled credit cards.

Third Party Sales Outlets

As of December 31, 2021, CEB has a network of distributors in the Philippines selling its domestic and international 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. CEB has also a network of foreign general sales agents, wholesalers, and preferred sales agents who market, sell and distribute CEB's air services in other countries.

A-plus

Customers of A-plus are usually from referrals of existing clients or network acquaintances. A-plus also receives inquiries from potential customers who got information on the Company from online sources

Customers

CEB'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 CEB.

Competition

The Philippine aviation authorities deregulated the airline industry in 1995 eliminating certain restrictions on domestic routes and frequencies which resulted in fewer regulatory barriers to entry into the Philippine domestic aviation market. On the international market, although the Philippines currently operates under a bilateral framework, whereby foreign carriers are granted landing rights in the Philippines on the basis of reciprocity as set forth in the relevant bilateral agreements between the Philippine government and foreign nations, in March 2011, the Philippine government issued E.O. 29 which authorizes the Civil Aeronautics Board (CAB) and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country's competitiveness as a tourism destination and investment location.

Currently, CEB faces intense competition on both its domestic and international routes. The level and intensity of competition varies from route to route based on a number of factors. Principally, it competes with other airlines that service the routes it flies. However, on certain domestic routes, CEB 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.

CEB's major competitors in the Philippines are Philippine Airlines ("PAL"), a full-service Philippine flag carrier; PAL Express (formerly Airphil Express) a low-cost domestic operator and which code shares with PAL on certain domestic routes and leases certain aircraft from PAL; and Philippines Air Asia (a merger between former Air Asia Philippines and Zest Air). Most of the CEB's domestic and international destinations are also serviced by these airlines. CEB is the leading domestic airline in the Philippines by passengers carried, with a market share of 53%.

CEB is also a regional low-cost airline which currently competes with the following LCC's and full-service airlines in its international operations: AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines and Thai Airways, among others.

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

Publicly-Announced New Product or Service

CEB continues to analyze its route network. It can opt to increase frequencies on existing routes or add new routes/destinations. It can also opt to eliminate unprofitable routes and redeploy capacity.

CEB will have fifty-three (53) aircraft deliveries from 2022 to 2027. The additional aircraft will support CEB's plans to increase frequency on current routes and to add new city pairs and destinations. CEB has a firm order for sixteen (16) ATR 72-600 with options to acquire an additional ten (10) ATR 72-600. The new ATR 72-600 will be equipped with the high density Armonia cabin, the widest cabin in the turboprop market. It will be fitted with seventy-eight (78) slim-line seats and wider overhead bins with 30% more stowage space for greater comfort for passengers. Fourteen (14) out of the sixteen (16) ATR 72-600 aircraft were delivered as of December 31, 2021 while two (2) are still for delivery. CEB has also an existing order with Airbus for twenty-one (21) A321 NEO (New Engine Option) aircraft, sixteen (16) A320 NEO aircraft, ten (10) A321XLR aircraft and sixteen (16) A330 NEO aircraft. Airbus A321 NEO will be the first of its type to operate in the Philippines, being a larger and longer-haul version of the familiar Airbus A320. These 236-seater aircraft will have a much longer range which will enable the Airline Group to serve places the A320 cannot reach. Nine (9) A321 NEO aircraft, two (2) A330 NEO and one (1) A320 NEO were already delivered as of December 31, 2021. The rest will be delivered between 2022 and 2027.

In 2018, CEB received the seven (7) new A321 CEO aircraft it has ordered from Airbus S.A.S on June 7, 2017. In the same year, the Airline Group has entered into lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO, all of which have been delivered from 2019 to 2020.

CEB has also ventured into the dedicated freighter market making it the only passenger airline in the Philippines with dedicated cargo planes. The first converted ATR 72-500 freighter aircraft was received in August 2019 while the second was delivered last December 2020.

Raw Materials

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

CEB'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. CEB purchases fuel stocks on a per parcel basis, in such quantities as are sufficient to meet its monthly operational requirements. Most of CEB'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 CEB'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 CEB.

A-plus' major customer is Cebu Air, Inc., its Parent Company.

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. Meanwhile, 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 years or ten years, the same may be renewed for subsequent ten-year terms.

CEB holds the following valid and subsisting trademark registrations:

- CEBU PACIFIC, the Cebu Pacific feather-like device, CEBU PACIFIC AIR, CEBU PACIFIC AIR.COM;
- The CEB Mascot;
- Various trademarks for the Parent Company's branding campaigns such as WHY EVERYONE FLIES, WHY EVERYJUAN FLIES, SUPER SEAT FEST, TRAVEL SURE, and the logos used for such purposes;
- CEBGO and the Cebgo logo;
- A trademark for the strategic alliance entered into by the Parent Company and TAH
- 1AV, 1AVIATION, and the 1AV name for its airport ground-handling services, needs, and other requirements.

On June 1, 2015, CEB rolled out its new logo which features shades of the Philippines' land, sea, sky and sun. This new branding also symbolizes the airline's growth and evolution from a low-cost pioneer to its larger operations today. The new logo and new branding have been registered as trademarks of CEB.

Meanwhile, CEB has twenty six (26) trademarks registered with the Intellectual Property Office of China and three (3) trademarks with the Intellectual Property Office of Singapore. On 24 October 2017, CEB registered four (4) trademarks for CEBU PACIFIC'S wordmark, logo, and stylized wordmark under the Madrid – International Trademark System for Australia, Brunei, Japan, Cambodia, Korea, USA, and Vietnam valid for ten years from the date of the certificate of registration.

CEB has also incorporated the business names "Cebu Pacific" and "Cebu Pacific Air" with its Articles of Incorporation, as required by Memorandum Circular No. 21-2013 issued by the SEC. Registering a business name with the SEC precludes another entity engaged in the same or similar business from using the same business name as one that has been registered.

CEB, together with other airline members, also has trademarks registered for the Value Alliance logo in various jurisdictions.

On November 27, 2019, CEB filed twenty-eight (28) new applications for trademark registration with the IPOPhil for its branding campaigns, twenty-four (24) of which have already been granted on different dates in 2020. On December 11, 2019, CEB also filed four additional applications for trademark registration to further bolster its marketing strength, all of which have been granted in 2020.

Licenses / Permits

CEB operates its business in a highly regulated environment. CEB'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 a Public Utility
- Certificate of Public Convenience and Necessity
- Letter of Authority
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness

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

Franchise

In 1991, pursuant to R.A. No. 7151, CEB was granted a franchise to operate air transportation services, both domestic and international. In accordance with the CEB's franchise, this extends up to year 2031:

- a) CEB is subject to franchise tax of five percent of the gross revenue derived from air transportation operations. For revenue earned from activities other than air transportation, CEB 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 CEB at any disadvantage, then such privileges shall have been deemed by the fact itself of the CEB's tax privileges and shall operate equally in favor of CEB.

In December 2008, pursuant to R.A. No. 9517, CEBGO, Inc. (formerly TAP), CEB'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.

Government Approval of Principal Products or Services

CEB operates its business in a highly regulated environment. CEB'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 a Public Utility
- Certificate of Public Convenience and Necessity
- Letter of Authority
- Air Operator Certificate
- Certificate of Registration
- Certificate of Airworthiness

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

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

Basic permits and licenses required of airlines operating in the Philippines are set forth below:

Legislative Franchise to Operate a Public Utility

A public utility is an entity which renders services, including transportation services, to the general public for compensation. Its essential feature is that its service is not confined to privileged individuals but is open to the general public.

The 1987 Philippine constitution requires that a franchise, certificate, or any other form of authorization for the operation of a public utility may only be granted to Filipino citizens or to corporations or associations organized under Philippine laws whose capital is at least 60 per cent owned by Filipino citizens. Franchises are granted for a period not exceeding 50 years and always upon the condition that they be subject to amendment, alteration, or repeal by Congress when the common good requires.

Certificate of Public Convenience and Necessity

A CPCN is a permit issued by the Civil Aeronautics Board (CAB) authorizing a domestic person or entity, that is at least 60 per cent owned by Filipinos, to engage in international and/or domestic, scheduled and/or non-scheduled air transportation services. Once issued, the grantee must obtain approval for any proposed change in its routes and schedules, frequency of flights, type and class of service and equipment. It is also required to request approval of proposed tariffs, showing all rates, fares, charges and conditions of carriage and any change therein. Moreover, a grantee of a CPCN may operate even without a legislative franchise. A CPCN is renewable every 5 years.

Foreign Air Operator Permit

A Foreign Air Operator Permit is the approval granted by the national civil aviation authority to a foreign aircraft operator authorizing the operation of a foreign registered aircraft on flights into and out of the issuing country, which CEB needs in order to operate to foreign jurisdictions.

Air Operator Certificate ("AOC")

The AOC is issued by the Civil Aviation Authority of the Philippines (CAAP) to enable the air carrier to operate in the Philippines, with a term of one year, pursuant to Administrative Order 121 s. 2001. Prior to issuance, the applicant must undergo a five-phase certification process by the CAAP, wherein the proposed plan/site, routes, key management personnel, and aircrafts will be evaluated.

Certificate of Registration

The CAAP requires that all aircraft to be used by a Philippine air carrier must be registered in the Philippines. This certificate of registration (C of R), which shall be carried aboard the aircraft for all operations, is secured from CAAP once the Philippine air carrier has submitted and met all the requirements for the registration. The said certificate has a validity of 1 year and renewed every year thereafter, and for as long as the aircraft is operated and/or owned by a Philippine air carrier.

Certificate of Airworthiness

Each aircraft must also be issued a certificate of airworthiness (C of A) by the CAAP before it can be used for operations in the Philippines. To obtain this, the applicant must submit and comply with the C of A requirements. Part of the requirements is also to secure customs clearance for the aircraft, and a radio license from the National Telecommunications Commission. This certificate is secured from CAAP once the evaluation of the submitted documents is completed and the aircraft has successfully passed the CAAP Inspector's acceptance and conformity inspections. The said certificate has a validity of 1 year and renewable annually thereafter.

Aviation Insurance Coverage

As a mandatory requirement under the Philippine Civil Aviation Regulations, an operator of aircraft must have valid insurance covering aircraft hull, each person, freight and mail onboard aircraft and third party liability. Furthermore, under the same Philippine Civil Aviation Regulations, no person may operate a civil aircraft in general aviation operations unless it has within the aircraft documents evidencing, among others, aircraft insurance coverage.

Thus, certificates of insurance and reinsurance evidencing adequate aviation insurance coverage per aircraft must be issued (and placed within the aircraft) as required by the Philippine Civil Aviation Regulations. Likewise, certificates of insurance and reinsurance evidencing adequate aviation insurance coverage must be issued in various international destinations and/or routes where CEB flies as a requirement of the Civil Aviation Authority of the relevant jurisdiction where CEB flies to.

Adequate aviation insurance coverage is being secured by CEB for its fleet, with validity period of October 26 of the current year up to October 25 of the succeeding year, and is being renewed annually.

Fares

Under RA 776, the CAB is empowered to approve fares, rates and charges, conditions of carriage, schedules and schedule changes, charters and airline exchange rates. Pursuant to the liberalization policy, domestic airfares are deregulated for routes operated by more than one carrier. Price setting is left to the discretion of the airlines, along with the level of capacity they want to offer in the market. Any proposed fare must, however, be submitted to the CAB for formal confirmation. For routes serviced by a single operator, airfares are still regulated and subject to the approval of the CAB. For international fares, most of the country's air services agreements adopt a dual-approval concept, under which fares have to be approved by the aviation authorities of both countries.

Acquisition of Aircraft, Lease Agreements, and contract loan or financing

All aircraft purchases, as well as lease agreements entered into by air carriers, whether for equipment, facilities, aircraft or hangars, and any contract loan or financing secured by an air carrier in the amount of ₱500,000.00 or more must be approved by the CAB.

Maintenance

RA 776 and RA 9497 created the CAB and the CAAP, respectively, to supervise and oversee the safety and maintenance procedures of the airlines. The maintenance programme, and any changes thereto, must be approved by the CAAP. Operations specifications per aircraft model must also be approved by the CAAP.

Effects of Existing or Probable Government Regulations on the Business

Civil Aeronautics Administration and CAAP

Policy-making for the Philippine civil aviation industry started with R.A. No. 776, known as the Civil Aeronautics Act of the Philippines (the “Act”), passed in 1952. The Act established the policies and laws governing the economic and technical regulation of civil aeronautics in the country. It established the guidelines for the operation of two regulatory organizations, CAB for the regulation of the economic activities of airline industry participants and the Air Transportation Office, which was later transformed into the CAAP, created pursuant to R.A. No. 9497, otherwise known as the Civil Aviation Authority Act of 2008.

The CAB is authorized to regulate the economic aspects of air transportation, to issue general rules and regulations to carry out the provisions of R.A. No. 776, and to approve or disapprove the conditions of carriage or tariff which an airline desires to adopt. It has general supervision and regulation over air carriers, general sales agents, cargo sales agents, and airfreight forwarders, as well as their property, property rights, equipment, facilities and franchises.

The CAAP, a government agency under the supervision of the Department of Transportation and Communications for purposes of policy coordination, regulates the technical and operational aspects of air transportation in the Philippines, ensuring safe, economic and efficient air travel. In particular, it establishes the rules and regulations for the inspection and registration of all aircraft and facilities owned and operated in the Philippines, determine the charges and/or rates pertinent to the operation of public air utility facilities and services, and coordinates with the relevant government agencies in relation to airport security. Moreover, CAAP is likewise tasked to operate and maintain domestic airports, air navigation and other similar facilities in compliance with the International Civil Aviation Organization (ICAO), the specialized agency of the United Nations whose mandate is to ensure the safe, efficient and orderly evolution of international civil aviation.

CEB complies with and adheres to existing government regulations.

Aviation Safety Ranking and Regulations

In early January 2008, the Federal Aviation Administration (FAA) of the United States (U.S.) downgraded the aviation safety ranking of the Philippines to Category 2 from the previous Category 1 rating. The FAA assesses the civil aviation authorities of all countries with air carriers that operate to the U.S. to determine whether or not foreign civil aviation authorities are meeting the safety standards set by the ICAO. The lower Category 2 rating means a country either lacks laws or regulations necessary to oversee airlines in accordance with minimum international standards, or its civil aviation authority is deficient in one or more areas, such as technical expertise, trained personnel, record-keeping or inspection procedures. Further, it means Philippine carriers can continue flying to the U.S. but only under heightened FAA surveillance or limitations. In addition, the Philippines was included in the “Significant Safety Concerns” posting by the ICAO as a result of an unaddressed safety concern highlighted in the recent ICAO audit. As a result of this unaddressed safety concern, Air Safety Committee (ASC) of the European Union banned all Philippine commercial air carriers from operating flights to and from Europe. The ASC based its decision on the absence of sufficient oversight by the CAAP.

In February 2013, the ICAO has lifted the significant safety concerns on the ability of CAAP to meet global aviation standards. The ICAO SSC Validation Committee

reviewed the corrective actions, evidence and documents submitted by the Philippines to address the concerns and determined that the corrective actions taken have successfully addressed and resolved the audit findings.

On April 10, 2014, the ASC of the European Union lifted its ban on Cebu Air, Inc. after its evaluation of the airline's capacity and commitment to comply with relevant aviation safety regulations. On the same date, the US FAA also announced that the Philippines has complied with international safety standards set by the ICAO and has been granted a Category 1 rating. The upgrade to Category 1 status is based on a March 2014 FAA review of the CAAP. With this, Philippine air carriers can now add flights and services to the U.S.

In September and December 2014, CEB received CAAP's approval for extended range operations in the form of a certification for Extended Diversion Time Operations (EDTO) of up to 90 and 120 minutes, respectively. EDTO refers to a set of rules introduced by the ICAO for airlines operating twin-engine aircraft on routes beyond 60 minutes flying time from the nearest airport. This certification allows CEB to serve new long haul markets and operate more direct routes between airports resulting to more fuel savings and reduced flight times.

In April 2018, CEB has fully complied with the IATA Operational Safety Audit (IOSA) and now joins a roster of 437 airlines that have met the highest standard for safety in the airline industry. IOSA is an internationally recognized and accepted evaluation system designed to assess the operational management and control systems of an airline. To secure the accreditation, CEB has invested in technology that would improve its capability to manage safety risks such as on-board Runway Overrun Prevention System (ROPS) cockpit technology for its Airbus fleet for purposes of monitoring runway conditions prior to landing, Area Navigation (RNAV) data for more accurate navigation and approaches to various airports and a Fatigue Risk Management System to ensure that pilots are at adequate levels of alertness.

These developments open the opportunity for CEB to establish new routes to other countries in the U.S. and Europe.

In December 2019, CEB officially joined the International Air Transportation Association (IATA) to gain access to expertise and learnings on best practices and innovations among global airlines, as well as help formulate policies on critical aviation issues. IATA, the trade association for the global airline industry, is comprised of over 290 member-airlines from 117 countries, representing 82% of global air traffic.

E.O. 28 and 29

In March 2011, the Philippine government issued E.O. 28 which provides for the reconstitution and reorganization of the existing Single Negotiating Panel into the Philippine Air Negotiating Panel (PANP) and Philippine Air Consultation Panel (PACP) (collectively, the Philippine Air Panels). The PANP shall be responsible for the initial negotiations leading to the conclusion of the relevant ASAs while the PACP shall be responsible for the succeeding negotiations of such ASAs or similar arrangements.

Also in March 2011, the Philippine government issued E.O. 29 which authorizes the CAB and the Philippine Air Panels to pursue more aggressively the international civil aviation liberalization policy to boost the country's competitiveness as a tourism destination and investment location. Among others, E.O. 29 provides the following:

- In the negotiation of the ASAs, the Philippine Air Panels may offer and promote third, fourth and fifth freedom rights to the country's airports other than the NAIA without restriction as to frequency, capacity and type of aircraft, and other arrangements that will serve the national interest as may be determined by the CAB; and
- Notwithstanding the provisions of the relevant ASAs, the CAB may grant any foreign air carriers increases in frequencies and/or capacities in the country's airports other than the NAIA, subject to conditions required by existing laws, rules and regulations. All grants of frequencies and/or capacities which shall be subject to the approval of the President shall operate as a waiver by the Philippines of the restrictions on frequencies and capacities under the relevant ASAs.

The issuance of the foregoing EOs may significantly increase competition.

ASEAN Open Skies Agreement

In February 2016, the Philippine government ratified the ASEAN Open Skies agreement which 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 (the "Bill"), which was formed under a joint administrative order of the Department of Transportation and Communications, the CAB and the Department of Trade and Industry, was signed and published by the Government on December 11, 2012 and came into effect on December 21, 2012. The Bill 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. 10378 - Common Carriers Tax Act

R.A. No. 10378, otherwise known as the Common Carriers Tax Act, was signed into law on March 7, 2013. This act recognizes the principle of reciprocity as basis for the grant of income tax exceptions to international carriers and rationalizes other taxes imposed thereon by amending sections 28(A)(3)(a), 109, 108 and 236 of the National Internal Revenue Code, as amended.

Among the relevant provisions of the act follows:

- a.) An international carrier doing business in the Philippines shall pay a tax of two and one-half percent (2 1/2%) on its Gross Philippine Billings, provided, that international carriers doing business in the Philippines may avail of a preferential rate or exemption from the tax herein imposed on their gross revenue derived from the carriage of persons and their excess baggage on the basis of an applicable tax treaty or international agreement to which the Philippines is a signatory or on the basis of reciprocity such that an international carrier, whose home country grants income tax

exemption to Philippine carriers, shall likewise be exempt from the tax imposed under this provision;

- b.) International air carriers doing business in the Philippines on their gross receipts derived from transport of cargo from the Philippines to another country shall pay a tax of three percent (3%) of their quarterly gross receipts; and
- c.) VAT exemption on the transport of passengers by international carriers.

While the removal of CCT takes away the primary constraint on foreign carrier's capacity growth and places the Philippines on an almost level playing field with that of other countries, this may still be a positive news for the industry as a whole, as it may drive tourism into the Philippines. With Cebu Pacific's dominant network, CEB can benefit from the government's utmost support for tourism.

Research and Development

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

Costs and Effects of Compliance with Environmental Laws

The operations of CEB are subject to various laws enacted for the protection of the environment. CEB 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. CEB 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). CEB'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. CEB'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. CEB also contracted the services of government-licensed and accredited third parties to transport, handle and dispose its waste materials.

Compliance with the foregoing laws does not have a material effect to CEB's capital expenditures, earnings and competitive position.

On an annual basis, CEB spends approximately ₱36,000 in connection with its compliance with applicable environmental laws for the above.

d) PETROCHEMICALS

Business Development

JG Summit Petrochemical Corporation (JGSPC) was incorporated in the Philippines on February 24, 1994 and is 100% owned by the Company.

Its primary purpose is to engage in, operate, conduct, maintain, manage and carry on the business of manufacturing, dealing and marketing of polyethylene (PE) and polypropylene (PP) and related petrochemical products or by-products, in all their forms, varieties and stages of production and preparation, or of any article or commodity consisting of, or partly consisting of petrochemicals. The plant is the Philippines' first integrated PE and PP complex and is located at Barangay Simlong, Batangas City.

In 2021, JGSPC's polymer production capacity is at 320 Kilo Tons per Annum (KTA) for PE and 300 KTA for PP, following the commercial operations of its expanded PP plant in 2021.

As of July 2021, JGSPC also started to commercially operate its aromatics extraction facility with rated production capacity of 90 KTA of benzene, 50 KTA of toluene, 30 KTA of mixed xylenes and 20 KTA of mixed aromatics.

By 2022, JGSPC's butadiene extraction facility and an additional 250 KTA of PE capacity will start commercial operations.

Peak Fuel Corporation (Peak Fuel)

Peak Fuel was incorporated in 2020 as a subsidiary and fuels trading arm of JGSPC. Its mission is to support local industries through reliable supply of essential fuels, such as liquefied petroleum gas (LPG). It started commercial operations in August 2021.

Principal Products or Services

JGSPC manufactures PE, PP and starting 2021, Aromatics. JGSPC's principal product lines for polymers include High Density Polyethylene (HDPE) grades for film, blow molding, monofilament, pipe and injection molding applications. Linear Low Density Polyethylene (LLDPE) grades for film and injection molding applications and PP homopolymer grades for yarn, film, injection molding and thermoforming applications and random copolymer PP grades for blow molding and injection molding applications. Aromatics pertain to benzene, toluene, mixed xylenes and mixed aromatics.

The percentage contribution to JGSPC's revenues for the three years ended December 31, 2020, 2019 and 2018 by each of its principal product categories is as follows:

| | For the years ended December 31 | | |
|--------------------|---------------------------------|---------------|---------------|
| | 2021 | 2020 | 2019 |
| Polyethylene (PE) | 48.8% | 58.1% | 60.8% |
| Polypropylene (PP) | 33.2% | 41.9% | 39.2% |
| Aromatics | 13.3% | — | — |
| LPG | 4.7% | — | — |
| | 100.0% | 100.0% | 100.0% |

JGSPC's polymer products are sold under the EVALENE brand name, are compliant with FDA Philippines food-contact requirements and are also Halal certified. In addition, JGSPC ensures adherence to the highest standards for quality management, environmental performance, and occupational health and safety management with its ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications.

Distribution, Sales and Marketing

JGSPC sells directly to small, medium and large plastic converters in the Philippines through its in-house sales group. Product distribution to the domestic market is handled directly by JGSPC in coordination with third party trucking services. JGSPC also sells its products for export to international markets, either direct to end users or through reputable trading companies.

Peak Fuel sells LPG to local refillers and importers based in various parts of Luzon in coordination with third party trucking services. It can also fill-in pressurized gas carriers to serve domestic and export customers with sea-fed terminals.

Competition

To be highly competitive, JGSPC is committed to produce consistently good quality products using world-class technology and by employing highly competent plastics processing personnel. Continuous research and development is conducted in-house by the Product Management Group, with the assistance of polymer technology licensors Univation and WR Grace.

JGSPC is the largest polymer resins producer and the only local manufacturer that can produce both PE and PP in an integrated complex. The two other companies that produce polyolefins produce either PE or PP only. These are NPC Alliance Corporation (NPCAC), whose production capacity is 250,000 MT per annum for PE, and Philippine Polypropylene Inc. (PPI), whose production capacity is 160,000 MT per annum for PP. Manufacturing sites of both competitors are located in Bataan province, north of Manila. The balance for the local polyolefins demand is supplied by imported material brought in either directly by local plastic products manufacturers or by international and local traders. Imported PE and PP resin goods are currently JGSPC's primary competition.

JGSPC through its Marketing Department also is able to develop specialty PE and PP grades for specific niche markets, products for which may be difficult to source via the import market.

Raw Materials/Suppliers

The principal raw materials used by JGSPC in the production of its polyolefin products are polymer-grade propylene and ethylene, commonly known as olefins, which are mainly derived from naphtha produced in the oil refining process. Prior to the completion of JG Summit Olefins Corporation (JGSOC)'s Naphtha Cracker Plant, JGSPC purchased olefins from international sources through suppliers which include Japanese trading companies Marubeni and Mitsui & Co. Ltd.

Since November 2014, JGSOC now directly supplies JGSPC with previously imported raw materials ethylene and propylene. Per design, the olefins output capacity of JGSOC matches the feedstock volume requirements of JGSPC.

Starting 2021, JGSOC also supplies pyrolysis gasoline to JGSPC as feedstock for the aromatics plant and will be the direct supplier of mixed C4 upon commissioning of JGSPC's butadiene plant.

Meanwhile, Peak Fuel imports propane and butane for local distribution.

Customers

JGSPC aims to supply the majority of manufacturers of plastic-based products in the Philippines. It also sells its products to internal parties which include the packaging division of URC, and to external parties comprised of more than 300 local manufacturers. Loss of any one customer would not have a materially adverse effect on JGSPC. JGSPC also exports PE and PP worldwide.

Related Party Transactions

JGSPC, in its regular conduct of business, has engaged in transactions with the Company and its affiliates. These transactions principally consist of sales, advances to and from these affiliated companies.

Regulatory Overview

The Philippine Government through the DTI's Board of Investments (BOI) implements policies which directly affect the various manufacturing industries including the petrochemical industry. Under the Philippine Investment Priorities Plan, the BOI has the power to grant fiscal incentives to manufacturers establishing new plants or undertaking rehabilitation or expansion programs. Through several dialogues held with the BOI, JGSPC has emphasized the importance of fully developing the petrochemical industry to help with the sustainable development of the Philippine economy. The BOI has granted JGSPC's capacity expansion project generous fiscal incentives such as income tax holiday (ITH) and duty-free importation of capital equipment, as well as tax credits on locally purchased equipment.

Currently, JGSPC has ITH incentives with pioneer status for its Aromatics, Butadiene and Bimodal PE plants, and ITH incentives with non-pioneer status for its expanded PP plant.

Costs and Effects of Compliance with Environmental Laws

JGSPC takes pride in consistently undertaking projects to help preserve the environment. The safety of employees and the community is foremost and is never compromised. JGSPC complies with all applicable laws on the environment and is committed to be environmentally responsible by having an effective environmental management system based on the requirements of ISO 14001:2015 (EMS). Compliance with such laws has not had, and in JGSPC's opinion, is not expected to have a material effect upon JGSPC's capital expenditures, earnings or competitive position.

e) OLEFINS

Business Development

JG Summit Olefins Corporation (JGSOC) was incorporated in the Philippines on April 22, 2008. JGSOC is wholly owned by the Company and is setup to operate the country's first Naphtha Cracker Plant (NCP).

The naphtha cracker is a back integration for the existing PE and PP plants of JGSPC. The cracking facility was constructed adjacent to the existing PE and PP plants of JGSPC. Commercial operations commenced on November 1, 2014.

Principal Products or Services

The technology selected for the naphtha cracking facility of JGSOC is licensed by CB&I Lummus (formerly ABB Lummus Global), an experienced licensor and worldwide

supplier of ethylene technology with around 40% of worldwide capacity currently licensed. The cracker is the first of its kind in the Philippines.

The plant was initially built to produce 320,000 MT of polymer-grade ethylene and 190,000 MT of polymer-grade propylene.

After its expansion in 2020, the plant can now produce 480,000 MT of polymer-grade ethylene, 240,000 MT of polymer-grade propylene, 250,000 MT of pyrolysis gas and 180,000 MT of mixed C4 on a per annum basis.

Customers

JGSOC sells its primary products ethylene and propylene directly to JGSPC, while other products pyrolysis gasoline and mixed C4 have been exported to international markets in the past years. However, with the commercial operations of Aromatics, JGSOC started selling its pyrolysis gasoline to JGSPC, and will also do the same for mixed C4 once the Butadiene extraction unit becomes available.

Raw Materials/Suppliers

The feedstock naphtha is purchased from international sources. JGSOC also imported LPG in November 2015 which was used as cracker feedstock simultaneous with naphtha in November and December 2015 productions. Importations of LPG and its use as cracker feedstock are performed when economically feasible.

Registration with the Board of Investments (BOI)

JGSOC is registered with the BOI under the Omnibus Investments Code of 1987 (E.O. 226) on December 15, 2010 as a new producer of ethylene, propylene, pyrolysis gasoline and other by-products produced by the Naphtha Cracker Project on a Pioneer status. Under its certificate of registration, JGSOC shall be entitled to certain tax and nontax incentives such as: (a) ITH for six (6) years from actual start of commercial operations; only income generated from the registered activity shall be entitled to ITH incentives; additional deduction from taxable income of fifty percent (50%) of wages corresponding to the increment of direct labor; (c) employment of foreign nationals; (d) tax credit for taxes and duties on raw materials and supplies and semi-manufactured products used on its export products and forming part thereof, among others; (e) simplification of customs procedures for the importation of equipment, spare parts, raw materials and supplies; (f) access to Customs Bonded Manufacturing Warehouse (CBMW); (g) exemption from wharfage dues, export taxes, duties, imposts and fees on export products; and (h) importation of consigned equipment.

In 2017, JGSOC registered its NCP expansion project with BOI as an expanding producer of polymer grade ethylene and propylene, mixed C4 and pyrolysis gasoline on a non-pioneer status.

Expansion Projects

Currently ongoing is JGSPG's expansion projects for the petrochemical complex, which shall increase existing capacities as well as provide for new production units, as follows:

- A new butadiene extraction unit using Lummus Technology's BASF Process to produce 70,000 MTA butadiene and 110,000 MTA raffinate-1; and
- A new bimodal PE plant using Chevron Phillip's MarTECH™ loop slurry polymerization technology to produce additional 250,000 MTA.

JGSPC and JGSOC were in technical shutdown during the 4th quarter of 2019 for a complex-wide turnaround maintenance and project tie-ins. Integrated operations resumed in March 2020.

JGSPC's butadiene extraction plant and the new bimodal PE plant are expected to be commissioned in 2022.

The expansion project, with its additional volumes and new downstream value-added products, is a step towards product diversification of the Philippine petrochemical industry, and aims to strengthen further the industrial value chain for the various domestic manufacturing sectors.

Merger of JGSPC and JGSOC

As of January 1, 2022, JGSPC and JGSOC have been merged to a single corporate entity, with JGSOC as the surviving entity of the merger. JGSOC now fully absorbs the business operations of both JGSOC and JGSPC, and assumes all assets, liabilities, rights and obligations of JGSPC, from the effective date of the merger.

f) BANKING SERVICES

Robinsons Bank Corporation (RBC/the Bank), a commercial bank, is the surviving entity between the merger of Robinsons Savings Bank and Robinsons Bank Corporation (formerly known as The Royal Bank of Scotland (Phils.)) as approved by the Bangko Sentral ng Pilipinas (BSP) in December 2010 and by the SEC in May 2011. 60% of the common stocks are owned by JG Capital Services Corporation (JGCSC), a wholly-owned subsidiary of JG Summit, while Robinsons Holdings Inc. (RRHI) owns the remaining 40%.

Robinsons Savings Bank started its operations in November 1997, and was a wholly-owned subsidiary of JGSCS at that time. In the second quarter of 2010, JGCSC and RRHI then jointly acquired 100% of the shares of The Royal Bank of Scotland (Phils.).

RBC continues to look for attractive mergers and acquisitions to fast track its goal to become a significant player in the banking industry in the next five years. In December 2012, RBC acquired Legazpi Savings Bank (LSB), making it a wholly owned subsidiary of the Bank. With this venture, RBC intends to utilize the capacity and branch network of LSB as its vehicle to engage in countryside banking and microfinance lending.

On June 27, 2018, the Bank's Board of Directors approved the increase of the Bank's Authorized Capital Stock from ₱15.0 billion to ₱27.0 billion at ₱10.0 par value per share. The 25% of the net increase amounting to ₱3.0 billion was subscribed and paid in full by the major stockholders of the Bank namely JGCSC and RRHI who subscribed and paid the amount of ₱1.8 billion and ₱1.2 billion, respectively. The increase in Bank's Authorized Capital Stock was approved by the BSP on December 12, 2018 and by the SEC last March 18, 2019.

Based on the BSP data, as of September 30, 2021, of the forty-six (46) universal and commercial banks operating in the Philippines, the Bank ranked 18th in terms of Total Assets; 15th in terms of Total Loans (net); 18th in terms of Total Deposits; 15th in terms of Return on Equity (ROE); and 16th in terms of Total Capital.

Principal Products or Services

As of December 31, 2021, RBC's products and services are made available to its corporate, commercial and retail clients through multiple channels: 168 branch networks in 2021 (of which 154 belongs to the Bank; 14 are LSB branches); 21 Branch-Lites (7 Bank, 14 LSB); 354 ATMs (169 are onsite and 166 are offsite, 19 LSB); online banking (<https://www.robinsonsbank.com.ph>); and mobile banking which are made available to and can be accessed by Android and iOS users. (include agency banking partners, i.e. Premiumbikes & GrowSari).

Having a proven track record in the banking industry and as JG Summit's major financial service arm, RBC continuously strives to carry on its vision of leading the country to global-competitiveness through quality and innovative banking products and services. It provides a broad range of traditional banking services such as savings, current and time deposits, treasury and trust products, and foreign currency-denominated deposits. It also offers commercial loans, consumer loans such as housing, car and personal loans, motorcycle loans, micro financing, and other products or services such as cash management, trade financing and remittance, among others. In 2017, the Bank unleashed the power of 2 Gives through Robinsons Bank DOS Mastercard. The DOS card is the first and only credit card in the market that automatically splits all transactions into two monthly installments at 0%. The card is 3D Secure, providing the card holders protection from fraud and scheme.

RBC aims to be among the top big banks in the country and continues to be a strategic player in the industry. RBC prides itself with a business portfolio of market leaders, a solid financial position, and a formidable management team which steers the Bank ahead of changing times and through the challenges that come along with it. Thus, RBC is positioned not only to be more responsive in meeting the banking requirements of its retail customers and business partners, but also to fully serve the general banking public.

Status of Publicly Announced New Products and Services

Robinsons Bank introduced the following products and services in 2021:

| PRODUCTS AND SERVICES | DATE LAUNCHED |
|---------------------------------------|----------------------|
| <i>RBank Sign Up</i> | April 24, 2020 |
| <i>QuickR</i> | May 29, 2020 |
| <i>Sprout Solutions Partnership</i> | July 10, 2020 |
| <i>SignUp Payroll</i> | July 23, 2020 |
| <i>RRewards Savings Account</i> | September 3, 2020 |
| <i>RBank Digital</i> | September 25, 2020 |
| <i>Corporate ADA</i> | November 11, 2020 |
| <i>Payday Money Market Fund</i> | 2021 |
| <i>Equity Index Feeder Fund</i> | 2021 |
| <i>Equity Opportunity Feeder Fund</i> | 2021 |
| <i>InstaBale</i> | 2021 |
| <i>PRU life UK Mastercard</i> | 2021 |

Competition

The Philippine banking industry is a mature market that has, in recent years, been subject to consolidation and liberalization, including liberalization of foreign ownership restrictions. As of December 31, 2021, there are 46 universal and commercial (local and foreign) banks in the Philippines, according to the BSP. The Bank faces significant levels of competition amid a number of these Philippine banks and the presence of branches of

international banks. These include, but not limited to, banks with greater financial and capital resources, bigger market share, and larger brand recognition than the Bank.

Increased competition may arise from:

- other large Philippine banking and financial institutions with significant presence in Metro Manila and large country-wide branch networks;
- foreign banks, due to, among other things, relaxed foreign bank ownership standards permitting large foreign banks to expand their branch network through acquiring domestic banks;
- ability of the Bank's competitors to establish new branches in Metro Manila due to the removal of the existing new branch license restriction scheme in 2014;
- domestic banks entering strategic alliances with foreign banks with significant financial and management resources;
- continued consolidation in the banking sector involving domestic and foreign banks, driven in part by the gradual removal of foreign ownership restrictions;
- the impact of financial technologies in developing and transforming banking products and services; and
- the entry of fintech companies offering financial services.

The Bank faces the challenges of such increased competition. In 2019, the Bank increased its equity by ₱3.0 billion to sustain the increasing size of its loan portfolio.

Per BSP data for the period 2017 to 3Q2021, the ranking of the Bank in the last five years shows the competitive strength of Robinsons Bank against its peers.

The table below summarizes the Bank's ranking in the last five years in terms of total assets and total loans (net):

| Year | Total Assets | Ranking | Total Loans (Net) | Ranking |
|-------------|---------------------|------------------|--------------------------|------------------|
| 2017 | 105.1 billion | 19 th | 58.6 billion | 19 th |
| 2018 | 121.4 billion | 18 th | 67.7 billion | 17 th |
| 2019 | 128.1 billion | 18 th | 79.7 billion | 16 th |
| 2020 | 148.9 billion | 18 th | 87.7 billion | 15 th |
| 3Q2021 | 165.6 billion | 18 th | 95.0 billion | 15 th |

Trademarks and Licenses

Except for software license agreements which it entered into in the ordinary course of business with some information technology companies, the Bank's business and operations are not dependent upon any patents, trademarks, copyrights, licenses, franchises, and royalty agreements.

In 2018 and 2019, the SEC approved the following business names and styles of the Bank, namely: RBank, RBC, Robinsons Bank, RobinsonsBank, Robinsons Bank Corp., RBank Corp., RBank Corporation, RobinsonsBankCorp., and Robinsons Commercial Bank.

As of December 31, 2021, the Bank was also able to cause the registration of the trade names of its new products before the Intellectual Property Office (IPO), namely:

| Trade Name | Date of Registration | Term |
|-------------------|-----------------------------|--------------------------------------|
| "UNO" | November 30, 2017 | Ten years (until November 30, 2027) |
| "DOS" | November 30, 2017 | Ten years (until November 30, 2027) |
| "Direct2Bank" | September 28, 2018 | Ten years (until September 28, 2028) |

| Trade Name | Date of Registration | Term |
|--------------------------------|----------------------|-------------------------------------|
| "Simple Savings" | November 22, 2018 | Ten years (until November 22, 2028) |
| "Businesslinker" | November 1, 2018 | Ten years (until November 1, 2028) |
| "IPONsurance" | April 28, 2019 | Ten years (until April 28, 2029) |
| "RBANK Simple Banking" | October 24, 2019 | Ten years (until October 24, 2029) |
| "Knowledge Bank" | December 29, 2019 | Ten years (until December 29, 2029) |
| "my Wealth" | October 18, 2020 | Ten years (until October 18, 2030) |
| "QuickR" | April 18, 2021 | Ten years (until April 18, 2031) |
| "QuickR Way to Pay" | April 18, 2021 | Ten years (until April 18, 2031) |
| "my Wealth" | April 18, 2021 | Ten years (until April 18, 2031) |
| "IPONsurance" | April 18, 2021 | Ten years (until April 18, 2031) |
| "Rbank Digital" | July 02, 2021 | Ten years (until July 02, 2031) |
| "Rbank Sign Up" | July 23, 2021 | Ten years (until July 23, 2031) |
| "Rbank Remit" | July 23, 2021 | Ten years (until July 23, 2031) |
| "RBank Simple Pay" | August 06, 2021 | Ten years (until August 06, 2031) |
| "Simple Pay by Robinsons Bank" | August 06, 2021 | Ten years (until August 06, 2031) |
| "BusinessLinker" | November 18, 2021 | Ten years (until November 18, 2031) |
| "Rwallet" | November 22, 2021 | Ten years (until November 22, 2031) |
| "Rbank e-Ayuda" | November 27, 2021 | Ten years (until November 27, 2031) |
| "RRewards Savings" | December 27, 2021 | Ten years (until December 27, 2031) |
| "Simple Savings" | January 10, 2022 | Ten years (until January 10, 2032) |
| "RBank Mo" | February 07, 2022 | Ten years (until February 07, 2032) |

In 2021 & 2022, the Bank filed for registration of the trade names of the following new products before the Intellectual Property Office (IPO). Processing of registration is still pending with the IPO.

| Trade Name | Date of Filing |
|-----------------------------------|-------------------|
| RBank instaBalé | June 22, 2021 |
| RBiz Digital | February 09, 2022 |
| RBank | March 01, 2022 |
| Rkansya | March 01, 2022 |
| RBank Top Up Loan | March 14, 2022 |
| Top Up Loan | March 14, 2022 |
| Robinsons Bank GO!Auto Loan | March 14, 2022 |
| Robinsons Bank GO!Housing Loan | March 14, 2022 |
| Robinsons Bank GO!Personal Loan | March 14, 2022 |
| Robinsons Bank GO!Small Biz Loan | March 14, 2022 |
| Robinsons Bank GO!Consumer Loans | March 14, 2022 |
| Robinsons Bank GO!Motorsiklo Loan | March 14, 2022 |
| Robinsons Bank GO!Salary Loan | March 14, 2022 |
| Robinsons Bank GO!Peso Bonds | March 14, 2022 |

Strong Investor Base

RBC is part of the JG Summit Holdings conglomerate. It maintains good patronage of the concessionaires, contractors and suppliers of the JG Group of Companies; exhibiting strong deposit and loan acquisitions. The Bank being owned by JGSCS and RRHI, RBC is in the company of leading and established corporations in the country today.

Regulatory Overview

As a domestic commercial bank, the Bank is governed by the rules and regulations of the BSP and other government regulators. As such, the Bank ensures that its business operations comply with all applicable government laws, rules and regulations such as

BSP mandate on financial inclusions, limits, circulars, Capital Adequacy Ratio, reserves, liquidity, AMLA, and other reportorial requirements.

g) CORE INVESTMENTS

PLDT, Inc. (PLDT)

On March 29, 2011, the Company executed a sale and purchase agreement with PLDT under which PLDT has agreed to purchase all the rights, title and interest in the assets of Digitel. The acquisition was completed on October 26, 2011 following the issuance by the SEC of its confirmation of the valuation of the enterprise assets and the approval by National Telecommunications Commission of the transfer of 51.6% interest in Digitel. In November 2011, the Company subsequently sold 5.81 million and 4.56 million PLDT shares to an associate company of First Pacific Company Limited and NTT Docomo, Inc., respectively for approximately US\$600 million. The Company is represented in PLDT's board of directors with one board seat. The transaction triggered a mandatory tender offer for the acquisition of the remaining 48.5% of Digitel shares held by the public. PLDT launched a tender offer for such shares that ended January 16, 2012.

In December 2019, the Company acquired 7,046,979 American Depositary Receipts (ADRs) of PLDT amounting to ₱7.0 billion, which was then converted into common shares in January 2020 and resulted to the Company's additional 3.3% stake in PLDT. The Company has a total of 11.27% interest in PLDT after the transaction. PLDT is one of the largest and most diversified telecommunications provider in the Philippines, which provides a wide range of telecommunications services in the country through its extensive fibre optic backbone and wireless, fixed line, broadband and satellite networks. PLDT's business comprises three divisions: wireless, fixed line and BPO.

Manila Electric Company (Meralco)

On December 11, 2013, the Company completed the purchase of a 27.1% stake in Manila Electric Company (Meralco) for ₱71.9 billion, which was funded by a combination of debt and equity capital. Meralco is the largest private sector electric distribution utility company in the Philippines and has been serving Filipinos for over 117 years. Today, Meralco provides electricity to 7 million customers in 36 cities and 75 municipalities in a 9,685 square km franchise area that includes Metro Manila, Rizal, Cavite, Bulacan, and portions of Pampanga, Laguna and Quezon.. On June 14, 2017, the Company acquired additional 2.44% stake in Meralco for ₱6.9 billion, resulting in the increase in ownership interest in Meralco to 29.56%.

Global Business Power Corporation (GBPC)

On June 30, 2016, the Company completed the purchase of a 30.0% stake in GBPC for ₱11.8 billion. GBPC is one of the leading independent power producers in the Visayas region and Mindoro island with a combined gross maximum capacity of 704 MW comprising 696.5 MW of power supplied to the Visayas grid and 7.5 MW of power supplied within Mindoro island.

On December 23, 2020, the Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30% of the issued and outstanding shares of GBPC for a total consideration of ₱12.0 billion which shall be paid in installments. The carrying value is reclassified as 'Assets held for sale' in the consolidated statement of financial position as of December 31, 2020. The closing of the transaction was completed on March 31, 2021 with a consolidated net gain of ₱261.9 million. The Group retained a beneficial interest over the carved-out land on the sale of GBPC. As of December 31, 2021, the outstanding receivable related to the sale amounted ₱2.3 billion.

Luzon International Premiere Airport Development Corporation (LIPAD)

On February 18, 2019, the Company invested in LIPAD. The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports. In December 2020, the Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares. In September 2021, the Company made additional investment amounting to ₱132.0 million equivalent to 132.0 million shares.

DHL Summit Solutions, Inc. (DSSI)

On December 18, 2019, the Parent Company invested in DSSI. DSSI was incorporated on October 1, 2019 and shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. DSSI started commercial operations in July 2020.

h) SUPPLEMENTARY BUSINESSES

Part of the Group's digital transformation was the establishment JG Digital Equity Ventures (JGDEV) and Data Analytics Ventures Inc. (DAVI) in 2018 and 2019, which currently trail blazing the Group's next generation of digital business.

JGDEV, the Group's venture capital arm, is investing its US\$50M fund in sustainable and scalable fintech startups that would have impact in the Southeast Asian market and create value to the JG Summit's ecosystem.

JGDEV made investments in several new portfolio companies, including:

- iPrice, a Malaysia-based e-commerce enabler with operations across Southeast Asia;
- Growsari, a B2B operator that helps sari-sari-stores digitally procure goods and transform them into community hubs that serve as payment centers and ecommerce drop-off points, among others;
- Zyllem, a virtual logistics platform that allows companies to have real-time visibility and optimization over their logistics network; and
- ZUZU, an all-in-one hotel operating system that provides a revenue management system and a distribution solution for independent hotel operators.
- Tyme, a digital bank focused on onboarding unbanked populations in emerging markets by integrating into physical retail environments;
- Darwinbox, an end-to-end, cloud-based HRM platform, with a mobile-first HR Tech experience powered by artificial intelligence;
- Etaily, an end-to-end, omni-channel e-commerce solutions provider, offering a full suite of services from content production to warehousing and fulfillment; and
- Sarisuki, a community selling platform empowering local sellers to become online grocery platforms by connecting directly to upstream suppliers

JGDEV was also admitted as a limited partner in Openspace Ventures Fund III, a fund that invests in early-stage tech companies in the region and managed by one of the most active investors in Southeast Asia.

DAVI, on the other hand, unlocks data opportunities by uncovering new customer patterns and insights, leading to disruptive engagement and growth through precision marketing, customer intelligence, performance dashboards and predictive analytics.

In 2021, DAVI integrated Robinsons Rewards and GetGo into Go Rewards, one of the largest lifestyle rewards program. Go Rewards offers its members to earn and redeem rewards points from its rich merchant base.

The Group also has an interest in insurance brokering, securities investments, and business process outsourcing.

Competition

Many of the Group's activities are carried on in highly competitive industries. Given the Group's diversity, the Group competes with different companies domestically and internationally, depending on the product, service or geographic area. While the Group is one of the largest conglomerates in the Philippines, its subsidiaries compete in different sectors against a number of companies with greater manufacturing, financial, research and development and market resources than the Group.

The following table sets out the Group's principal competitors in each of the principal industry segments in which it operates:

| Industry Segment | Principal Competitors |
|---|--|
| Branded Consumer Foods, Agro-Industrial and Commodity Food Products | Liwayway Marketing Corporation, Republic Biscuit Corporation, Suncrest Foods Inc., Monde Nissin Corporation, Nestle Philippines, Inc., and Mondelez Philippines, Inc. Internationally, major competitors include Procter & Gamble, Mars Inc., Lotte Group, Perfetti Van Melle Group, PT Mayora Indah Tbk, Tan Hiep Phat Beverage Group, Nestlé S.A., PepsiCo, Inc., and Mondelez International, Inc., San Miguel Corporation, UNAHCO (Unilab Group), Aboitiz Equity Ventures, Inc. (Pilmico), and Bounty Farms |
| Real Estate and Hotels | SM Prime Holdings, Inc., Ayala Land, Inc., Ayala Land Premier, Rockwell Land Corporation, Century Properties Group, Inc., Megaworld Corporation, Alveo Land, Filinvest Land, Inc., Ortigas & Co., Avida Land, DMCI Homes, Vista Land & Lifescapes, Inc., Alliance Global Group Inc., Double Dragon Properties Corp |
| Air Transportation | PAL, PAL Express, Philippines Air Asia for domestic flights; AirAsia, Jetstar Airways, PAL, Cathay Pacific, Singapore Airlines and Thai Airways, among others for International flights |
| Banking and Financial Services | Bank of Commerce, Philippine Bank of Communications, and Maybank Philippines Incorporated |
| Petrochemicals | Imports |

Publicly-Announced New Product or Service

Other than those discussed above under the air transportation and banking segments, the Group has no publicly-announced new product or service as of the date of the report.

Patents, Trademarks, Licenses, Franchises Concessions, Royalty Agreements

The Group owns a substantial number of trademarks registered with the Intellectual Property Office of the Philippines (IPPHL). Trademark registrations with the IPPHL

prior to the effective date of Republic Act No. 8293, or the current Intellectual Property Code of the Philippines, are valid for 20 years from the date of issue of the certificate of registration. Meanwhile, trademark registrations covered by Republic Act No. 8293 are valid for ten years from the date of the certificate of registration. Regardless of whether the trademark registration is for 20 years or ten years, the same may be renewed for subsequent ten-year terms.

The Group also has various licenses and franchises issued by the government to enable them to operate its diverse businesses including food, real estate, banking and financial services, telecommunications, air transportation and power generation.

Effect of Existing or Probable Governmental Regulations on the Business

The Company operates the majority of its businesses, including food, real estate, banking and financial services, telecommunications, air transportation and power generation activities, in a highly regulated environment. Many of these businesses depend upon licenses or franchises issued by the government authorities or agencies for their operations. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises, which in turn may have a material adverse effect upon the Company. In addition, the introduction or inconsistent application of, or changes in regulations may from time to time materially affect the Company's operations.

Cost and Effects of Compliance with Environmental Laws

The operations of the Company are subject to various laws enacted for the protection of the environment. The Company believes that it has complied with all applicable Philippine environmental laws and regulations, an example of which is the installation of waste and industrial water treatments in its various facilities. Compliance with such laws has not had, and in the Company's opinion, is not expected to have, a material effect upon the Company's capital expenditures, earnings or competitive position.

Employees and Labor

The number of full-time employees employed by the Company and its operating subsidiaries as of December 31, 2021 is shown in the following table:

| <u>Company</u> | <u>No. of Employees</u> |
|--|-----------------------------|
| Branded Consumer Foods, Agro-industrial and Commodities | 13,894 |
| Airlines | 3,046 |
| Property Development and Hotel Management | 2,303 |
| Finance | 1,919 |
| Petrochemicals | 1,249 |
| Supplementary Businesses | 416 |
| | <u>22,827</u> |

The Company's management believes that good labor relations generally exist throughout the operating companies. For most of the operating companies, collective bargaining agreements exist between the relevant representative unions for the employees and the relevant operating companies. The collective bargaining agreements generally cover a five-year term with a right to renegotiate the economic terms of the agreement after three years, and contain provisions for annual salary increment, health and insurance benefits and closed-shop arrangements. The management believes that those collective bargaining agreements, which are soon to expire or which have expired, will, as a result of existing good labor relations, be successfully renewed or renegotiated.

Risks

The major business risks facing the Group are as follows:

a. Competition

Many of the Group's activities are in highly competitive industries. The Group faces competition in all segments of its businesses both in the Philippine market and in international markets. The Group's ability to compete effectively will require continuous efforts in sales and marketing of our existing products, development of new products and cost rationalization. There can be no assurance that the Group's sales volume and market share will not be adversely affected by negative consumer reaction to higher prices as a result of price reduction or promotional sales undertaken by its competitors.

b. Financial Market

The Group has a foreign exchange exposure primarily associated with fluctuations in the value of the Philippine Peso against the U.S. dollar and other foreign currencies. The Group's revenues are predominantly denominated in Pesos, while certain expenses, including fixed debt obligations, are denominated in foreign currencies. Prudent fund management is employed to minimize effects of fluctuations in interest and currency rates.

c. Raw Materials

The Group's production operations are dependent in obtaining adequate supply of raw materials on a timely basis. In addition, its profitability depends in part on the prices of raw materials since a portion of the Group's raw material requirements is imported including packaging materials. To mitigate these risks, alternative sources of raw materials are used in operations.

d. Cost and Availability of Fuel

The cost and availability of fuel are subject to many economic and political factors and events occurring throughout the world, the most important of which are not within the Group's control. Fuel prices have been subject to high volatility, fluctuating substantially over the past several years. Any increase in the cost of fuel or any decline in the availability of adequate supplies of fuel could have a material adverse effect on the Group's airline operations and profitability. The airline business implements various fuel management strategies to manage the risk of rising fuel prices including hedging.

e. Key Executives

The Company's key executives play an integral part in the latter's success. The experience, knowledge, business relationships and expertise of these executives could be difficult to replace and may result in a decrease in the Company's operating proficiency and financial performance should any of them decide to leave the Company.

f. Philippine Regulations

The Group operates a material part of its businesses in a highly regulated environment. Many of these businesses depend upon licenses and franchises issued by government authorities or agencies for their operation. These businesses would be materially adversely affected by the suspension or revocation of these licenses or franchises.

The Group is also subject to numerous environmental laws and regulations relating to the protection of the environment and human health and safety, among others. Many of these environmental laws and regulations are becoming increasingly stringent and compliance to such is becoming increasingly complex and costly.

Working Capital

The working capital requirement of each subsidiary varies depending on the industry it is engaged in and is financed by operations and short-term loans from banks.

Item 2. Properties

JG Summit and its Subsidiaries conduct businesses throughout the Philippines, but primarily in and around Metro Manila (where it is based) and in the regions of Visayas and Mindanao. Substantially, all facilities are owned by the Company and are in good condition.

URC operates the manufacturing/farm facilities located in the following:

| Location (Number of facilities) | Type of Facility | Owned/Rented | Condition |
|--|---|---------------------|------------------|
| Pasig City (4) | Branded consumer food plant, flour mills and feed mill | Owned | Good |
| Libis, Quezon City (1) | Branded consumer food plant | Owned | Good |
| Cabuyao, Laguna (1) | Branded consumer food plant | Owned | Good |
| Luisita, Tarlac (1) | Branded consumer food plant | Rented/Owned | Good |
| San Fernando, Pampanga (1) | Branded consumer food plant | Rented/Owned | Good |
| Dasmariñas, Cavite (2) | Branded consumer food plants | Owned | Good |
| Cagayan de Oro (1) | Branded consumer food plant | Owned | Good |
| San Pedro, Laguna (2) | Branded consumer food plants | Owned | Good |
| Calamba, Laguna (1) | Branded consumer food plant | Rented/Owned | Good |
| San Pablo, Laguna (1) | Branded consumer food plant | Rented/Owned | Good |
| Biñan, Laguna (1) | Branded consumer food plant | Owned | Good |
| Antipolo, Rizal (5) | Poultry and piggery farms, slaughterhouse and meat processing plant | Rented/Owned | Good |
| Naic, Cavite (1) | Poultry farm | Owned | Good |
| San Miguel, Bulacan (4) | Feed mill, poultry and piggery farms | Owned | Good |
| Bustos, Bulacan (1) | Piggery farm | Owned | Good |
| Novaliches, Quezon City (1) | Piggery farm | Owned | Good |
| Consolacion, Cebu (1) | Feed mill | Owned | Good |
| Davao City, Davao (1) | Flour mill | Owned | Good |
| Tabok City, Cebu (1) | Branded consumer food plant | Owned | Good |
| San Fernando, Cebu (1) | Branded consumer food plant | Owned | Good |
| Mandaue City, Cebu (1) | Feed mill | Owned | Good |
| Bais, Negros Oriental (1) | Distillery plant | Owned | Good |
| Manjuyod, Negros Oriental (1) | Sugar mill | Owned | Good |
| Piat, Cagayan (1) | Sugar mill | Owned | Good |
| Kabankalan, Negros Occidental (2) | Sugar mill and cogeneration plant | Owned | Good |
| San Enrique, Iloilo City (1) | Sugar mill | Owned | Good |
| Balayan, Batangas (1) | Sugar mill | Owned | Good |
| La Carlota City, Negros Occidental (2) | Sugar mill and distillery plant | Owned | Good |
| Simlong, Batangas (3) | BOPP plant/Flexible packaging | Owned | Good |
| Samutsakhorn Industrial Estate, Samutsakhorn, Thailand (6) | Branded consumer food plants | Owned | Good |

| Location (Number of facilities) | Type of Facility | Owned/Rented | Condition |
|--|------------------------------|--------------|-----------|
| Pasir Gudang, Johor, Malaysia (1) | Branded consumer food plant | Owned | Good |
| Jiangsu, China (1) | Branded consumer food plant | Owned | Good |
| Guangdong, China (1) | Branded consumer food plant | Owned | Good |
| Industrial Town, Bekasi, Indonesia (2) | Branded consumer food plants | Owned | Good |
| VSIP, Binh Duong Province, Vietnam (3) | Branded consumer food plants | Owned | Good |
| Thach That District, Ha Noi, Vietnam (1) | Branded consumer food plant | Owned | Good |
| Mingaladon, Yangon, Myanmar (1) | Branded consumer food plant | Rented/Owned | Good |
| Batu Pahat, Johor, Malaysia (2) | Branded consumer food plant | Owned | Good |

URC intends to continuously expand the production and distribution of the branded consumer food products internationally through the addition of manufacturing facilities located in geographically desirable areas, especially in the ASEAN countries, the realignment of the production to take advantage of markets that are more efficient for production and sourcing of raw materials, and increased focus and support for exports to other markets from the manufacturing facilities. It also intends to enter into alliances with local raw material suppliers and distributors. Annual lease payments for rented properties amounted to ₱128 million in 2021.

RLC has invested in a number of properties located across the Philippines for existing and future development projects. All of these properties are fully owned by RLC and none of which are subject of any mortgage, lien or any form of encumbrance. RLC also enters into joint venture arrangements with land owners in order to optimize their capital resources. Not only does this encourage raw land development for future projects but it also provides them with exclusive development and marketing rights.

As of December 31, 2021, the following are locations of the Company's properties:

a) Land

| Location | Use | Status |
|---------------------|---|-----------------|
| Metro Manila | | |
| Manila | Mixed-use (mall/residential/hotel) | No encumbrances |
| Quezon City | Residential/Office Building/Mixed-use (mall/residential/hotel/office) | No encumbrances |
| Pasay City | Residential | No encumbrances |
| Mandaluyong City | Mixed-use (mall/hotel/residential) | No encumbrances |
| Makati City | Office Building/Residential | No encumbrances |
| Pasig City | Residential/Mall/Office Building/Mixed-use (mall/hotel/residential) | No encumbrances |
| Parañaque City | Residential | No encumbrances |
| Muntinlupa City | Residential | No encumbrances |
| Las Piñas City | Mall | No encumbrances |
| Taguig City | Residential | No encumbrances |
| Malabon City | Mall | No encumbrances |
| San Juan City | Residential/Hotel | No encumbrances |
| Metro Manila area | Land bank | No encumbrances |
| Luzon | | |
| La Union | Residential | No encumbrances |
| Pangasinan | Mall | No encumbrances |
| Bulacan | Mall | No encumbrances |
| Nueva Ecija | Mall | No encumbrances |
| Pampanga | Mall | No encumbrances |

| Location | Use | Status |
|-------------------|---|-----------------|
| Luzon | | |
| Tarlac | Mall/Office Building | No encumbrances |
| Batangas | Mall/Residential | No encumbrances |
| Cavite | Mall/Residential/Mixed-use (mall/hotel/residential) | No encumbrances |
| Laguna | Mall | No encumbrances |
| Palawan | Mixed-use (mall/hotel/residential) | No encumbrances |
| Rizal | Residential/Mall | No encumbrances |
| Isabela | Mall | No encumbrances |
| Ilocos Norte | Mixed-use (mall/office) | No encumbrances |
| Camarines Sur | Mall/Office Building | No encumbrances |
| Cagayan | Mall | No encumbrances |
| Laguna | Mall | No encumbrances |
| Luzon area | Land bank | No encumbrances |
| Visayas | | |
| Iloilo | Mall | No encumbrances |
| Negros Occidental | Mall/Hotel | No encumbrances |
| Cebu | Hotel/Residential/Mixed-use (mall/hotel/residential/office) | No encumbrances |
| Negros Oriental | Mixed-use (mall/hotel) | No encumbrances |
| Leyte | Mall/Mixed-use (mall/hotel) | No encumbrances |
| Capiz | Mall | No encumbrances |
| Antique | Mall | No encumbrances |
| Visayas area | Land bank | No encumbrances |
| Mindanao | | |
| Agusan Del Norte | Mixed-use (mall/hotel) | No encumbrances |
| Misamis Oriental | Residential | No encumbrances |
| Davao Del Sur | Mall/Hotel/Office Building | No encumbrances |
| South Cotabato | Mall/Residential | No encumbrances |
| Lanao Del Norte | Mixed-use (mall/hotel) | No encumbrances |
| Davao Del Norte | Mall | No encumbrances |
| Bukidnon | Mall | No encumbrances |
| Mindanao area | Land bank | No encumbrances |

b) Building and Improvements

| Location | Use | Status |
|---------------------|---|-----------------|
| Metro Manila | | |
| Manila | Mixed-use (mall/residential/hotel) | No encumbrances |
| Quezon City | Residential/Office Building/Mixed-use (mall/residential/hotel/office) | No encumbrances |
| Pasay City | Residential | No encumbrances |
| Mandaluyong City | Mixed-use (mall/hotel/residential/office) | No encumbrances |
| Makati City | Office Building/Residential | No encumbrances |
| Pasig City | Residential/Mall/Office Building/Mixed-use (mall/hotel/residential) | No encumbrances |
| Paranaque City | Residential | No encumbrances |
| Muntinlupa City | Residential/Warehousing facility | No encumbrances |
| Las Pinas City | Mall | No encumbrances |
| Taguig City | Residential/Office Building | No encumbrances |
| Malabon City | Mall | No encumbrances |
| San Juan City | Residential/Hotel | No encumbrances |
| Luzon | | |
| La Union | Residential | No encumbrances |
| Pangasinan | Mall | No encumbrances |

| Location | Use | Status |
|-------------------|---|-----------------|
| Luzon | | |
| Bulacan | Mall | No encumbrances |
| Nueva Ecija | Mall | No encumbrances |
| Pampanga | Mall | No encumbrances |
| Tarlac | Mall/Office Building | No encumbrances |
| Batangas | Mall/Residential | No encumbrances |
| Cavite | Mall/Residential/Mixed-use (mall/hotel/residential) | No encumbrances |
| Laguna | Mall | No encumbrances |
| Palawan | Mixed-use (mall/hotel/residential) | No encumbrances |
| Rizal | Mall/Residential | No encumbrances |
| Isabela | Mall | No encumbrances |
| Ilocos Norte | Mixed-use (mall/office) | No encumbrances |
| Camarines Sur | Mall/Office Building | No encumbrances |
| Cagayan | Mall | No encumbrances |
| Laguna | Mall | No encumbrances |
| Visayas | | |
| Iloilo | Mall/Mixed-use (mall/hotel) | No encumbrances |
| Negros Occidental | Mall/Hotel | No encumbrances |
| Cebu | Hotel/Mixed-use (mall/hotel/residential/office) | No encumbrances |
| Negros Oriental | Mixed-use (mall/hotel) | No encumbrances |
| Leyte | Mall/Mixed-use (mall/hotel) | No encumbrances |
| Capiz | Mall | No encumbrances |
| Antique | Mall | No encumbrances |
| Mindanao | | |
| Misamis Oriental | Mall/Residential | No encumbrances |
| Davao Del Sur | Mall/Hotel/Office Building | No encumbrances |
| South Cotabato | Mall/Residential | No encumbrances |
| Agusan Del Norte | Mixed-use (mall/hotel) | No encumbrances |
| Davao Del Norte | Mall | No encumbrances |
| Lanao Del Norte | Mixed-use (mall/hotel) | No encumbrances |
| Bukidnon | Mall | No encumbrances |
| China | | |
| Chengdu | Residential | No encumbrances |

RLC owns all the land properties upon which all of its existing commercial centers and offices are located except for the following: (i) Robinsons Place Iloilo, (ii) Robinsons Cagayan De Oro, (iii) Robinsons Cainta, (iv) Robinsons Pulilan, (v) Robinsons Place Jaro, (vi) Cyber Sigma, and (vii) Robinsons Place Tuguegarao. These seven land properties are leased at prevailing market rates. The leases for the Iloilo and Cagayan de Oro properties are for 50 years each and commenced in October 2001 and December 2002, respectively. The leases for the Cainta, Pulilan, Cyber Sigma and Tuguegarao properties are for 25 years each and commenced in December 2003, January 2008, August 2014 and January 2018, respectively. Renewal options for Cainta, Pulilan, Cyber Sigma and Tuguegarao are available to RLC with an Option to Purchase the property and its improvements for Cyber Sigma. The lease for the Jaro, Iloilo property is for 30 years and commenced in March 2015.

As of December 31, 2021, CEB does not own any land. CEB, 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 Manila International Airport Authority (MIAA). CEB also leases its hangar, aircraft parking and other operational space from MIAA.

CEB 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, 2021, CEB has 74 aircraft consisting of 34 aircraft financed under lease liabilities, 32 aircraft financed under debt arrangements (including finance leases), and 8 aircraft purchased off lease and unencumbered.

RBC currently owns the following properties:

- A commercial condominium unit located at 17th Floor, Galleria Corporate Center, EDSA corner Ortigas Avenue, Quezon City;
- A parcel of land with an area of 314 square meters located at No. 1861 Evangelista Street, Bgy. Pio del Pilar, Makati City, with commercial building thereon;
- Legazpi branch located at Corner, Rizal and Mabini Sts., Dinagaan, Legazpi City 100 and 72; and
- Guinobatan branch located at Paulate St., Pobalcion, Guinobatan Albay 294.

There are no mortgages, liens, encumbrances or any limitations on the Bank's ownership of the foregoing properties, except that the property located at No. 1861 Evangelista Street, Brgy. Pio del Pilar, Makati City which was sold by the Bank to Robinsons Land Corporation is subject of a Contract to Sell, the consideration of which has not yet been fully paid. The Bank also leases spaces for its branches, branch-lite units, offices and facilities including parking spaces, warehouse and building space for data center.

JGSPC's PE and PP complex and JGSOC's naphtha cracker plant are both located in Barangay. Simlong, Batangas City.

Item 3. Legal Proceedings

Certain consolidated subsidiaries are defendants to lawsuits or claims filed by third parties which have pending decisions by the courts or are under negotiation, the outcomes of which are not presently determinable. In the opinion of management, the eventual liability under these lawsuits or claims, if any, will not have a material effect on the Company's consolidated financial position. Refer to Note 43 of the Consolidated Financial Statements attached to this report for a detailed description.

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 Common Equity and Related Stockholder Matters

Principal Market or Markets where the Registrant's Common Equity is Traded

The common stock of the Company is listed on the Philippine Stock Exchange. Sales prices of the common stock follow:

| | <u>High</u> | <u>Low</u> |
|----------------|-------------|------------|
| <u>2021</u> | | |
| First Quarter | P74.50 | P57.00 |
| Second Quarter | 63.00 | 49.40 |
| Third Quarter | 67.65 | 55.00 |
| Fourth Quarter | 66.50 | 52.65 |
| <u>2020</u> | | |
| First Quarter | P78.10 | P41.29 |
| Second Quarter | 63.33 | 43.05 |
| Third Quarter | 66.38 | 56.48 |
| Fourth Quarter | 74.00 | 58.09 |
| <u>2019</u> | | |
| First Quarter | P69.50 | P55.10 |
| Second Quarter | 67.40 | 56.50 |
| Third Quarter | 75.50 | 63.05 |
| Fourth Quarter | 81.90 | 69.00 |

The stock price of the Company's shares as of March 31, 2022 is P61.3.

Cash Dividends per Share

On May 13, 2021, JGSHI declared a regular cash dividend of P0.38 per common share from the Unrestricted Retained Earnings as of December 31, 2020 to all stockholders of record as of June 11, 2021 and paid on July 7, 2021.

On May 13, 2020, JGSHI declared a regular cash dividend of P0.38 per common share from the Unrestricted Retained Earnings as of December 31, 2019 to all stockholders of record as of June 11, 2020 and paid on July 8, 2020.

On May 30, 2019, JGSHI declared a regular cash dividend of P0.33 per common share and a special cash dividend of P0.04 per common share from the Unrestricted Retained Earnings as of December 31, 2018 to all stockholders of record as of June 20, 2019 and paid on July 16, 2019.

Stock Dividends Declared

On August 14, 2020, the Company declared stock dividends equivalent to five per cent (5%) of the total issued and outstanding shares consisting of:

- a) Three Hundred Fifty Eight Million One Hundred Forty Two Thousand and One (358,142,001) common shares to be issued and paid for out of the unrestricted

retained earnings as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020, to be distributed on November 25, 2020. Any fractional shares resulting from the stock dividend declaration will be paid in cash. The listing of the common shares to be issued as stock dividends (“Stock Dividend Common Shares”) shall be subject to the requirements of the Securities and Exchange Commission (“SEC”) and Philippine Stock Exchange (“PSE”); and

- b) Subject to approval by the SEC of the amendment of Article Seventh of the Articles of Incorporation of the Corporation, Two Hundred Million (200,000,000) Preferred Voting Shares to be issued and paid for out of the unrestricted retained earnings as of December 31, 2019 to all stockholders holding preferred voting shares. The record date and the payment date shall be determined upon approval by the SEC of the abovementioned amendment of the Articles of Incorporation. Any fractional shares resulting from the stock dividend declaration will be paid in cash. The stock dividend was approved by SEC on June 29, 2021.

No stock dividend was declared in 2021 & 2019.

Restricted Retained Earnings

The Parent Company’s BOD approved the appropriation of retained earnings totaling ₱101.2 billion. The ₱101.2 billion total appropriations of the Parent Company’s retained earnings are earmarked for the following: (a) settlement of certain subsidiary’s loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations and retail bonds; (c) capital investment related to Digital venture businesses; and (d) general corporate purposes.

Recent Sales of Unregistered Securities

Not Applicable. All shares of the Company are listed on the Philippine Stock Exchange.

The number of shareholders of record holding common shares as of December 31, 2021 was 994. Total common shares outstanding as of December 31, 2021 were 7,520,983,658 common shares with a par value of P1.00.

Top 20 stockholders as of December 31, 2021

| <u>Name</u> | <u>No. of Common Shares Held</u> | <u>% to Total Outstanding (Common)</u> |
|---|--|--|
| 1. Gokongwei Brothers Foundation, Inc. | 2,096,930,273 | 27.88 |
| 2. PCD Nominee Corporation (Filipino) | 1,880,599,110 | 25.01 |
| 3. RSB-TIG No. 030-46-000001-9 | 1,084,985,186 | 14.43 |
| 4. PCD Nominee Corporation (Non-Filipino) | 883,642,126 | 11.75 |
| 5. Lance Yu Gokongwei | 323,643,574 | 4.30 |
| 6. Ego Investments Holdings Limited | 280,946,400 | 3.74 |
| 7. Robina Yu Gokongwei | 188,432,999 | 2.51 |
| 8. James L. Go | 156,113,638 | 2.08 |
| 9. Gosotto & Co., Inc. | 105,676,718 | 1.41 |
| 10. RBC-TIG ATF TA#030-172-530113 | 101,871,000 | 1.35 |
| 10. RBC-TIG ATF TA#030-172-530121 | 101,871,000 | 1.35 |
| 11. Lisa Yu Gokongwei | 87,076,500 | 1.16 |

| | <u>No. of Common Shares Held</u> | <u>% to Total Outstanding (Common)</u> |
|---|--|--|
| 12. Lisa Gokongwei Cheng | 56,910,000 | 0.76 |
| 13. RBC-TIG ATF TA#030-172-530122 | 37,905,000 | 0.50 |
| 14. Nicris Development Corporation | 35,776,914 | 0.48 |
| 15. Richard Yap | 8,998,880 | 0.12 |
| 16. Quality Investments & Securities Corp. | 8,794,498 | 0.16 |
| 17. Rowena G. Alano | 5,717,411 | 0.08 |
| 17. Ruth Tiu Gotao | 5,717,411 | 0.08 |
| 18. Maxwell G. Ah Yong and/or Christine Y. Ah Yong | 4,410,000 | 0.06 |
| 19. Manuel Go Ah Yong, Jr. and/or Vivian Yu Ah Yong | 4,147,500 | 0.06 |
| 20. Estrella Go Co and/or Napoleon Co | 4,057,638 | 0.05 |
| Other stockholders | 56,759,882 | 0.75 |
| | <u>7,520,983,658</u> | <u>100.00</u> |

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

The following discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto as of and for the years ended December 31, 2021, 2020 and 2019, which form part of this Report. The consolidated financial statements and notes thereto have been prepared in accordance with the Philippine Financial Reporting Standards (PFRS) and after reflecting the following restatements:

- As at January 1, 2021, RLC adopted PIC Q&A 2018-12 on Accounting for Common Usage Service Area (CUSA) retrospectively. Under PIC Q&A No. 2018-12, RLC determined that it is acting as a principal for CUSA and air-conditioning services because it retains the right to direct the service provider of maintenance, janitorial and security to the leased premises, and air-conditioning, respectively. As a result, revenues from CUSA and air-conditioning charges are presented gross of related expenses in the statement of comprehensive income for the years ending 2021, 2020 and 2019.
- In October 2021, URC sold its remaining 60% ownership interest in Uni Snack Holding Company Ltd. and its subsidiaries (collectively, the 'Oceania businesses') to a third party. Upon completion of the closing conditions, the Group relinquished its control and ownership over the Oceania businesses and the latter has been deconsolidated from the consolidated financial statements. Moreover, the results of the Oceania businesses' operations were presented as discontinued operations in the consolidated statements of income for the years ended December 31, 2021, 2020 and 2019.

Management's Discussion of Results of Operations is presented in two parts: Consolidated Operations and Segment Operations.

RESULTS OF OPERATIONS

2021 vs. 2020

I. Consolidated Operations

JG Summit posted improving operating results in 2021

JG Summit Holdings, Inc. (JGS), one of the leading Philippine conglomerates, remains on track to full recovery from the negative impacts of the COVID-19 pandemic. Excluding its airline, Cebu Air, Inc. (CEB), which continued to deal with heightened travel restrictions, JGS saw its full-year 2021 (FY21) consolidated revenues exceed pre-pandemic levels by 7% while its core net income already reached 96% of its 2019 level.

Including CEB's performance, JGS' total revenues grew 13% year-on-year (YoY) to ₱230.6 billion as the partial reopening of the economy benefited its food, real estate, petrochemicals, and banking segments. CEB likewise showed strong sequential improvements quarter-on-quarter (QoQ). JGS' total consolidated core net income rose 672% YoY to ₱3.5 billion, driven by the 46% YoY growth of RLC's profits as well as larger contributions from its core investments in Meralco (MER), Singapore Land Group (SLG), and PLDT. However, there were also headwinds from elevated fuel prices, high inflation, and currency depreciation, which led to narrower operating margins for Universal Robina Corporation (URC), JG Summit Olefins Corporation (JGSOC), and CEB. Nonetheless, URC's gain on the sale of its Oceania business and the benefits of CREATE law boosted the group's total net income to ₱5.1 billion.

Consolidated cost of sales and services in 2021 increased by 18.5% from ₱140.0 billion last year to ₱165.9 billion this year due to higher sales and increasing input costs particularly of URC, RLC and Petrochem. The Group's operating expenses decreased by 2.0% resulting to a consolidated Operating Income or EBIT of ₱11.4 billion in 2021, a 15.1% increase from ₱9.9 billion in 2020. EBITDA from continuing operations amounted to ₱41.0 billion versus ₱40.3 billion last year.

The Group's financing costs and other charges, net of interest income, increased by 4.1% to ₱8.0 billion this year from last year's ₱7.7 billion primarily due to higher level of financial debt of CEB and Petrochem.

Market valuation losses on financial assets and derivative instruments amounted to ₱1.1 billion in 2021, lower versus ₱2.3 billion loss in 2020 attributable to the increase in market values of the Group's financial assets and the lower valuation losses incurred by CEB - ₱1.3 billion loss on its convertible bonds' embedded derivatives in 2021 versus ₱12.1 billion hedging loss in 2020.

The Group recognized a net foreign exchange loss of ₱3.1 billion in 2021 from ₱2.6 billion foreign exchange gain in 2020 driven by the depreciation of Philippine peso vs U.S. dollar in respect to our dollar-denominated long-term debt and convertible bonds payable.

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a gain of ₱568 million in 2021 mainly due to CEB's gain on sale of aircraft.

Consolidated provision for income tax amounted to ₱362 million in 2021 from ₱2.7 billion in 2020 mainly due to Group's savings from CREATE bill and higher deferred tax assets of CEB.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱117.0 billion for the year ended December 31, 2021, ahead of 3.4% against last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCF segment, excluding packaging division, decreased by ₱566 million or 0.7% to ₱81.9 billion in 2021 from ₱82.5 billion registered in 2020. BCFG domestic operations posted a decrease in net sales from ₱61.2 billion in 2020 to ₱59.7 billion in 2021 still driven by high base fueled by pantry stock up with Taal eruption and the start of pandemic shifting household spending to pantry essentials. Economic environment also affected consumer behavior as seen in the category declines.

BCF international operations reported a 4.4% increase in net sales from ₱21.2 billion in 2020 to ₱22.2 billion in 2021, coming from strong sales momentum with major markets growing versus last year. In constant US dollar (US\$) terms, sales increased by 5.3% driven by Indo-China and Indonesia despite COVID challenges. Vietnam significantly grew by 12.0% driven by resurgence in beverage sales particularly C2 while Thailand recovered with 5.2% sales growth coming from strong domestic performance.

Sale of goods and services of BCFG, excluding packaging division, accounted for 70.0% of total URC consolidated sale of goods and services for 2021.

Sale of goods and services in URC's packaging division increased by 44.8% to ₱1.6 billion in 2021 from ₱1.1 billion recorded in 2020 due to better price and volume.

- Sale of goods and services in URC's agro-industrial group (AIG) amounted to ₱11.5 billion in 2021, a decline of 3.2% from ₱11.9 billion recorded in 2020. Feeds business increased by 5.6% due to higher volumes of Pet food and improved selling price. Farms business also decreased by 40.3% due to lower volumes as a result of downsized operations.
- Sale of goods and services in URC's commodity foods group (CFG) amounted to ₱21.9 billion in 2021, a 23.9% increase from ₱17.7 billion reported in 2020. Sugar business grew by 20.7% due to higher volumes and renewables business grew by 64.4% driven by higher average selling price. The acquisition of Central Azucarera de La Carlota and Roxol Bioenergy Corporation contributed to the growth of Sugar and Renewables businesses and performing better than expected. Flour business posted a 4.5% increase due to better selling price.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱4.9 billion or 6.3% to ₱83.5 billion in 2021 from ₱78.6 billion recorded in 2020 due to higher sales and increasing input costs.

URC's gross profit for 2021 amounted to ₱33.5 billion, lower by ₱1.1 million or 3.2% from ₱34.6 billion reported in 2020. Gross profit margin decreased by 195 basis points from 30.57% in 2020 to 28.61% in 2021

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱57 million or 0.3% to ₱20.75 billion in 2021 from ₱20.69 billion registered in 2020. The increase primarily resulted from increases in repairs and maintenance, professional and legal fees and other administrative

expenses partially offset by decreased advertising and promotion costs and taxes, licenses and fees.

- 23.9% or ₱128 million increased in repairs and maintenance to ₱664 million in 2021 from ₱536 million in 2020 due to higher software and hardware maintenance costs.
- 24.2% or ₱42 million increased in professional and legal fees to 220 million in 2021 from 17 million in 2020 due to higher contracted professionals during the year.
- 3.3% or ₱243 million decreased in advertising and promotions to ₱7.0 billion in 2021 from ₱7.3 billion in 2020 due to controlled spending.

As a result of the above factors, operating income decreased by ₱1.2 billion or 8.5% to ₱12.7 billion in 2021 from ₱13.9 billion reported in 2020. URC's operating income by segment was as follows:

- Operating income in URC's branded consumer foods segment, excluding packaging division, decreased by ₱909 million or 8.9% to ₱9.3 billion in 2021 from ₱10.2 billion in 2020. BCFG's domestic operations decline by 8.0% to ₱7.6 billion in 2021 from ₱8.3 billion in 2020 driven by increasing input costs partially offset by ₱2.5B in cost headwinds partially offset by pricing, mix, and cost savings initiatives. International operations posted a ₱1.7 billion operating income, 12.9% lower than the ₱1.9 billion posted in 2020 driven by increasing input prices. Delta COVID variant surge also impacted operating income due to shutdowns and additional COVID-related spend. In constant US dollar terms, international operations posted an operating income of US\$ 34 million, a 12.3% decrease from last year.

URC's packaging division reported an operating income of ₱99 million in 2021 from an operating income of ₱522 thousand reported in 2020 driven by higher volume and selling price.

- Operating income in URC's agro-industrial segment decreased by ₱210 million or 15.3% to ₱1.2 billion in 2021 from ₱1.4 billion in 2020 impacted by higher input costs.
- Operating income in URC's commodity foods segment decreased by ₱12 million or 0.3% to ₱4.35 billion in 2021 from ₱4.36 billion in 2020. Flour business decreased by 48.2% due to increasing input costs and operating expenses partially offset by better selling price. Sugar business grew by 16.4% due to better volume and selling price. Renewable energy business increased by 24.9% due to better volume and average selling price of distillery segment.

URC's finance costs consist mainly of interest expense, which decreased by ₱88.4 million to ₱573 million in 2021 from ₱662 million recorded in 2020 due to lower interest rates and level of interest-bearing financial liabilities.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue decreased by ₱68 million to ₱255 million in 2021 from ₱324 million in 2020 due to lower interest rates, level of interest-bearing financial assets and dividend income.

Equity in net losses of joint ventures increased to ₱91 million in 2021 from ₱62 million in 2020 due to equity take-up in net losses of DURBI.

Net foreign exchange loss decreased to ₱504 million gains in 2021 from the ₱346 million reported in 2020 driven by combined effects of local currency devaluations vis-à-vis US dollar this year versus local currency appreciation last year particularly Philippine Peso and Myanmar Kyat.

Market valuation gain on financial instruments at fair value through profit or loss decreased to ₱87 million in 2021 from ₱136 million in 2020 driven by market valuation on derivative liability last year.

Impairment losses increased to ₱572 million in 2021 from ₱33 million in 2020 due to provision for impairment losses on idle fixed assets and slow-moving spare parts.

Other losses - net consists of gain (loss) on sale of fixed assets, rental income, and miscellaneous income and expenses. Other income - net amounted to ₱2.4 billion in 2021 higher than the other losses-net of ₱619 million reported in 2020 mainly due to gain on sale of fixed asset this year.

URC recognized consolidated provision for income tax of ₱1.6 billion in 2021, a 20.0% decrease from ₱2.0 billion in 2020 due to savings from CREATE bill and lower taxable income of URC international group.

URC's net income from continuing operation amounted to ₱13.0 billion, higher by ₱2.5 billion or 23.4%, from ₱10.5 billion for 2020 mainly driven by higher other income from gain on sale of fixed assets, turnaround impact of net foreign exchange losses and income tax savings.

URC's net income from discontinued operations for 2021 amounted to ₱11.3 billion, an increase of 906.8% from ₱1.1 billion recorded in 2020 driven by gain from divestment of Oceania business this year.

URC's consolidated net income for 2021 amounted to ₱24.2 billion, higher by ₱12.6 billion or 108.6% from ₱11.6 billion in 2020 due to higher other income from gain on sale of fixed assets and businesses, turnaround impact of net foreign exchange losses and income tax savings.

Net income attributable to equity holders of the parent increased by ₱12.6 billion or 117.0% to ₱23.3 billion in 2021 from ₱10.7 billion in 2020 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱18.5 billion in 2021, 7.9% lower than ₱20.1 billion posted in 2020.

Real estate and hotels generated total gross revenues of ₱35.6 billion for calendar year 2021, an increase of 29.2% from ₱27.5 billion the previous year with strong organic growth fueled by improved customer demand across RLC's core businesses, the sale of parcels of land within the Bridgetowne East Destination Estate, and the continued success of the Chengdu Ban Bian Jie project in China. EBIT and EBITDA increased by 14.4% to ₱9.7 billion and 9.4% to ₱15.0 billion, respectively. This translated to a consolidated net income of ₱8.5 billion, 61.6% greater versus the same period last year. Meanwhile, net income attributable to equity shareholders of the parent entity rose by 53.2% to ₱8.1 billion.

The Commercial Centers Division accounted for 23% of total RLC's revenues to close at ₱8.3 billion in 2021, 2.7% lower versus previous year. The performance of the RLC's lifestyle centers continued to rebound since the implementation of quarantine restrictions in March last year. The steep slump in mall revenues continued to shrink sequentially every quarter. Meanwhile, EBITDA and EBIT decreased by 6.1% to ₱3.9 billion and 52.6% to ₱0.2 billion,

respectively, as cash operating expenses are flattish while depreciation and amortization dropped by 0.9%.

Encouraged by the resilient IT-BPM industry, Robinsons Offices finished the year strong and contributed 18% to total RLC revenues. Stable and high occupancy across existing assets, as well as rental escalations, carried revenues to a 9.2% increase to end at ₱6.5 billion. EBITDA closed at ₱5.7 billion, while EBIT ended at ₱4.7 billion, up by 11.4% and 13.1%, respectively.

In 2021, RLC embarked on a rebranding strategy and launched “RLC Residences” – a single, integrated brand identity for its vertical projects. RLC Residences and Robinsons Homes posted combined realized revenues of ₱6.3 billion in 2021, contributing 17% to consolidated revenues. EBITDA and EBIT ended at ₱2.3 billion and ₱2.1 billion, respectively.

Chengdu Ban Bian Jie, accounted for 30% or ₱10.9 billion of RLC’s total revenues following the turnover of the residential units from Phase 1 after its successful launch in 2018. Both EBITDA and EBIT ended at ₱1.0 billion. 95% of the entire project have been sold, while construction for Phase 2 is almost complete. Furthermore, RLC has recovered 89% of its invested capital with the repatriation of US\$200 million in 2021.

With the gradual easing of travel restrictions and the re-opening of some tourist destinations, Robinsons Hotels and Resorts received demand for quarantine accommodations and long-stay bookings. Accounting for 3% of consolidated revenues, hotel revenues rose 11.0% to ₱1.2 billion versus a year ago. EBITDA accelerated 60.3% to ₱0.25 billion on the back of operational efficiencies; while depreciation from new hotels dragged EBIT to a loss of ₱0.17 billion.

Robinsons Logistics and Industrial Facilities, capitalized on the rising opportunities in the logistics sector and achieved a 49.5% surge in revenues in 2021 to ₱0.35 billion. Similarly, EBITDA and EBIT climbed 76.2% and 88.8% to ₱0.32 billion and ₱0.25 billion, respectively.

Meanwhile, RLC crystalized the value of its destination estates from the sale of prime lots to Shang Robinsons Properties, Inc. (SRPI) and RHK Land Corporation (RHK), two of the most recognized real estate names in Asia. Realized revenues registered at ₱2.97 billion in 2021 yielding an EBITDA of ₱1.55 billion and EBIT of ₱1.54 billion. SRPI and RHK acquired a total of over 2.6 hectares of land inside the 31-hectare master-planned Bridgetowne Destination Estate.

Interest income was lower at ₱0.17 billion from ₱0.24 billion last year due to lower average balance of cash and cash equivalents during the calendar year 2021.

Cost of real estate sales went up by 116.6% to ₱13.3 billion from ₱6.2 billion last year due to increase as a function of increased realized sales. Cost of amusement services declined by 98.3% to ₱0.02 billion as most of cinema operations remained suspended following IATF protocols.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of the Company’s foreign subsidiary. Gain on sale of property and equipment mainly pertains to sale of retired transportation equipment. Gain from Insurance pertains to claims collected from insurance providers during the year.

Air transportation generated revenues amounting to ₱15.7 billion for the year ended December 31, 2021, 30.4% lower than the ₱22.6 billion revenues earned in the same period last year mainly driven by the decrease in passenger revenue by ₱6.3 billion or 50.2% to ₱6.3 billion for the year ended December 31, 2021 from ₱12.6 billion generated in 2020. This was largely due to the 32.1% decline in passenger volume from 5.0 million to 3.4 million in line with lesser

number of flights by 17.6% coupled with a 15.3 ppts decrease in seat load factor from 75.9% to 60.6%. Lower average fares by 26.7% to ₱1,843 for the year ended December 31, 2021 from ₱2,513 for the same period last year also contributed to lower revenues. Cargo operations continued to supplement the business as revenues grew by ₱1.1 billion or 19.8% to ₱6.5 billion for the year ended December 31, 2021 from ₱5.4 billion for the year ended December 31, 2020 mostly due to increase in kilograms carried by about 10.4% and higher yield by 8.5%. Ancillary revenues decreased by ₱1.6 billion or 35.0% to ₱3.0 billion for the year ended December 31, 2021 from ₱4.6 billion recorded in the same period last year mainly attributable to lesser passenger volume and flight activity during the period.

CEB incurred operating expenses of ₱38.9 billion for the year ended December 31, 2021, lower by 10.3% compared to the ₱43.4 billion operating expenses incurred for year ended December 31, 2020. This was primarily brought about by the CEB's reduced operations due to the COVID-19 global pandemic since a material portion of its expenses are based on flights and flight hours. The slight strengthening of the Philippine peso against the U.S. Dollar as referenced by the appreciation of the Philippine peso to an average of ₱49.27 per U.S. Dollar for the year ended December 31, 2021 from an average of ₱49.61 per U.S. Dollar during the same period last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates also contributed to the drop in operating expenses.

As a result, CEB sustained an operating loss of ₱23.2 billion for the year ended December 31, 2021, 11.5% higher than the ₱20.8 billion operating loss incurred for the same period last year.

Interest income decreased by ₱121 million or 76.9% to ₱36 million for the year ended December 31, 2021 from ₱158 million earned in the same period last year largely due to lesser cash balance particularly in the early months of 2021 and lower average interest rates on USD short term placements.

CEB recognized market valuation losses from its embedded derivative liability arising from its issuance of the convertible bonds amounting to ₱1.3 billion as of December 31, 2021. For the year ended December 31, 2020, CEB incurred a hedging loss of ₱2.2 billion due to the discontinuation of hedge accounting application on non-effective hedges last year.

CEB had equity in net loss of joint ventures and associates of ₱174 million for the year ended December 31, 2021, ₱142 million lower than the ₱316 million equity in net loss of joint venture and associates incurred in the same period last year. A-plus and SIA Engineering (Philippines) Corporation (SIAEP) ceased to be joint ventures of the Group in November 2020, thus, reducing the Group's equity in net loss in its joint ventures.

Interest expense increased by ₱301 million or 17.5% to ₱2.0 billion for the year ended December 31, 2021 from ₱1.7 billion for the same period last year due to the accrual of interest on convertible bonds issued last May 2021 and promissory notes availed in the latter part of 2020 and early 2021. This was offset by the sale and leaseback of five (5) A320 aircraft in the latter part of 2020 and the effect of the slight appreciation of the Philippine Peso against the U.S. Dollar.

On November 3, 2020, CEB signed a Deed of Absolute Sale of its 35% shareholding in SIA Engineering (Philippines) Corporation (SIAEP) to SIAEC which resulted to a gain on disposal of ₱34.5 million. As of December 31, 2020, CEB no longer has any equity interest in SIAEP. On the same date, CEB acquired SIAEC's 51% interest in A-plus, making the latter a wholly-subsidary of CEB. The recognition of the investment in A-plus as a subsidiary resulted to a gain on remeasurement of ₱71.3 million on CEB's existing 49% shareholding.

CEB assessed that its investment in Value Alliance Travel System Pte. Ltd (VATS) was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. Its target growth turned significantly lower than actual and expectation has also been further tempered due to the impact of ongoing COVID-19 pandemic. Based on the foregoing, CEB recognized impairment loss amounting to ₱37 million.

As a result of the foregoing, net loss for the year ended December 31, 2021 amounted to ₱24.9 billion, higher than the ₱22.2 billion net loss incurred for the year ended December 31, 2020.

Petrochemicals (consist of JGSPC, JGSOC and Peak Fuel) combined gross revenues reached ₱40.3 billion in 2021, almost double of last year's ₱21.3 billion, driven by strong volumes and higher average selling prices (ASP) due to strong demand recovery from the global economic slowdown in 2020 caused by the COVID-19 pandemic, as well as the extended facility shutdown of JGSOC until 1Q 2020 for turnaround maintenance and project tie-ins. 2021 revenues also include the fresh contributions from its LPG trading business and the newly commissioned Aromatics Extraction Unit. EBITDA expanded 463% to ₱3.1 billion on the back of strong volumes, which offset higher naphtha prices. Moreover, utilization rates improved considering the planned shutdowns in 1Q20. Full year cracker and polymer rates were at 91% and 83%, up from 70% and 69%, respectively.

Interest expense increased from ₱369 million in 2020 to ₱805 million in 2021 due higher level of trust receipts and short-term notes payable which were obtained to finance its working capital requirements and expansion projects. A net foreign exchange loss of ₱404 million was also recognized in 2021 from last year's net foreign exchange gain of ₱396 million. All these factors contributed to the net loss of ₱2.1 billion in 2021 from last year's ₱2.0 billion

Banking services generated banking revenue of ₱9.3 billion in 2021 which remained stable from last year's ₱9.2 billion. This was driven by higher loans, which grew 14% YoY versus the industry's 5%, and higher commission income, offset by lower trading gains. This loan expansion, coupled with stable net interest margins and a better cost-to-income ratio led to strong profit growth at 33% YoY, bringing net income to ₱1.2 billion. Despite faster loan expansion, RBank's NPL ratio of 3.3% as of end-2021 remained lower than the industry average of 4.0%.

Equity in net earnings of associated companies and joint ventures amounted to ₱9.7 billion for the year ended December 31, 2021, a 27.7% increase from last year's ₱7.6 billion driven primarily by higher equity in net earnings of Meralco from ₱4.6 billion in 2020 to ₱6.7 billion in 2021 given the growth in energy consumption across Residential, Commercial, and Industrial segments. The absence of last year's impairment charge on its Pacific Light Power investment also boosted income.

For Singapore Land Group, equity in net earnings increased to ₱2.7 billion, from ₱2.5 billion last year. The recognition of income from its residential joint venture tempered the negative impact of the pandemic on its property trading & technology operations segments.

Meanwhile, the dividends we received from our investment in PLDT, Inc. rose by 6% to ₱2.0 billion from ₱1.9 billion last year. PLDT raised its annual dividends to ₱82 per share vs ₱77 per share last year as hybrid work, home studying, and e-commerce, among others, led to improved earnings momentum

2020 vs. 2019

I. Consolidated Operations

JG Summit's portfolio diversity cushions COVID's impact on FY20 core net income

JG Summit Holdings, Inc., one of the largest and highly-diversified conglomerates in the Philippines, ended 2020 with core net income after taxes of ₱450 million given the resiliency of its portfolio and the group's agile response to the disruption caused by the COVID-19 pandemic.

The double-digit revenue growth in its banking and office segments, robust sales in food, and higher dividends from its telecommunications investment, tempered the negative impact of the pandemic to the Group's overall operating results. Its petrochemical unit saw lower sales volumes and selling prices on the back of weaker global industrial demand while its air transport business was severely impacted by flight restrictions particularly in the onset of the enhanced community quarantine (ECQ). Equity earnings from its core investments in Meralco (MER), Global Business Power Corporation (GBPC) and United Industrial Corporation (UIC) also declined year-on-year (YoY). Thus, JG Summit's consolidated revenues for the full year ending December 31, 2020 (FY20) amounted to ₱204.3 billion, 28% lower vs the same period last year (SPLY).

The strong margin expansion in its food and banking units also provided some buffer to offset profit declines in other businesses. Incorporating nonrecurring fuel hedging losses and a one-off impairment charge from MER led JG Summit to report a consolidated net loss of ₱468 million. *(Excluding Cebu Air, Inc., which operates in one the most affected industries globally, JG Summit's revenues, core net income after tax and net income would have only declined 10%, 21%, and 42%, to ₱181.6 billion, ₱15.3 billion and ₱14.6 billion, respectively in FY20.)*

Consolidated cost of sales and services in 2020 decreased by 22.2% from ₱179.8 billion last year to ₱140.0 billion this year consistent with the decline in revenue of core businesses. The Group's operating expenses increased by 5.5% resulting to a consolidated Operating Income or EBIT amounting to ₱9.9 billion in 2020 from ₱53.9 billion in 2019. EBITDA amounted to ₱40.3 billion versus ₱80.5 billion SPLY.

The Group's financing costs and other charges, net of interest income, decreased by 2.4% to ₱7.7 billion this year from last year's ₱7.9 billion primarily due to increase in capitalized borrowing costs of Petrochem, and to lower interest rates and level of the Group's short-term debts.

Market valuation losses on financial assets and derivative instruments amounted to ₱2.3 billion in 2020 from a market valuation gain of ₱640 million in 2019 attributable to the decline in market values of the Group's financial assets at FVTPL resulting from the impact of COVID-19 on capital markets, and the hedging loss incurred by Cebu Pacific due to the discontinuation of hedge accounting application on non-effective hedges in 2020.

The Group recognized a net foreign exchange gain of ₱2.6 billion in 2020 from ₱899 million in 2019 driven by the appreciation of Philippine peso vs U.S. dollar in respect to our dollar-denominated long-term debt.

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱470 million in 2020 mainly due to CEB's loss on sale of aircraft and Robinsons Bank's loan modification losses this year.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱113.2 billion for the year ended December 31, 2020, a slight decline of 1.1% sales reduction over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods segment (BCFG), excluding packaging division, decreased by ₱2.8 billion or 3.3% to ₱82.5 billion in 2020 from ₱85.3 billion registered in 2019. BCFG domestic operations posted a slight decrease in net sales from ₱61.5 billion in 2019 to ₱61.2 billion in 2020 due to decline of dependent out-of-home consumption categories such as RTD beverages and candies, partially offset by growth in snacks, noodles and other filler type categories.

BCF international operations reported a 10.7% decrease in net sales from ₱23.8 billion in 2019 to ₱21.2 billion in 2020. In constant US dollar (US\$) terms, sales decreased by 6.3% mainly driven by challenged sales of Vietnam and Thailand. Vietnam sales declined by 13.4% mainly driven by slowdown in beverages as C2 sales was unable to fully pull through despite recovery in the 2nd half of the year and Rong Do remained challenged due to school closures. Thailand sales decreased by 3.2% due to soft domestic consumption.

Sale of goods and services of BCFG, excluding packaging division, accounted for 70.5% of total URC consolidated sale of goods and services for 2020.

Sale of goods and services in URC's packaging division decreased by 15.5% to ₱1.1 billion in 2020 from ₱1.3 billion recorded in 2019 due to lower selling price and volume

- Sale of goods and services in URC's agro-industrial group (AIG) amounted to ₱11.9 billion in 2020, a decline of 9.7% from ₱13.1 billion recorded in 2019. Feeds business decreased by 3.5% due to lower volumes while Farms business decreased by 24.2% due to lower volumes as a result of downsized operations.
- Sale of goods and services in URC's commodity foods group (CFG) amounted to ₱17.7 billion in 2020, a 21.1% increase from ₱14.6 billion reported in 2019. Sugar business grew by 33.5% due to higher volumes and renewables business grew by 29.8% driven by higher average selling price. The acquisition of Central Azucarera de La Carlota and Roxol Bioenergy Corporation contributed to the growth of Sugar and Renewables businesses. Flour business posted a 1.8% decrease due to lower volumes, partially offset by better average selling price.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales decreased by ₱2.1 billion or 2.6% to ₱78.6 billion in 2020 from ₱80.6 billion recorded in 2019 due to lower input costs and packaging materials, and forex impact.

URC's gross profit for 2020 amounted to ₱34.6 billion, higher by ₱824 million or 2.4% from ₱33.8 billion reported in 2019. Gross profit margin increased by 105 basis points from 29.51% in 2019 to 30.57% in 2020.

URC's selling and distribution costs and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses decreased by ₱329 million or 1.6% to ₱20.7 billion in 2020 from ₱21.0 billion registered in 2019. This decline resulted primarily from

decreases in advertising and promotion costs, freight and other selling and travel and transportation, partially offset by increase in repairs and maintenance.

As a result of the above factors, operating income increased by ₱1.2 billion or 9.1% to ₱13.9 billion in 2020 from ₱12.7 billion reported in 2019.

URC's finance costs consist mainly of interest expense, which increased by ₱15 million to ₱662 million in 2020 from ₱647 million recorded in 2019 due to increase in interest expense related to additional lease contracts qualifying under PFRS 16 in 2020.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by ₱38 million to ₱324 million in 2020 from ₱286 million in 2019 due to higher dividend income.

Equity in net losses of joint ventures decreased to ₱62 million in 2020 from ₱178 million in 2019 due to lower share in net losses from VURCI and DURBI.

Net foreign exchange loss increased to ₱504 million in 2020 from the ₱487 million reported in 2019 due to appreciation of Philippine peso against US dollar.

Market valuation gain (loss) on financial instruments at fair value through profit or loss increased to ₱136 million gain in 2020 from ₱5 million loss in 2019 due to increase in market values of equity investments and decrease in fair value of derivative liability.

Impairment losses increased to ₱33 million in 2020 from ₱2 million in 2019 due to higher provision for impairment of receivables.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱619 million in 2020, higher than the ₱339 million reported in 2019 mainly due to higher restructuring costs recognized in 2020.

URC recognized provision for income tax of ₱2.0 billion in 2020, a 21.8% increase from ₱1.6 billion in 2019 due to reversal of deferred tax assets on realized foreign exchange losses and realized restructuring costs.

URC's net income from continuing operations amounted to ₱10.5 billion in 2020, higher by ₱754 million or 7.7%, from ₱9.78 billion in 2019 mainly driven by higher operating income and lower net finance costs.

URC's net income from discontinued operations amounted to ₱1.1 billion in 2020, an increase of 207.4% from ₱365 million recorded in 2019 due to strong performance of Oceania business.

URC's consolidated net income for 2020 amounted to ₱11.6 billion, higher by ₱1.5 billion or 14.9% from ₱10.1 billion in 2019 due to higher operating income, lower finance costs and lower net foreign exchange losses.

Net income attributable to equity holders of the parent increased by ₱975.0 million or 10.0% to ₱10.7 billion in 2020 from ₱9.8 billion in 2019 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱20.1 billion in 2020, 6.4% higher than ₱18.9 billion posted in 2019.

Real estate and hotels generated total gross revenues of ₱27.5 billion for calendar year 2020, a decrease of 17.8% from ₱33.5 billion total gross revenues for calendar year 2019. EBIT declined by 30.8% to ₱8.49 billion while EBITDA posted a decline of 20.7% to ₱13.68 billion. Net income stood at ₱5.26 billion, down by 39.5% compared to last year.

The Commercial Centers Division accounted for 30% of total company revenues to close at ₱8.49 billion in 2020, 48.1% lower versus previous year. Rental concessions were provided to support the recovery of partner tenants affected by temporary mall closures and quarantine restrictions. To compensate, immediate actions were taken to rationalize operating expenses which helped EBITDA to decline at a slower pace than revenues by 53.4% to ₱4.11 billion. Meanwhile, additional depreciation from new malls that opened in 2019 dragged EBIT by 92.2% to ₱0.40 billion.

Office Buildings Division finished the year strong and contributed 21% to total company revenues. The success of leasing activities for new developments and rental escalations in existing office buildings grew revenues by 8.1% to ₱5.94 billion versus the same period last year. EBITDA accelerated 11.5% to ₱5.08 billion, while EBIT surged 12.2% to ₱4.18 billion.

In 2020, RLC adopted a new accounting treatment on revenue recognition for its Residential Division. Realized revenues were booked at 10% equity versus the previous threshold of 15% equity to be consistent with the practice of most property companies in the Philippines. As a result, realized revenues rose 32.8% to ₱12.13 billion, while EBITDA and EBIT surged 40.1% and 41.3% to ₱4.16 billion and ₱4.07 billion, respectively.

The Hotels and Resorts Division managed to post revenues of ₱1.08 billion or 4% of total RLC revenues as against last year's ₱2.43 billion. The 55.5% decrease in hotel revenues was due to the massive contraction in demand and limited operations as a result of the COVID-19 pandemic. EBITDA fell 78.2% to ₱0.15 billion on the back of fixed overhead cost; while additional depreciation from hotels opened in calendar year 2019 resulted to a negative EBIT of ₱0.26 billion.

The IID Division posted ₱0.39 billion of revenues, down by 14.0% from last year's ₱0.46 billion. Its industrial leasing business generated ₱0.26 billion revenues, up by 89.9% mainly from the additional revenues from its first Calamba warehouse. Meanwhile, developmental revenues dropped 58.7% drop to ₱0.13 billion in 2020 from ₱0.32 billion last year due to the high-base effect of the partial recognition in 2019 of the gain on sale of land to JV Company that was formed with DMCI. EBITDA and EBIT for calendar year 2020 ended at ₱0.24 billion and ₱0.19 billion, respectively.

Interest income was lower at ₱0.24 billion from ₱0.29 billion last year due to lower average balance of cash and cash equivalents during the calendar year 2020.

Cost of rental services was flat at ₱5.34 billion in calendar year 2020. On the other hand, cost of real estate sales went up by 45.5% to ₱6.16 billion from ₱4.24 billion last year due to increase in realized sales brought about by the change in full equity threshold from 15% to 10%. Cost of amusement services declined by 90.3% to ₱0.9 billion following the temporary suspension of cinema operations as a result of lockdown measures implemented starting March 2020 due to COVID-19 pandemic. Other expenses under Real Estate Operations decreased by 75.6% due to lower level of activities in 2020 as a result of the implementation of community quarantine.

Hotel expenses dropped 35.5% to ₱1.35 billion attributable to limited operations as a result of the movement and travel restrictions implemented.

General and administrative expenses declined by 12.4% to ₱3.59 billion owing to RLC's cost rationalization initiatives to temper the impact on RLC's bottom line of the significant drop in revenues.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of RLC's foreign subsidiary. Gain on sale of property and equipment mainly pertains to sale of retired transportation equipment.

Air transportation generated gross revenues of ₱22.6 billion for the year ended December 31, 2020, 73.3% lower than the ₱84.8 billion revenues earned last year mainly attributed to the decrease in passenger revenues by ₱49.1 billion or 79.5% to ₱12.6 billion for the year ended December 31, 2020 from ₱61.7 billion posted in 2019. This was mainly attributable to the 77.6% decline in passenger volume from 22.5 million to 5.0 million driven by lesser number of flights by 70.9% coupled with a 10.5 ppts decrease in seat load factor from 86.4% to 75.9%. Lower average fares by 8.5% to ₱2,513 for the 12 months ended December 31, 2020 from ₱2,745 for the same period last year also contributed to the reduction of revenues. Cargo revenues also declined by ₱343.2 million or 6.0% to ₱5.402 billion for the year ended December 31, 2020 from ₱5.5 billion for the year ended December 31, 2019 mainly attributable to the decrease in volume transported in 2020 by 48.0% offset by a higher yield primarily from chartered cargo services. Ancillary revenues went down by ₱12.8 billion or 73.6% to ₱4.6 billion for the year ended December 31, 2020 from ₱17.4 billion reported in the same period last year primarily due to lesser passenger volume and flight activity during the period.

CEB incurred operating expenses of ₱43.4 billion for the year ended December 31, 2020, lower by 39.9% than the ₱72.2 billion operating expenses recorded for the year ended December 31, 2019. This was mostly driven by the suspension of the CEB's operations due to the COVID19 global pandemic since a material portion of its expenses are based on flights and flight hours. The strengthening of the Philippine peso against the U.S. dollar as referenced by the appreciation of the Philippine peso to an average of ₱49.61 per U.S. dollar for the year ended December 31, 2020 from an average of ₱51.79 per U.S. Dollar last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates as well as lower fuel prices also contributed to the decrease in operating expenses.

As a result, CEB finished with an operating loss of ₱20.8 billion for the year ended December 31, 2020, 264.6% lower than the ₱12.6 billion operating income earned last year.

Interest income decreased by ₱512.7 million or 76.5% to ₱157.9 million for the year ended December 31, 2020 from ₱670.6 million earned in the same period last year due to the lesser cash in bank and short term placements balance and lower interest rates year on year.

CEB incurred a hedging loss of ₱2.2 billion for the year ended December 31, 2020, a ₱2.1 billion drop from a hedging loss of ₱63.4 million for the same period last year mainly due to the discontinuation of hedge accounting application on non-effective hedges in 2020.

CEB had equity in net loss of joint venture of ₱316.1 million for the year ended December 31, 2020, ₱383.1 million lower than the ₱67.0 million equity in net income of joint venture earned in the same period last year. The decrease was caused by the net losses incurred by its joint ventures and associates in 2020.

Interest expense decreased by ₱856.4 million or 28.0% to ₱2.2 billion for the year ended December 31, 2020 from ₱3.1 billion registered in 2019 due to the return of four (4) Airbus A320 aircraft to its lessors during the year and the effect of appreciation of the Philippine Peso against the U.S. Dollar.

On November 3, 2020, CEB signed a Deed of Absolute Sale of its 35% shareholding in SIA Engineering (Philippines) Corporation (SIAEP) to SIAEC which resulted to a gain on disposal of ₱34.5 million. As of December 31, 2020, CEB no longer has any equity interest in SIAEP. On the same date, CEB acquired SIAEC's 51% interest in A-plus, making the latter a wholly-subsidary of CEB. The recognition of the investment in A-plus as a subsidiary resulted to a gain on remeasurement of ₱71.3 million on CEB's existing 49% shareholding.

As a result of the foregoing, net loss for the year ended December 31, 2020 amounted to ₱22.2 billion, a decrease of 343.8% from the ₱9.12 billion net income earned in 2019.

Petrochemicals (JGSPG - consist of JGSPC and JGSOC) ended 2020 with full year revenues of ₱21.3 billion, 27% lower vs SPLY. The global implementation of strict quarantines negatively affected both local demand and exports, which in turn led to lower petrochemical prices YoY. Nonetheless, demand started to recover in the second half of the year as domestic customers cautiously restarted operations and as more countries reopened from lockdowns. Despite local market contraction in 2020, JGSPG managed to increase its polymer volume sales by 14% YoY and gained market share as JGSPG capitalized on resilient demand for flexible, basic film and agricultural packaging requirements. Meanwhile, lower naphtha prices lifted margins and led JGSPG to report an EBITDA of ₱451 million in 2020. But higher depreciation resulted in a net loss of ₱2.0 billion.

JGSPG is nearing the final stages of its US\$1.1 billion expansion project with some of its key components coming online in the second quarter of 2021. This would improve overall profitability as the company captures more margins downstream.

Banking services generated banking revenue of ₱9.2 billion in 2020, a 13% increase from last year's ₱8.1 billion mainly driven by an 8% increase in loans, as well as the ₱939.0 million gain from trading activities. Despite booking ₱1.1 billion in provisions for bad loans, the strong topline growth and the 76-basis point net interest margin improvement led to a net income of ₱935.0 million, a 30% growth. The bank's non-performing loan ratio of 2.98% as of end-2020 remained lower than industry average amidst the risks posed by the pandemic. RBank also accelerated its digitalization and customer-centric initiatives including RBank Digital (RDX), the Bank's mobile app, QuickR, a cashless payment solution using a QR code, and RBankMo, banking agents that will provide basic financial services among others. Moreover, there has been exponential growth in its electronic funds' transfers via InstaPay and PESONet, in line with the increased adoption of e-payments and shift towards digital commerce caused by the pandemic.

Equity in net earnings of associated companies and joint ventures amounted to ₱7.6 billion for the year ended December 31, 2020, a 43% decrease from last year's ₱13.4 billion. The decline was mainly driven by the absence of the ₱3.0 billion gain from UIC's Marina Mandarin transaction in 2019 and JG Summit's ₱1.3 billion share in MER's impairment loss on its Pacific Light Power investment in 2020. MER and GBPC also reported lower electricity revenues. Meanwhile, the dividends we received from our investment in PLDT, Inc. rose by 51%.

2019 vs. 2018

I. Consolidated Operations

JG Summit Holdings, Inc. posted a consolidated net income from equity holders of the parent of ₱31.3 billion in 2019, a 63.1% increase from ₱19.19 billion in 2018. The increase is mainly driven by the income growth in the airline business coupled by the foreign exchange translation and market valuation gains and increase in equity in net earnings of associates particularly from Singapore Land Group Limited (SLG/UIC). Consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱25.3 billion in 2019, a 12.9% increase from ₱22.4 billion in 2018. Consolidated EBITDA reached ₱80.5 billion, a 27.3% increase from last year's ₱63.2 billion, due to the impact of PFRS 16 on depreciation expense. Excluding PFRS 16 adjustments, EBITDA would have only increased by 16.2%.

Consolidated revenues grew 4.1% from ₱274.2 billion in 2018 to ₱285.3 billion in 2019 due to the performance of the following core subsidiaries:

- URC's total revenues increased by 7% from ₱106.9 billion in 2018 to ₱114.4 billion in 2019 driven by the 7.9% growth in branded consumer foods (BCF) domestic sales, 34.6% increase in feeds business, and 25.5% increase in flour sales.
- CEB's total revenues went up by 14.4% from ₱74.1 billion in 2018 to ₱84.8 billion in 2019 mainly due to the 10.8% growth in passenger volume and 2.6% increase in average fares. The 21.0% increase in ancillary revenues also contributed to the increase.
- RLC's total revenues increased by 2.9% from ₱32.6 billion in 2018 to ₱33.5 billion in 2019 due to growth in rental income and increase in hotel revenues.
- JG Petrochemicals Group revenues declined by 31.4% from ₱42.4 billion in 2018 to ₱29.1 billion in 2019 as a result of lower average selling prices and volumes.
- The banking revenue increased 32.4% from ₱6.1 billion in 2018 to ₱8.1 billion this year mainly due to higher interest income from finance receivables, commission income and trading gains for the year.

Revenues from our core investments increased by 28.9% from ₱11.4 billion in 2018 to ₱14.7 billion in 2019. Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land, Meralco and GBPC, increased by 31.2% from ₱10.2 billion in 2018 to ₱13.4 billion in 2019. The significant increase came from the SG\$210.3 million one-off gain recognized by UIC on its acquisition of Marina Mandarin in the second quarter of 2019 which resulted to an additional ₱3.0 billion equity income take-up by the Group in UIC. Dividend income for the year also increased by 9.9% as the dividends received by the Group from PLDT increased 12.5% (₱64 per share in 2018 to ₱72 per share in 2019).

The Group's operating expenses increased by 6.8% from ₱48.3 billion last year to ₱51.6 billion this year. As a result, Consolidated Operating Income or EBIT amounted to ₱53.9 billion in 2019 from ₱42.7 billion in 2018.

The Group's financing costs and other charges, net of interest income, increased by 19.2% to ₱7.9 billion this year from last year's ₱6.6 billion due to higher level of financial debt of the Parent Company, airline, petrochemicals and real estate businesses, as well as the impact of PFRS 16 on interest expense. Excluding the PFRS 16 impact, financing costs and other charges, net of interest income, would have only increased by 8.4%.

Market valuation gains on financial assets amounted to ₱641 million in 2019 from a ₱1.0 billion market valuation losses in 2018 attributable to the increase in fair values and realized gains on investment securities as well as the lower mark-to-market valuation losses on fuel hedging transactions of the airline business.

The Group recognized a net foreign exchange gain of ₱899 million in 2019 from a net foreign exchange loss of ₱2.9 billion in 2018 due to appreciation of Philippine Peso against US Dollar in 2019 (₱52.6 as of December 31, 2018 to ₱50.6 as of December 31, 2019) as compared to the Philippine Peso depreciation in 2018 (₱49.9 as of December 31, 2017 to ₱52.6 as of December 31, 2018).

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱54 million in 2019 mainly due to CEB's loss on sale of aircraft and URC's restructuring provisions this year.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱114.4 billion for the year ended December 31, 2019, a 7.0% sales growth over last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's branded consumer foods group (BCFG), excluding packaging division, increased by ₱4.6 billion or 5.7% to ₱84.8 billion in 2019 from ₱80.2 billion registered in 2018. BCFG domestic operations posted a 7.9% increase in net sales from ₱57.8 billion in 2018 to ₱62.4 billion in 2019 due to growth across different key categories supported by strong consumer demand and sales and distribution transformation, which brought a successful coffee turn-around, sustained growth performance in snacks and noodles, and recovery of RTD beverages.

BCF international operations net sales is flat from ₱22.38 billion in 2018 to ₱22.39 billion in 2019. In constant US dollar (US\$) terms, sales grew by 1.0% driven by strong performance in Vietnam, partially offset by challenged sales in Thailand. Vietnam recovered with stronger growth of 8.9% driven by C2 with significant contributions from new product launches, partly offset by decline in Rong Do. Thailand sales decreased by 5.6% driven by decline in biscuits and wafers while exports grew due to strong sales to Cambodia. Thailand's performance remains challenged as the economy continues to affect consumer sentiment.

Sale of goods and services in URC's packaging division decreased by 13.1% to ₱1.3 billion in 2019 from ₱1.5 billion recorded in 2018 due to lower selling price and volume.

- Sale of goods and services in URC's agro-industrial segment (AIG) amounted to ₱13.1 billion in 2019, a 12.4% increase from ₱11.7 billion recorded in 2018. Feeds business grew by 34.6% due to higher sales volume and improved selling prices across all feed categories while Farms business weakened by 18.8% due to lower volume in hogs despite increase in sales volume of poultry.
- Sale of goods and services in URC's commodity foods segment (CFG) amounted to ₱15.2 billion in 2019 or up by 11.9% from ₱13.5 billion reported in 2018. Sugar business grew by 8.0% brought by higher volumes in raw sugar despite lower volume in refined sugar and lower prices for both raw and refined sugar. Renewables slightly declined by 1.5% due to lower volume of molasses. Flour business also posted higher sales by 25.5% driven by higher volume.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱3.7 billion, or 4.9%, to ₱80.6 billion in 2019 from ₱76.9 billion recorded in 2018 due to higher sales, partially offset by lower costs of commodities and other raw and packaging materials.

URC's gross profit for 2019 amounted to ₱33.8 billion, higher by ₱3.7 billion or 12.4% from ₱30.0 billion reported in 2018. Gross profit margin increased by 142 basis points from 28.09% in 2018 to 29.51% in 2019.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses increased by ₱1.8 billion or 9.1% to ₱21.0 billion in 2019 from ₱19.3 billion registered in 2018 primarily due from increases in advertising and promotions, depreciation and amortization expense, freight and other selling expenses, personnel expenses and contracted services.

As a result of the above factors, operating income increased by ₱2.0 billion, or 18.2% to ₱12.7 billion in 2019 from ₱10.8 billion reported in 2018.

URC's finance costs consist mainly of interest expense which increased by ₱340 million or 110.8% to ₱647 million in 2019 from ₱307 million recorded in 2018 due to higher level of trust receipts payable and recognition of interest expense related to PFRS 16 in 2019.

URC's finance revenue consists of interest income from investments in financial instruments, money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased to ₱286 million in 2019 from ₱279 million in 2018 due to higher level of financial assets during the year.

Equity in net losses of joint ventures increased to ₱178 million in 2019 from ₱147 million in 2018 due to recognition of net losses of DURBI in 2019.

Net foreign exchange loss amounted to ₱487 million in 2019 from ₱196 million reported in 2018 due to the combined effects of appreciation of international subsidiaries' local currencies against US dollar, particularly Indonesian Rupiah, and appreciation of Philippine peso against US dollar.

Market valuation loss on financial instruments at fair value through profit or loss decreased to ₱5 million in 2019 from ₱35 million in 2018 due to lower decrease in market values of equity investments.

Impairment losses decreased to ₱2 million in 2019 from ₱45 million in 2018 due to lower impairment in receivables and last year's impairment of goodwill of Advanson.

Other income (expenses) - net consists of gain (loss) on sale of fixed assets, amortization of bond issue costs, rental income, and miscellaneous income and expenses. Other expense - net amounted to ₱339 million in 2019 from ₱80 million other income - net reported in 2018 mainly due to restructuring provisions in 2019.

URC recognized provision for income tax of ₱1.6 billion in 2019, a 4.5% decrease from ₱1.7 billion in 2018 due to recognition of deferred tax asset on unrealized forex loss and restructuring provisions.

URC's net income from continuing operations amounted to ₱9.8 billion, higher by ₱1.0 billion or 11.9%, from ₱8.7 billion for 2018 mainly driven by higher operating income, reduced by higher net foreign exchange losses and recognition of restructuring provisions.

URC's net income from discontinued operations for 2019 amounted to ₱364 million, a decrease of 51.2% from ₱747 million recorded in 2018.

URC's consolidated net income for 2019 amounted to ₱10.1 billion, higher by ₱652 million or 6.9% from ₱9.5 billion in 2018 due to higher operating income, reduced by higher net foreign exchange losses and recognition of restructuring provisions.

Net income attributable to equity holders of the parent increased by ₱568 million or 6.2% to ₱9.8 billion in 2019 from ₱9.2 billion in 2018 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱18.9 billion in 2019, 16.7% higher than ₱16.2 billion posted in 2018.

Real estate and hotels generated total gross revenues of ₱33.5 billion in 2019, an increase of 2.9% from ₱32.6 billion in 2018. EBIT grew 3.4% to ₱12.3 billion while EBITDA posted a 5.6% growth to ₱17.2 billion. Net income attributable to equity holders of the parent stood at ₱8.7 billion, up by 5.7% compared to last year.

The Commercial Centers Division accounted for ₱16.4 billion of the real estate revenues for the year versus ₱14.8 billion last year or a 10.3% increase. The increase in revenues was brought about by stable same mall rental revenue growth of existing malls, the full-year impact of new malls that opened in 2018, namely Robinsons Place Ormoc, Robinsons Place Pavia, Robinsons Place Tuguegarao and Robinsons Place Valencia, as well as the opening of Robinsons Galleria South and the expansion of Robinsons Magnolia in 2019. Cinema revenues also improved with the opening of new branches. The Division's EBIT and EBITDA grew by 21.8% and 15.1%, respectively.

Revenues of Office Buildings Division grew by 22.0% to ₱5.5 billion from ₱4.5 billion over the same period last year. Revenue growth was mainly attributable from a combination of rental escalation and higher renewal rates in existing offices, as well as contribution from the newly completed offices, namely Robinsons Cybergate Magnolia, Luisita 2, and Giga Tower in 2019. The Division's EBIT and EBITDA showed positive variances of 21.5% and 21.2%, respectively.

The Residential Division's realized revenues is at ₱9.1 billion this year versus ₱8.7 billion last year, an increase of 5.4%, due to higher level of buyers meeting the equity requirement in recognizing sales based on percentage of construction completion. EBIT and EBITDA increased by 32.8% and 32.3%, respectively.

The Hotels and Resorts Division registered gross revenues of ₱2.4 billion as against last year's ₱2.0 billion. The 22.7% increase in hotel revenues was due to higher occupancy rates of company-owned brands - Go Hotels and Summit Hotels, and increased system-wide average room rate. Hotels and Resorts Division's EBIT declined by 19.3% due to additional depreciation from the new hotels that were opened in 2019 namely Dusit Thani Mactan Cebu Resort and Summit Greenhills; while the decline in last year's EBITDA recovered with a 4.3% increase this year at ₱0.7 billion.

The IID Division accounted for ₱0.5 billion revenues, generated from lease of warehouse facilities and sale of commercial lots. Developmental revenues of IID registered an 87.4% drop to ₱0.3 billion in 2019 from ₱2.6 billion in 2018 following the partial recognition last year of the

gain on sale of land to Shang Robinsons Properties, Inc. Revenues in 2019 mainly came from the gain on sale of land located in Las Pinas to Robinsons DMCI Properties Ventures, Inc., which yielded additional EBIT and EBITDA of ₱0.20 billion. Further gains will be realized from the selling of lots with joint ventures. EBIT and EBITDA for calendar year 2019 stood at ₱0.21 billion and ₱0.24 billion, respectively.

Interest income increased to ₱287.4 million from ₱157.0 million last year due to higher average balance of cash and cash equivalents during the calendar year 2019.

Cost of real estate sales went down by 14.1% to ₱4.2 billion from ₱4.9 billion last year due to recognition of sales from high-margin projects. Cost of rental services increased by 5.7% to ₱5.4 billion from ₱5.1 billion last year. The opening of new malls raised the level of depreciation expense of Commercial Centers Division by ₱196.6 million or 5.7%; while completion of new office buildings increased depreciation expense of the Office Buildings Division by ₱118.9 million or 17.1%. Furthermore, cinema expense rose by 5.6% or ₱50.5 million in line with the increase in cinema revenues.

Hotel expenses rose by 34.2% to ₱2.1 billion attributable to the increase in depreciation, salaries and wages, and contracted services, that were incurred prior the start of commercial operations of new and upcoming hotels.

Gain or loss from foreign exchange mainly pertains to foreign currency denominated transactions of RLC's foreign subsidiary. Gain on sale of property and equipment mainly pertains to sale of retired transportation equipment.

As a result of property dividend distribution, RLC lost control over Altus Property Ventures, Inc. (APVI). Loss on deconsolidation amounting to ₱12.3 million resulted from the derecognition of related assets and liabilities of APVI.

Interest expense increased by 25.9% to ₱1.1 billion from ₱0.8 billion last year due to the availment of additional short-term loans and recognition of interest on lease liabilities as a result of the Group's adoption of PFRS 16 in 2019.

Air transportation generated gross revenues of ₱84.8 billion for the year ended December 31, 2019, 14.4% higher than the ₱74.1 billion revenues earned last year mainly attributed to the increase in passenger revenues by ₱7.4 billion or 13.7% to ₱61.7 billion for the year ended December 31, 2019 from ₱54.3 billion posted in 2018. This was mainly attributable to the 10.8% growth in passenger volume to 22.5 million from 20.3 million last year as the Group increased capacity. The increase in average fares by 2.6% to ₱2,745 from ₱2,675 last year also contributed to the increase in revenues. Cargo revenues grew by ₱253.8 million or 4.6% to ₱5.7 billion for the year ended December 31, 2019 from ₱5.5 billion for the year ended December 31, 2018 following the increase in both yield and volume of cargo transported in 2019. Ancillary revenues went up by ₱3.0 billion or 21.0% to ₱17.4 billion for the year ended December 31, 2019 from ₱14.4 billion posted last year consequent to the 10.8% increase in passenger traffic and 9.2% increase in average ancillary revenue per passenger due to pricing adjustments and increased volume of certain ancillary products and services.

CEB incurred operating expenses of ₱72.2 billion for the year ended December 31, 2019 higher by 7.6% than the ₱67.1 billion operating expenses recorded for the year ended December 31, 2018. The increase was driven by its expanded operations, growth in seat capacity from the acquisition of new aircraft partially offset by the strengthening of the Philippine peso against the U.S. dollar as referenced by the appreciation of the Philippine peso to an average of ₱51.79 per

U.S. dollar for the year ended December 31, 2019 from an average of ₱52.67 per U.S. Dollar last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates.

As a result, CEB finished with an operating income (EBIT) of ₱12.6 billion for the year ended December 31, 2019, 79.0% higher than the ₱7.0 billion operating income earned last year. EBITDAR amounted to ₱30.3 billion from ₱22.3 billion last year.

Interest income increased by ₱269.0 million or 67.0% to ₱670.6 million for the year ended December 31, 2019 from ₱401.6 million earned in the same period last year due to the increase in the balance of cash in bank and short-term placements year on year.

CEB incurred a hedging loss of ₱63.4 million for the year ended December 31, 2019, an improvement by ₱259.2 million from a hedging loss of ₱322.6 million in the same period last year as a result of higher mark-to-market valuation on fuel hedging positions in 2019. Net foreign exchange gains of ₱274.6 million for the year ended December 31, 2019 resulted from the strengthening of the Philippine Peso against the U.S. dollar.

Equity in net income of joint venture amounted to ₱67.0 million in 2019, ₱69.3 million lower than the ₱136.3 million in 2018. The decrease was attributable to lower net income of Aviation Partnership (Philippines) Corporation (A-plus) and SIA Engineering (Philippines) Corporation (SIAEP) in 2019 plus the net loss incurred by the Group's new venture, Digital Analytics Ventures, Inc. (DAVI).

Interest expense increased by ₱957.1 million or 45.5% to ₱3.1 billion for the year ended December 31, 2019 from ₱2.1 billion registered in 2018 brought about by the adoption of PFRS 16 and also due to the additional loans availed to finance the acquisition of the additional aircraft delivered in 2019.

In 2019, CEB sold and delivered three (3) Airbus A320 aircraft to a subsidiary of Allegiant Travel Company (Allegiant) which resulted to a loss of ₱352.1 million. CEB also sold and delivered two (2) Rolls - Royce Trent 772B engines to RRPF Engine Leasing Limited which resulted to a gain of ₱126.4 million. In 2018, CEB entered into a Lease Amendment Agreement with JPA No. 117/118/119 Co., Ltd., which transferred economic ownership of three Airbus A320 aircraft to the counterparty and resulted in a gain of ₱110.2 million. CEB also sold and delivered one Airbus A319 aircraft to a subsidiary of Allegiant which resulted to a loss of ₱156.7 million.

As a result of the foregoing, net income for the year ended December 31, 2019 amounted to ₱9.1 billion, an increase of 132.6% from the ₱3.9 billion net income earned in 2018.

Petrochemicals (consist of JGSPC and JGSOC) combined gross revenues amounted to ₱29.1 billion in 2019, a decrease of 31.4% from last year's ₱42.4 billion, as a result of lower average selling prices and volumes, brought about by the global economic slowdown, as well as the planned facility shutdown in 4th quarter of 2019 for turnaround maintenance and project tie-ins. Costs and expenses also decreased by 25.5% from ₱42.2 billion in 2018 to ₱31.5 billion in 2019 due to lower naphtha cost. Petrochem recognized a reversal of impairment loss on its property and equipment this year amounting to ₱2.3 billion, which resulted to an EBIT of ₱859.0 million for the year ended December 31, 2019. Interest expense increased by 139.2% to ₱745.2 million in 2019 from ₱311.6 million in 2018 due to the ₱2.6 billion net increase in trust receipts and ₱3.1 billion availment of short-term loans. A net foreign exchange gain of ₱168.5 million was also recognized in 2019 from last year's gain of ₱16.9 million. All these factors contributed to the net income of ₱970.6 million in 2019 from ₱1.05 billion in 2018.

Banking services generated banking revenue of ₱8.1 billion in 2019, a 32.4% increase from last year's ₱6.1 billion mainly driven by higher interest income from finance receivables resulted from growth in loans portfolio. Higher commission income and trading gains for the year also contributed to the increase in revenues. Cost and expenses, including interest expense on deposits and bills payable, increased by 39.5% from ₱2.3 billion in 2019 to ₱3.2 billion in 2019 as the bank continued its expansion. As a result, net income for the year ended December 31, 2019 amounted to ₱719.4 million, 126.5% increase from last year's ₱317.7 million.

Equity in net earnings of associated companies and joint ventures amounted to ₱13.4 billion for the year ended December 31, 2019, a 31.2% increase from last year's ₱10.2 billion mainly driven by the 86.4% increase in equity earnings from UIC from ₱3.2 billion last year to ₱6.0 billion in 2019. UIC recorded net income from operations of S\$456.6 million in 2019, an 82.2% increase from last year's S\$250.6 million arising from the SG\$210.3 million one-off gain on derecognition of an associated company booked by UIC in the second quarter of 2019. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

FINANCIAL RESOURCES AND LIQUIDITY

2021 vs 2020

Cash and cash equivalents increased to ₱82.9 billion as of December 31, 2021, from ₱81.5 billion as of December 31, 2020. Cash used in operating activities amounted to ₱993 million. As of December 31, 2021, net cash used in investing activities amounted to ₱17.0 billion mainly for the Group's capital expenditure program and acquisition of Munchy's, partially offset by the proceeds from sale of GBPC investment and Oceania business, and dividends received. The Group's net cash provided by financing activities amounted to ₱19.4 billion primarily due to proceeds from issuance of CEB's convertible bonds and preferred shares, and RLC's REIT offering. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱98.7 billion, a 26.0% increase from ₱78.4 billion as of December 31, 2020 due to increase in market values and additional investments in private bonds and government securities.

Receivables, including noncurrent portion increased by 9.2% from ₱135.2 billion as of December 31, 2020 to ₱147.7 billion as of December 31, 2021 mainly due to the increase in finance receivables of the banking business.

Inventories increased 7.7% from ₱75.8 billion as of December 31, 2020 to ₱81.6 billion as of December 31, 2021 from higher raw materials of URC, and increases in Petrochem's finished goods and raw materials, offset by inventory decline in RLC due to the sale of Chengdu Phase 1 project.

Biological assets, including noncurrent portion, increased by 27.3% due to increase in poultry population.

Other current assets decreased by 12.2% from ₱27.0 billion as of December 31, 2020 to ₱23.7 billion as of December 31, 2021 mainly due to decline in input VAT of the petrochemicals business and decrease in cash under escrow of RLC.

Investment in associates and joint ventures increased by 4.8% from ₱139.3 billion as of December 31, 2020 to ₱146.0 billion as of December 31, 2021 mainly due to equity in net earnings in Meralco and SLG during the year.

Investment properties increased 12.5% from ₱104.7 billion as of December 31, 2020 to ₱117.8 billion as of December 31, 2021 due to land acquisitions, ongoing construction and development of real estate properties, net of depreciation during the year

Right-of-Use Assets increased 40.1% from ₱23.0 billion as of December 31, 2020 to ₱32.3 billion as of December 31, 2021 due to delivery of six (6) plus the sale and leaseback of seven (7) aircrafts during the period, partially offset by the return of four (4) aircrafts to its lessors and depreciation during the period.

Goodwill and Intangibles declined to ₱22.2 billion and ₱4.4 billion, respectively, as of December 31, 2021 due to divestment of Oceania businesses, partly offset by acquisition of Munchy's.

Other noncurrent assets declined 6.2% from ₱16.7 billion as of December 31, 2020 to ₱15.6 billion as of December 31, 2021 mainly due to CEB's transfer of noncurrent advances to suppliers to current assets.

Consolidated total assets reached ₱1.0 billion as of end of December 2021.

Accounts payable and accrued expenses increased by 5.2% from ₱172.7 billion as of December 31, 2020 to ₱181.7 billion as of December 31, 2021 due to higher level of deposit liabilities and bills payable of the banking business, as well as CEB's increase in travel funds payable.

Short term debt increased 48.6% to ₱66.0 billion as of December 31, 2021 from ₱44.4 billion as of December 31, 2020 mainly due to URC and Petrochem's higher short-term debt and trust receipts payable.

Long-term debt, including current portion, decreased 14.6% from ₱272.3 billion as of December 31, 2020 to ₱232.5 billion as of December 31, 2021 primarily due to divestment of Oceania businesses, coupled with the debt settlements made by JG Parent and RLC during the year.

Income tax payable declined 37.4% mainly due to income tax payments during the year, net of current tax provision.

Derivative liabilities amounted to ₱1.7 billion as of December 31, 2021 from ₱246 million as of December 31, 2020 mainly from CEB's valuation of the embedded derivative on its convertible bonds.

Lease liabilities amounted to ₱35.5 billion as of December 31, 2021, an increase of 41.0% from ₱25.2 billion as of December 31, 2020 primarily due to CEB's delivery of six (6) additional aircrafts plus the sale and leaseback of seven (7) aircrafts, partially offset by URC's reduced lease liabilities due to divestment of Oceania businesses.

Other current liabilities amounted to ₱25.2 billion as of December 31, 2021, a 29.9% decrease from ₱36.0 billion as of December 31, 2020 primarily due to decrease in RLC's deposits from real estate buyers.

Deferred tax liabilities decreased 47.5% to ₱4.5 billion as of December 31, 2021 due to decline in URC from divestment of Oceania businesses and RLC's deferred tax on excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules and unamortized capitalized interest expense.

Stockholders' equity, excluding minority interest, stood at ₱335.3 billion as of December 31, 2021 from ₱308.3 billion last year.

Book value per share amounted to ₱44.58 as of December 31, 2021 from ₱40.99 as of December 31, 2020.

2020 vs 2019

Cash and cash equivalents increased to ₱81.5 billion as of December 31, 2020, from ₱64.3 billion as of December 31, 2019. Cash provided by operating activities amounted to ₱15.8 billion. As of December 31, 2020, net cash used in investing activities amounted to ₱30.6 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱31.9 billion mainly due to net availments for short-term and long-term debts. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱78.4 billion, a 26.3% increase from ₱62.1 billion as of December 31, 2019 due to additional investments in private bonds and government securities.

Receivables, including noncurrent portion increased by 13.2% from ₱119.5 billion as of December 31, 2019 to ₱135.2 billion as of December 31, 2020 mainly due to the increase in finance receivables of the banking business and installment contract receivables of the real estate business.

Inventories increased 10.6% from ₱68.5 billion as of December 31, 2019 to ₱75.8 billion as of December 31, 2020 primarily due to higher level of capital expenditures for new and ongoing projects of the real estate business.

Biological assets, including noncurrent portion, decreased by 76% due to decline in hogs population and write-down from restructuring.

Other current assets increased by 16% from ₱23.2 billion as of December 31, 2019 to ₱27.0 billion as of December 31, 2020 mainly due to input VAT of the petrochemicals business and increase in cash under escrow of RLC and CEB.

Investment in associates and joint ventures decreased by 8.2% from ₱151.7 billion as of December 31, 2019 to ₱139.3 billion as of December 31, 2020, due to reclassification of our investment in GBPC as 'Asset held for sale' as of December 31, 2020.

Investment properties increased 5.73% from ₱99.0 billion as of December 31, 2019 to ₱104.7 billion as of December 31, 2020 primarily due to acquisition of several land properties both for residential and commercial development, and ongoing constructions of the real estate business during the year.

Right-of-Use Assets increased 12.3% from ₱20.5 million as of December 31, 2019 due to additional lease contract qualifying under PFRS 16.

Other noncurrent assets went up by 24.3% from ₱13.4 billion as of December 31, 2019 to ₱16.7 billion as of December 31, 2020 mainly due to higher level of the Group's deferred tax assets and RLC's advances to lot owners.

Consolidated total assets reached ₱999.6 billion as of end of December 2020.

Accounts payable and accrued expenses increased by 18.0% from ₱146.3 billion as of December 31, 2019 to ₱172.6 billion as of December 31, 2020 primarily due to higher level of deposit liabilities of the banking business.

Short term debt decreased 18.0% to ₱44.4 billion as of December 31, 2020 from ₱54.0 billion as of December 31, 2019 mainly due to settlements made by JG and RLC coming from the proceeds of bond issuances.

Income tax payable decreased 69.9% mainly due to the Group's lower income tax due, coupled with income tax payments made during the period.

Other current liabilities amounted to ₱43.6 billion as of December 31, 2020, a 20.5% increase from ₱36.2 billion as of December 31, 2019 primarily due to increase in RLC's deposits from real estate buyers, partially offset by CEB's lower unearned transportation revenue on forward bookings driven by weak travel demand brought about by the COVID-19 global pandemic.

Long-term debt, including current portion, increased 24.4% from ₱218.9 billion as of December 31, 2019 to ₱272.3 billion as of December 31, 2020 primarily as a result of the additional term loans availed by PET and bond issuances of RLC and the Parent Company during the period.

Other noncurrent liabilities decreased to ₱49.3 billion as of December 31, 2020 from ₱54.1 billion as of December 31, 2019 due to lower level of noncurrent deposit liabilities of the banking business partially offset by the increase in CEB's travel fund payable and the Group's lease liabilities.

Stockholders' equity, excluding minority interest, stood at ₱308.3 billion as of December 31, 2020 from ₱304.8 billion last year.

Book value per share amounted to ₱40.99 as of December 31, 2020 from ₱42.55 as of December 31, 2019.

2019 vs 2018

Cash and cash equivalents increased to ₱64.3 billion as of December 31, 2019, from ₱49.2 billion as of December 31, 2018. Cash provided by operating activities amounted to ₱52.4 billion. As of December 31, 2019, net cash used in investing activities amounted to ₱58.2 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱21.0 billion mainly due to net availments for short-term and long-term debts. Our financial assets, including those held at fair value through profit and loss (FVTPL) (excluding derivative assets), fair value through other comprehensive income (FVOCI), and investment securities at amortized cost amounted to ₱62.1 billion, a 4.1% increase from ₱59.6 billion as of December 31, 2018 due to higher market valuation during the year.

Receivables, including noncurrent portion increased by 16.1% from ₱93.5 billion as of December 31, 2018 to ₱108.6 billion as of December 31, 2019 mainly due to the increase in finance receivables of the banking business.

Inventories increased 7.9% from ₱63.5 billion as of December 31, 2018 to ₱68.5 billion as of December 31, 2019 primarily due to higher level of capital expenditures for new and ongoing projects of the real estate business.

Biological assets, including noncurrent portion, decreased by 13.6% due to decline in hogs population and write-down from restructuring

Other current assets decreased by 5.5% from ₱24.6 billion as of December 31, 2018 to ₱23.2 billion as of December 31, 2019 mainly due to decrease in cash under escrow which will mainly be used for the construction of real estate inventories.

Investment properties increased 5.5% from ₱93.8 billion as of December 31, 2018 to ₱99.0 billion as of December 31, 2019 primarily due to acquisition of several land properties both for residential and commercial development, and ongoing constructions of the real estate business during the year.

Property, plant and equipment increased 18.8% from ₱218.3 billion as of December 31, 2018 to ₱259.2 billion due to acquisition of five Airbus A321 NEO aircraft offset by the sale of three (3) Airbus A320 aircraft and two (2) Airbus A330 engine in 2019 by the airline business, as well as expansion projects of the petrochemicals business.

Right-of-Use Assets amounting to ₱20.5 billion was recognized as of December 31, 2019 as a result of the adoption of PFRS 16 in 2019.

Consolidated total assets reached ₱928.3 billion as of end of December 2019.

Accounts payable and accrued expenses increased by 10.3% from ₱132.7 billion as of December 31, 2018 to ₱146.3 billion as of December 31, 2019 primarily due to higher level of deposit liabilities and bills payable of the banking business.

Short term debt increased 52.4% to ₱54.0 billion as of December 31, 2019 from ₱35.5 billion as of December 31, 2018 due to additional loans of RLC, URC, Petrochem, and the Parent Company during the period.

Contract liabilities (current and noncurrent) recognized by the real estate business amounted to ₱17.1 billion as of December 31, 2019, a 12.0% increase from ₱15.3 billion as of December 31, 2018 mainly due to increase in reservation sales during the year. Contract liabilities consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred based on percentage of completion.

Lease liabilities (current and noncurrent) amounting to ₱21.1 billion was recognized as of December 31, 2019 as a result of the adoption of PFRS 16 in 2019.

Deferred tax liabilities amounted to ₱8.3 billion as of December 31, 2019, a 5.6% increase from ₱7.9 billion as of December 31, 2018 due to higher deferred tax liabilities of the real estate business.

Other noncurrent liabilities increased to ₱35.8 billion as of December 31, 2019 from ₱32.8 billion as of December 31, 2018 due to higher deposit liabilities of the banking business, as well as higher pension liabilities of the Group.

Stockholders' equity, excluding minority interest, stood at ₱304.8 billion as of December 31, 2019 from ₱276.6 billion last year.

Book value per share amounted to ₱42.55 as of December 31, 2019 from ₱38.61 as of December 31, 2018.

KEY FINANCIAL INDICATORS

The Company sets certain performance measures to gauge its operating performance periodically and to assess its overall state of corporate health. Listed below are the major performance measures, which the Company has identified as reliable performance indicators. Analyses are employed by comparisons and measurements on a consolidated basis based on the financial data as of and for the year ended December 31, 2021, 2020 and 2019.

| Key Financial Indicators | 2021 | 2020 (As restated) | 2019 (As restated) |
|---|-----------------|-----------------------|-----------------------|
| Revenues | ₱230.55 billion | ₱204.25 billion | ₱285.31 billion |
| EBIT | ₱11.42 billion | ₱9.92 billion | ₱53.91 billion |
| EBITDA | ₱40.98 billion | ₱40.32 billion | ₱80.45 billion |
| Core net income after taxes | ₱3.47 billion | ₱450 million | ₱25.29 billion |
| Net income attributable to equity holders of the Parent Company | ₱5.11 billion | (₱468 million) | ₱31.29 billion |
| Liquidity Ratio: | | | |
| Current ratio | 1.02 | 1.02 | 0.96 |
| Solvency ratios: | | | |
| Gearing ratio | 0.68 | 0.78 | 0.67 |
| Net debt to equity ratio | 0.48 | 0.60 | 0.52 |
| Asset-to-equity ratio | 2.31 | 2.45 | 2.27 |
| Interest rate coverage ratio | 4.50 | 4.52 | 8.09 |
| Profitability ratio: | | | |
| Operating margin | 0.05 | 0.05 | 0.19 |
| Book value per share | ₱44.58 | ₱40.99 | ₱42.55 |

The manner in which the Company calculates the above key performance indicators is as follows:

| Key Financial Indicators | | |
|------------------------------|---|--|
| Revenues | = | Total of sales and services, income from banking business, dividend income and equity in net earnings |
| EBIT | = | Operating income |
| EBITDA | = | Operating income add back depreciation and amortization expense |
| Core net income after taxes | = | Net income attributable to equity holders of Parent Company as adjusted for the net effect of gains/losses on foreign exchange, market valuations and other nonrecurring items. |
| Current ratio | = | Total current assets over current liabilities |
| Gearing ratio | = | Total financial debt over total equity |
| Net debt to equity ratio | = | Total financial debt less cash including financial assets at FVTPL and FVOCI investments (excluding RBC cash, financial assets at FVTPL and FVOCI investments) over total equity |
| Asset-to-equity ratio | = | Total assets over total equity |
| Interest rate coverage ratio | = | EBITDA over interest expense |
| Operating Margin | = | Operating income over total revenue |
| Book value per share | = | Stockholders' equity (equity attributable to parent excluding preferred capital stock) over outstanding number of common shares |

Current assets amounted to ₱306.3 billion while current liabilities reached ₱300.2 billion, for a current ratio of 1.02:1. Total financial debt amounted to ₱298.5 billion in 2021, lower than last year's ₱316.8 billion. The Company's indebtedness remains manageable with a gearing ratio of 0.68:1, well within the financial covenant of 2.0:1. Net debt stood at ₱213.3 billion, bringing our net debt to equity ratio to 0.48:1.

The Company, in the normal course of business, makes various commitments and has certain contingent liabilities that are not reflected in the accompanying consolidated financial statements. The commitments and contingent liabilities include various guarantees, commitments to extend credit, standby letters of credit for the purchase of equipment, tax assessments and bank guarantees through its subsidiary bank. The Company does not anticipate any material losses as a result of these transactions.

DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT EVENTS

Refer to Management Discussion and Analysis on pages 59-85 of this report and Note 4 to the Consolidated Financial Statements.

Item 7. Financial Statements

The Consolidated Financial Statements and schedules listed in the accompanying Index to Consolidated Financial Statements and Supplementary Schedules (page 100) are filed as part of this report.

Item 8. Information on Independent Accountant and other Related Matters

A. External Audit Fees and Services

Audit and Audit - Related Fees

The following table sets out the aggregate fees billed to the Company for each of the last three (3) years for professional services rendered by SyCip Gorres Velayo & Co.,

| | 2021 | 2020 | 2019 |
|---|-------------------|-------------------|-------------------|
| Audit and Audit-Related Fees | | | |
| Fees for services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements | ₱4,200,000 | ₱3,790,000 | ₱3,610,000 |
| All Other Fees | None | 5,500,000 | None |
| Total | ₱4,200,000 | ₱9,290,000 | ₱3,610,000 |

No other service was provided by external auditors to the Company for the calendar years 2021, 2020 and 2019.

The audit committee's approval policies and procedures for the services rendered by the external auditors

The Corporate Governance Manual of the Company provides that the audit committee shall, among others:

1. Evaluate all significant issues reported by the external auditors relating to the adequacy, efficiency and effectiveness of policies, controls, processes and activities of the Company.
2. Ensure that other non-audit work provided by the external auditors is not in conflict with their functions as external auditors.
3. Ensure the compliance of the Company with acceptable auditing and accounting standards and regulations.

B. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure

NONE.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Registrant

The names and ages of the directors, member of the advisory board and executive officers of the Company are as follows:

1. Directors

| Name | Age | Position | Citizenship |
|---------------------------|------------|---|--------------------|
| James L. Go | 82 | Director, Chairman | Filipino |
| Lance Y. Gokongwei | 55 | Director, President and Chief Executive Officer | Filipino |
| Robina Gokongwei Pei | 60 | Director | Filipino |
| Patrick Henry C. Go | 51 | Director | Filipino |
| Johnson Robert G. Go, Jr. | 57 | Director | Filipino |
| Jose T. Pardo | 82 | Director (Independent) | Filipino |
| Renato T. De Guzman | 71 | Director (Independent) | Filipino |
| Antonio L. Go | 82 | Director (Independent) | Filipino |
| Artemio V. Panganiban | 85 | Director (Independent) | Filipino |

2. Executive Officers

| Name | Age | Position | Citizenship |
|------------------------------------|------------|--|--------------------|
| Michael P. Liwanag | 48 | Senior Vice President, Investor Relations and Chief of Staff | Filipino |
| Bach Johann M. Sebastian | 60 | Senior Vice President, Strategic Investments | Filipino |
| Nicasio L. Lim | 65 | Senior Advisor, Corporate Human Resources | Filipino |
| Maria Celia H. Fernandez-Estavillo | 50 | Senior Vice President, General Counsel and Corporate Secretary | Filipino |

| Name | Age | Position | Citizenship |
|---------------------------|------------|--|--------------------|
| Renato T. Salud | 58 | Senior Vice President, Corporate Affairs and Sustainability | Filipino |
| Aldrich T. Javellana | 48 | Senior Vice President and Treasurer | Filipino |
| Lisa Y. Gokongwei-Cheng | 53 | Senior Vice President, Digital Transformation and Corporate Services | Filipino |
| Alan D. Surposa | 58 | Senior Vice President and Chief Procurement Officer | Filipino |
| Carlos G. Santos | 48 | Vice President, Corporate Services and Chief Information Officer | Filipino |
| Brian M. Go | 48 | Chief Finance and Risk Officer | Singaporean |
| David Gulliver G. Go | 50 | Chief Human Resources Officer, Corporate Human Resources | Filipino |
| Michele F. Abellanosa | 51 | Vice President, Corporate Controllership and Chief Compliance Officer, Office of the Chief Financial Officer | Filipino |
| Rya Aissa S. Agustin | 41 | Chief Audit Executive, Corporate Internal Audit | Filipino |
| Ian Pajantoy | 56 | Data Protection Officer | Filipino |
| Andre Ria B. Buzeta-Acero | 42 | Assistant Corporate Secretary | Filipino |

All of the above directors and officers have served their respective offices since May 14, 2021 except for the following officers who were appointed to their positions on July 1, 2021:

- | | |
|-----------------------------|------------------------------|
| 1. Mr. Brian M. Go | 3. Ms. Michele F. Abellanosa |
| 2. Mr. David Gulliver G. Go | 4. Ms. Rya Aissa S. Agustin |

Messrs. Jose T. Pardo, Renato T. De Guzman, Antonio L. Go, and Mr. Artemio V. Panganiban are the independent directors of the Company as defined under SRC Rule 38.1.

The directors of the Company are elected at the annual stockholders' meeting to hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

Officers and members of the advisory board are appointed or elected annually by the Board of Directors. Appointed or elected officers and advisory board members are to hold office until a successor shall have been elected, appointed or shall have qualified.

A brief description of the directors, and executive officers' business experience and other directorships held in other reporting companies are provided as follows:

Directors

1. **James L. Go**, 82, is the Chairman of JGSHI and Cebu Air, Inc. He is also the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation and Vice Chairman of Robinsons Retail Holdings, Inc. He is the Chairman Emeritus of Universal Robina Corporation, Robinsons Land Corporation and JG Summit Olefins Corporation. He is also the President and Trustee of the Gokongwei Brothers Foundation, Inc. He has been a Director of PLDT, Inc. since November 3, 2011. He is a member of the Technology Strategy and Risk Committees and Advisor of the Audit Committee of the Board of Directors of PLDT, Inc. He was elected a Director of Manila Electric Company on December 16, 2013. Mr. James L. Go

received his Bachelor of Science Degree and Master of Science Degree in Chemical Engineering from Massachusetts Institute of Technology, USA.

2. **Lance Y. Gokongwei**, 55, is the President and Chief Executive Officer of JGSHI. He is also the President and Chief Executive Officer of Cebu Air, Inc. and the Chairman of Universal Robina Corporation, Robinsons Land Corporation, Robinsons Retail Holdings, Inc., Altus Property Ventures, Inc., Robinsons Bank Corporation, and JG Summit Olefins Corporation. He is the Vice Chairman and Director of Manila Electric Company, and a Director of RL Commercial REIT, Inc., Oriental Petroleum and Minerals Corporation, Singapore Land Group Limited, Shakey's Asia Pizza Ventures, Inc., AB Capital and Investment Corporation, and Endeavor Acquisition Corporation. He is a Trustee and the Chairman of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Finance and a Bachelor of Science degree in Applied Science from the University of Pennsylvania.
3. **Robina Y. Gokongwei**, 60, has been a Director of JGSHI since April 15, 2009. She is the President and Chief Executive Officer 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, Cebu Air, Inc., and Robinsons Bank 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 was formerly a member of the University of the Philippines Centennial Commission. 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, 26 and Joan, 16. She is married to Perry Pe, a lawyer.
4. **Patrick Henry C. Go**, 52, has been a Director of JGSHI since 2000. He is the President and Chief Executive Officer of JG Summit Olefins Corporation and a Director and Executive Vice President of Universal Robina Corporation. He is also a Director of Robinsons Land Corporation, Robinsons Bank Corporation and Meralco Powergen Corporation. He is a Trustee and Treasurer of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Science degree in Management from the Ateneo De Manila University and attended the General Management Program at Harvard Business School. Mr. Patrick Henry C. Go is a nephew of Mr. John L. Gokongwei, Jr.
5. **Johnson Robert G. Go, Jr.**, 57, has been a Director of JGSHI since August 18, 2005. He is currently a Director of Universal Robina Corporation, Robinsons Land Corporation, Robinsons Bank Corporation and A. Soriano Corporation. He is a Trustee of the Gokongwei Brothers Foundation, Inc. He received a Bachelor of Arts degree in Interdisciplinary Studies (Liberal Arts) from the Ateneo de Manila University. He is a nephew of Mr. John L. Gokongwei, Jr.
6. **Jose T. Pardo**, 82, has been an Independent Director of JGSHI since August 6, 2003. He is presently the Chairman of the Philippine Savings Bank, the Philippine Stock Exchange, the Philippine Seven Corporation, the Securities Clearing Corporation of the Philippines, and the Chairman and a member of the Board of Advisers of Bank of Commerce. He is a Director of Del Monte Philippines, Inc., National Grid Corporation of the Philippines, League One Finance and Leasing Corporation, and Araneta Hotels. Mr. Pardo is also the Chairman of ECOP Council of Business Leaders, Chairman of PCCI Council of Business Leaders, and the Chairman and a Trustee of Philippine Stock Exchange Foundation, a Director of ZNN Radio Veritas Foundation and a Director and Trustee of Bayaning Pulis Foundation. He also held positions in Government as former Secretary of the Department of Finance and former Secretary of the Department of Trade and Industry. He obtained his Bachelor of Science

degree in Commerce, Major in Accounting and his Master's Degree in Business Administration from the De La Salle University in Manila. He has been conferred on February 10, 2018 an Honorary Doctorate in Finance by the De La Salle University in Manila. Mr. Pardo's expertise and many years of experience have been invaluable to the management of JGSHI in steering the company to the heights it has achieved and will attain in the future. Mr. Pardo has extensive experience in public service. He has also led various government positions and has served in varying leadership capacities in civic and other various organizations. His insights in Corporate Governance as chair of the Corporation's Corporate Governance and Sustainability Committee is very valuable and instrumental in helping the Corporation realize its purpose and ambitions aligned with its core values of entrepreneurial mindset, stewardship, and integrity. Mr. Pardo's visionary leadership and outstanding contributions has earned him numerous honors and distinctions from national award-giving bodies and educational institutions which include, among others: The Outstanding Filipino Award for Business, The Outstanding Young Men Award, the Man of the Year Award, the President Roxas Memorial Award, and De La Salle Alumni Association Distinguished Lasallian Award. The Corporation recognizes Mr. Pardo's invaluable contribution to the furtherance of the goals and objectives of the Corporation and his vital instruction in navigating the Philippine regulatory landscape. The Corporation's management believes leadership continuity is crucial during this critical time of pandemic and recovery thereafter. We note that while SEC Memorandum Circular (MC) No. 19, Series of 2016 limits the term of independent directors to nine (9) years reckoned from 2012, the affirmative vote of stockholders representing majority of the Corporation's total outstanding capital stock for the election of Mr. Pardo shall be deemed approval from the stockholders for Mr. Pardo to serve as independent director of JGSHI for the ensuing year, as required under the aforementioned circular.

7. **Renato T. De Guzman**, 71, has been an independent director of JGSHI since April 28, 2015. He was appointed Chairman of the Board of Trustees of the Government Service Insurance System in July 2015 under the previous administration and served as such until December 2016. He is currently a Director of Maybank Philippines, Inc. since April 2016 and Maybank Singapore Limited as of July 1, 2019. He is the Chairman of Nueva Ecija Good Samaritan Health System, Inc. and Good Samaritan College. He was a Senior Adviser of the Bank of Singapore until September 2017, Chief Executive Officer of the Bank of Singapore (January 2010-January 2015), ING Asia Private Bank (May 2000-January 2010), Country Manager Philippines of ING Barings (1990-2000), and Deputy Branch Manager of BNP Philippines (1980-2000). He holds a Bachelor of Science in Management Engineering from the Ateneo de Manila University, Master's Degree in Business Administration with Distinction at the Katholieke Universiteit Leuven, Belgium and a Masters in Management from McGill University, Canada.
8. **Antonio L. Go**, 82, has been an Independent Director of JGSHI since May 28, 2018. He is currently the Chairman of Equicom Savings Bank, ALGO Leasing and Finance, Inc., My Health Ventures Corporation, and the Vice Chairman of Maxicare Healthcare Corporation. He is a Director of Equitable Computer Services, Inc., Medilink Network, Inc., Equicom Inc., Equicom Manila Holdings, Inc., Equitable Development Corp., T32 Dental Centre Pte Ltd. (Singapore), Dental Implant Maxillofacial Centre Pte Ltd. (Hong Kong), Mioki Holdings Pte. Ltd., Algo Healthcare Holdings Pte. Ltd., Equicom Health Solutions Pte. Ltd., Oriental Petroleum and Minerals Inc., Pin-An Holdings, Inc., Equicom Information Technology, Robinsons Retail Holdings, Inc., DDMP REIT, Inc. Maxicare Health Services, Inc., Steel Asia Manufacturing Corporation and Dito Telecommunity Corporation. He is also a Trustee of Go Kim Pah Foundation, Equitable Foundation, Inc., and Gokongwei Brothers Foundation, Inc. He graduated from Youngstown University, United States with a Bachelor Science Degree in Business Administration. He attended the International Advance Management

program at the International Management Institute, Geneva, Switzerland as well as the Financial Planning/Control program at the ABA National School of Bankcard Management, Northwestern University, United States.

9. **Artemio V. Panganiban**, 85, Chief Justice Artemio V. Panganiban, Jr. (Ret.) has been an Independent Director of JGSHI since May 14, 2021. He previously served as an Independent Director of Robinsons Land Corporation. He is concurrently an Adviser, Consultant and/or Independent Director of several business, civic, non-government and religious groups. He also writes a regular column in the Philippine Daily Inquirer. He is a retired Chief Justice of the Philippines and was concurrently Chairperson of the Presidential Electoral Tribunal, the Judicial and Bar Council and the Philippine Judicial Academy. Prior to becoming Chief Justice, he was Justice of the Supreme Court of the Philippines (1995-2005), Chairperson of the Third Division of the Supreme Court (2004-2005), Chairperson of the House of Representatives Electoral Tribunal (2004-2005), Consultant of the Judicial and Bar Council (2004-2005) and Chairperson of eight Supreme Court Committees (1998-2005). He authored fourteen (14) books. Retired Chief Justice Panganiban obtained his Bachelor of Laws degree, cum laude, from the Far Eastern University and placed 6th in the 1960 bar examination. He was conferred the title Doctor of Laws (Honoris Causa) by the University of Iloilo in 1997, the Far Eastern University in 2002, the University of Cebu in 2006, the Angeles University in 2006, and the Bulacan State University in 2006.

Executive Officers

1. **Mr. Michael P. Liwanag**, 48, is the Senior Vice President, Investor Relations and Chief of Staff of JGSHI. He was the Senior Vice President of URC until December 2020. Prior to his current role in JGSHI, he was the Vice President for Corporate Strategy and Development of URC until May 14, 2018. Before joining URC in 2001, he was exposed to different business functions such as Strategic Management, Mergers and Acquisitions, Program Management, and Business Analytics in Digital Telecommunications Phils., Inc., Global Crossings and Philippine Global Communications, Inc. He studied Engineering at the University of the Philippines, is a Certified Management Accountant (ICMA Australia) and an alumni of the Harvard Business School (AMP).
2. **Bach Johann M. Sebastian**, 60, is the Senior Vice President, Strategic Investments of JGSHI. He had been a Senior Vice President and Chief Strategist of JGSHI until May 14, 2018. He is also a Senior Vice President of Universal Robina Corporation, Robinsons Land Corporation, Cebu Air, Inc. and Robinsons Retail Holdings, Inc. Prior to joining JGSHI in 2002, he was Senior Vice President and Chief Corporate Strategist at PSI Technologies and RFM Corporation. He was also Chief Economist, Director of Policy and Planning Group at the Department of Trade and Industry. He received a Bachelor of Arts degree in Economics from the University of the Philippines and his Master's in Business Management degree from the Asian Institute of Management.
3. **Nicasio L. Lim**, 65, is the Senior Advisor of the Corporate Human Resources of JGSHI. He has been the Senior Vice President of the Corporate Human Resources Group (CRG) of JGSHI since 2008. He is a Human Resource Executive with 43 years solid experience in Human Resources, 21 of those years in San Miguel Corporation (SMC), 5 in Kraft Foods International (KFI), and now with JGSHI. In JG Summit, he heads not only the overall HR function but also Safety and Security and Third-Party Outsourcing. He partners with the Executive Committee and the Leadership Teams of the different Strategic Business Units on these areas. All HR Heads, Security and Safety Heads and Third-Party Managers in the Strategic Business Units all functionally report to him. He was conferred the People Manager of the Year Award given by the People Management Association of the Philippines (PMAP)

in 2007. Through the years, he has coined several HR mantras that are circulating in HR circles. Some of which would be: “Behind every business issue is a people issue;” “Growing the business goes hand in hand with growing the people;” “HR is a vocation;” and “HR should be in the Boardroom.” Through these quotes, he clearly conveys the reverberating message that HR should be strategic partners of the business. He graduated with a Bachelor’s Degree on Business Administration at the De La Salle University and pursued advanced Human Resource Executive Program at the University of Michigan-USA.

4. ***Maria Celia H. Fernandez-Estavillo***, 50, is the Senior Vice President, General Counsel and Corporate Secretary of JGSHI. She is also the Corporate Secretary of Universal Robina Corporation and JG Summit Olefins Corporation and the Assistant Secretary of Gokongwei Brothers Foundation, Inc. She is a member of The British School Manila Board of Governors since 2020. Prior to joining JGSHI in March 2017, Atty. Fernandez-Estavillo was the head of the Legal and Regulatory Affairs Group, the Corporate Secretary and a member of the Board of Directors of Rizal Commercial Banking Corporation. She was Assistant Vice President of Global Business Development of ABS-CBN. She also held positions in government as Head of the Presidential Management Staff, Assistant Secretary at the Department of Agriculture and Chief of Staff of Senator Edgardo J. Angara. She began her legal career in ACCRA. She graduated from the University of the Philippines with a Bachelor of Science degree in Business Economics (Summa Cum Laude) and a Bachelor of Laws degree (Cum Laude). She completed her Master of Laws (LLM) in Corporate Law from New York University School of Law. She received the highest score in the Philippine Bar examinations of 1997.
5. ***Renato T. Salud***, 58, is the Senior Vice President for Corporate Affairs and Sustainability of JGSHI. Prior to joining JGSHI in March 2016, he was the Corporate Relations Director, Asia for Diageo Asia Pacific based in Singapore. In this role, he had oversight on a number of Asian countries in the areas of regulation, communications and corporate social responsibility. He has extensive experience in working with governments in formulating best practice policy recommendations. He started his career as Legislative Liaison Officer for the Department of National Defense and speechwriter for Defense Secretary Fidel Ramos. In 1992, when Fidel Ramos became President of the Philippines, he continued to serve him at the Office of the Press Secretary until 1998. He moved into the private sector with Pfizer Philippines where he was Corporate Affairs Director for two years. From 2000 to 2006, he then joined Philip Morris, starting as Philip Morris Philippines Corporate Affairs Director before moving to Hong Kong to take on the role of Director for Communications for Asia Pacific. He later became Regional Corporate Affairs Director for Eastern Europe, Africa and Middle East based in Switzerland and by the time he left Philip Morris to join Diageo in 2006, he held the position of Regional Corporate Affairs Director for the European Union. He has degrees in business and law both from Ateneo de Manila University. He also obtained his Master’s Degree in Public Administration at Harvard’s John F. Kennedy School of Government.
6. ***Aldrich T. Javellana***, 48, is the Senior Vice President and Treasurer of JGSHI. He was appointed Senior Vice President on October 2, 2017 and has been Vice President-Treasurer of JGSHI since January 2, 2012. Prior to joining JGSHI in 2003, he worked in Corporate Finance with CLSA Exchange Capital. He graduated from De La Salle University with a degree in BS Accountancy and is a Certified Public Accountant.
7. ***Lisa Y. Gokongwei-Cheng***, 53, is the Senior Vice President, Digital Transformation and Corporate Services of JGSHI since 2020. She is the President and Director of Summit Media (2011 to present). She has held various senior positions and directorships in the group namely: Summit Internet Investments, Inc. (2000), Jobstreet Philippines (2000-2014), JE

Holdings, Inc. (2002), Robinsons Retail Holdings, Inc. (2002 to present), I-tech Global Business Solutions, Inc. (2010-2020), Hongkong- China Foods Co. (2013), and as Vice-President and Director of Summit- App Addictive Philippines, Inc. (2000). She was also Vice President at Metromedia Times Corporation (1993 to 1997) and Digital Communications as Project Manager (1995 to 1999). She has a Bachelor of Arts degree from Ateneo de Manila University, and obtained her master's degree in Journalism at Columbia University in 1993.

8. **Alan D. Surposa**, 58, is the Senior Vice President and Chief Procurement Officer of JGSHI effective May 30, 2019, and was appointed Senior Vice President for Procurement of JG Summit Olefins Corporation effective 2020. His scope includes Procurement Governance ensuring that procurement processes operate smoothly and consistently across the group in line with the set procurement policies of the organization. He will synergize procurement policies, procedures and strategies across the different businesses to create a unified procurement group that is efficient, competent and strategically aligned to deliver competitive advantage. In his expanded role, he also exercises strong functional oversight over heads/managers in the Strategic Business Unit whose work revolves around procurement to ensure consistent alignment and synergies across the Business Unit. He is a member and formerly a Director of The Purchasing Managers Association of the Philippines now PASIA and an active member of PISM. He received his Bachelor of Science degree in Civil Engineering from the Cebu Institute of Technology in Cebu City. He took the Global Supply Chain Course in IMD business school and active alumni.
9. **Carlos G. Santos**, 48, is the Vice President, Corporate Services and Chief Information Officer of JGSHI. He ran the over-all Shared Services Operations of JGSHI from July 1, 2020 to present. He was recently recognized as one of Asia's IT leaders at the CIO 75 ASEAN 2021 event. He was also awarded by the International Data Corporation as the Philippines DX Leader on October 23, 2020, and received the JGSHI Pride in Performance Conglomerate Awards for outstanding work in People Capability in 2019, Project Management Professional in 2005, Certified Internal Auditor and Certified Information Systems Auditor in 2002. He was the Chief Information Officer of Universal Robina Corporation (URC) from July 2017 to June 2020. He held multiple senior positions Globally, Regionally and in the Philippines with Procter & Gamble from February 1999 to June 2017 and received an award of Asia P&G Best Corporate Trainer for multiple years. He graduated with a Bachelor's Degree of Science in Computer Science (Deans Lister) in De La Salle University College of Computer Studies (DLSU CCS). He also obtained his Masters in Information Technology with Distinction as the 1st ever graduate of the MS-IT Program in the Philippines in DLSU CCS.
10. **Brian M. Go**, 48, is the Chief Finance and Risk Officer of JGSHI. He is concurrently Vice President of International Trading Operations & Corporate New Ventures for Universal Robina Corporation (URC). He is also a member of the Investment Committee of JG Digital Equity Ventures (JGDEV), a Senior Advisory Board member of Robinsons Bank, and a Board Director for JG Summit Petrochemical Corporation until December 2021. Brian started his career in New York City with Booz Allen Hamilton in 1996, in the Financial Services practice. He returned to Manila in 1998, working at DTPI (Digitel/Sun Cellular), working in Corporate Planning, and as Managing Director of the Datacom business. He worked in China from 2003 to 2013, serving as Finance Director, then Chief Financial Officer, of Ding Feng Real Estate (DFRE) group of companies. From 2007, he concurrently assumed the General Manager role for URC China, and was later General Manager for URC Malaysia/Singapore. Brian graduated from Harvard College in 1996. He completed an Executive MBA with Kellogg-HKUST in 2007, and is a CFA charter holder.
11. **David Gulliver "Gully" G. Go**, 50, is currently the Chief Human Resources Officer of JGSHI. He is responsible for executing the Corporate Human Resources mandate to strengthen

succession, enhance employee experience and people analytics, and a drive a groupwide purpose-driven, values-based culture. Prior his appointment as Chief Human Resources Officer, he was the VP for Organization Culture in JG Summit Holdings, Inc. He has held positions as Head of Executive Education for the Asian Institute of Management (AIM), as Business Cluster Head for Enderun Colleges, and as Business Development Director of Summit Internet Investments. Gully holds a doctoral degree from the Ritsumeikan University in Japan and an MBA with distinction from the Asian Institute of Management.

12. **Michele F. Abellanosa** 51, is the Vice President, Corporate Controllershship and Chief Compliance Officer of JGSHI. She was appointed as the Chief Compliance Officer on July 1, 2021. She brings with her 24 years of experience in finance and is mainly responsible for the consolidated financial statements of the JG group of companies, as well as heading the controllershship of JGSHI and JG Summit Capital Services Corporation. Prior to joining JGSHI, she practiced public accounting with SGV & Co. She obtained her BS Accountancy degree, cum laude from the University of Santo Tomas and is a Certified Public Accountant.
13. **Rya Aissa S. Agustin**, 41, was appointed Chief Audit Executive of JGSHI on July 1, 2021. Prior to her current role, she served as Director for Corporate Internal Audit. She has extensive experience in internal audit, compliance, risk management and finance in local and international sectors. Before joining JGSHI in 2020, she was the Compliance and Monitoring Head for National Grid Corporation of the Philippines. She started her audit practice in the Global Internal Audit group of Procter & Gamble handling several roles as Global Subject Matter Expert across various audit areas. She is a Certified Internal Auditor (CIA) and a Fellow, Life Management Institute, with Distinction (FLMI) which are globally recognized certifications for audit and financial services professionals. She graduated with a degree in BS Economics, Magna Cum Laude, from the University of the Philippines..
14. **Ian Pajantoy**, 56, is the Data Protection Officer of JGSHI since May 30, 2019. He was tapped as one of the Core Team of the BPO (Shared Services) arm of JGSHI established in 2013. Prior to joining & handling the Procurement Operations of the Shared Services Group (now Aspen Business Solutions, Inc), he joined URC as Plant Administrative Services Manager on May 2, 1996. From year 2000 to 2013, Mr. Pajantoy handled different facets of Supply Chain Management (logistics, procurement, & governance). He graduated from Mapua Institute of Technology with a degree in Management and Industrial Engineering and then later on, Techno-MBA from the De La Salle University - Dasmarias City, Cavite.
15. **Andre Ria B. Buzeta-Acero**, 42, is the Assistant Corporate Secretary of JGSHI and JG Summit Olefins Corporation. She joined JGSHI in 2007 as part of the General Counsel Group. Prior to JGSHI, she was a Senior Associate in Castillo Laman Tan Pantaleon & Jose Law Offices. She obtained her Juris Doctor degree from the Ateneo de Manila School of Law in 2007 and was admitted to the Philippine Bar in 2008. She is currently the Corporate Secretary of JG Summit Capital Services Corp., JG Summit Infrastructure Holdings Corporation, Chic Centre Corporation, Peak Fuel Corporation, Merbau Corporation and DHL Summit Solutions, Inc.

Significant Employee

There are no persons who are not executive officers of the Company who are expected to make a significant contribution to the business.

Involvement in Certain Legal Proceedings which occurred during the Past Five Years

None.

Family Relationships

1. Mr. James L. Go is the uncle of Mr. Lance Y. Gokongwei
2. Ms. Robina Y. Gokongwei-Pe is the niece of Mr. James L. Go and sister of Mr. Lance Y. Gokongwei
3. Ms. Lisa Y. Gokongwei-Cheng is the niece of Mr. James L. Go and sister of Mr. Lance Y. Gokongwei
4. Mr. Patrick Henry C. Go is the nephew of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei
5. Mr. Johnson Robert G. Go, Jr. is the nephew of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei
6. Mr. Brian M. Go is the son of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei
7. Mr. David Gulliver G. Go is the nephew of Mr. James L. Go and cousin of Mr. Lance Y. Gokongwei

Item 10. Executive Compensation

The aggregate compensation of executive officers and directors of the Company for the last 2 years and projected for the ensuing year (2022) are as follows:

| | PROJECTED 2022 | | | | ACTUAL | |
|---|----------------|------------|------------|--------------|--------------|--------------|
| | Salary | Bonus | Others | Total | 2021 | 2020 |
| CEO and Four (4) most highly compensated Executive officers | P137,204,557 | P2,000,000 | P900,000 | P140,104,557 | P134,219,281 | P126,430,436 |
| All directors and executive officers as a group unnamed | P288,823,057 | P2,500,000 | P1,600,000 | P292,923,057 | P284,988,617 | P183,081,395 |

Standard Arrangements

Other than payment of reasonable per diem, there are no standard arrangements pursuant to which directors of the Company are compensated, or are to be compensated, directly or indirectly, for any services rendered provided as a director for the last completed year and the ensuing year.

Other Arrangements

There are no other arrangements pursuant to which any director of the Company was compensated, or is to be compensated, directly or indirectly, during the Company's last completed year, and the ensuing year, for any service provided as a director.

Terms and Conditions of any Employment Contract or any Compensatory Plan or Arrangement between the Company and the Executive Officers.

None.

Outstanding Warrants or Options Held by the Company's CEO, the Executive Officers and Directors.

None.

Item 11. Security Ownership of Certain Record and Beneficial Owners and Management

As of December 31, 2021, the Company is not aware of anyone who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below.

(1) Security Ownership of Certain Record and Beneficial Owners

| Title of class | Names and addresses of record owners and relationship with the Corporation | Names of beneficial owner and relationship with record owner | Citizenship | No. of shares held | % to total outstanding |
|----------------|--|--|--------------|----------------------------|------------------------|
| Common | Gokongwei Brothers Foundation, Inc. 43/F Robinsons-Equitable Tower ADB Ave. cor. Poveda St. Ortigas Center, Pasig City (stockholder) | Same as record owner (See note 1) | Filipino | 2,096,930,273 | 27.88% |
| Common | PCD Nominee Corporation (Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder) | PCD Participants and their clients (See note 2) | Filipino | 1,880,599,110 (See note 3) | 25.01% |
| Common | PCD Nominee Corporation (Non-Filipino) 37/F Tower I, The Enterprise Center, 6766 Ayala Ave. cor. Paseo de Roxas, Makati City (stockholder) | PCD Participants and their clients (See note 2) | Non-Filipino | 883,642,126 (See note 3) | 11.75% |
| Common | RSB-TIG No. 030-46-000001-9 17/F Galleria Corporate Center, EDSA cor. Ortigas Avenue, Quezon City (stockholder) | Trustee's designated officers (See note 4) | Filipino | 1,084,985,186 | 14.43% |

Notes:

- Gokongwei Brothers Foundation, Inc. (the "Foundation") is a non-stock, non-profit corporation organized by the irrevocable donation by the incorporators, who are also Trustees of the Foundation, of shares of JG Summit Holdings, Inc. Under the Articles of Incorporation and By-Laws of the Foundation, except for salaries of employees and honoraria of consultants and similar expenses for actual services rendered to the Foundation or its projects, no part of the corpus or its income and increments shall benefit or be used for the private gain of any member, trustee, officer or any juridical or natural person whatsoever. The Chairman of the Board of Trustees shall exercise exclusive power and authority to represent and vote for any shares of stock owned by the Foundation in other corporate entities. The incumbent Chairman of the Board of Trustees of the Foundation is Mr. Lance Y. Gokongwei. 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.
- 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.
- Out of the PCD Nominee Corporation account, "Citibank N.A." and "Philippine Equity Partners, Inc." hold for various trust accounts the following shares of the Corporation as of December 31, 2021:

| | <u>No. of shares</u> | <u>% to Outstanding</u> |
|--------------------------------------|----------------------|-------------------------|
| Citibank N.A. | 1,054,450,511 | 14.02% |
| Maybank ATR Kim Eng Securities, Inc. | 325,931,435 | 4.33% |

Voting instructions may be provided by the beneficial owners of the shares.

- Robinsons Bank - Trust & Investment Group (RSB-TIG) is the trustee of this trust account. The shares are voted by the trustee's designated officers.

(2) Security Ownership of Management

| Title of class | Names of beneficial owner | Position | Amount and nature of beneficial ownership | Citizenship | % to total outstanding |
|--|--|--|---|-------------|------------------------|
| <i>A. Named Executive Officers¹</i> | | | | | |
| Common | 1. James L. Go | Chairman | 156,113,638(D) | Filipino | 2.08% |
| Common | 2. Lance Y. Gokongwei | Director, President and Chief Executive Officer | 570,933,121(D) | Filipino | 7.59% |
| Common | 3. Patrick Henry C. Go | Director | 98,175(D) | Filipino | * |
| Common | 4. Robina Y. Gokongwei-Pe | Director | 190,435,617(D) | Filipino | 2.53% |
| | Sub - Total | | <u>917,580,551</u> | | <u>12.20%</u> |
| <i>B. Other Directors and Executive Officers</i> | | | | | |
| Common | 5. Johnson Robert G. Go, Jr. | Director | 1(D) | Filipino | * |
| Common | 6. Artemio V. Panganiban | Director | 10(D) | Filipino | * |
| Common | 7. Jose T. Pardo | Director (Independent) | 1(D) | Filipino | * |
| Common | 8. Renato T. De Guzman | Director (Independent) | 22,838(D) | Filipino | * |
| Common | 9. Antonio L. Go | Director (Independent) | 1(D) | Filipino | * |
| Common | 10. Lisa Y. Gokongwei-Cheng | Senior Vice President, Digital Transformation and Corporate Services | 145,989,118(D) | Filipino | 1.94 |
| Common | 11. Michael P. Liwanag | Senior Vice President, Investor Relations, Chief of Staff | 52,500 (D) | Filipino | * |
| Common | 12. Maria Celia H. Fernandez-Estavillo | Senior Vice President, General Counsel and Corporate Secretary | 5,250(D) | Filipino | * |
| | Sub - Total | | <u>146,069,719</u> | | <u>1.94%</u> |
| | | | <u>1,063,650,270</u> | | <u>14.14%</u> |

Notes:

D - Direct

- 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, 2019.

* less than 0.01%.

The other Executive Officers of the Company have no beneficial ownership over any shares of the Company as of December 31, 2021, namely:

| | | |
|-------------------------------|---|-------------------------------------|
| 1. Bach Johann M. Sebastian | - | Senior Vice President |
| 2. Nicasio L. Lim | - | Senior Vice President |
| 3. Renato T. Salud | - | Senior Vice President |
| 4. Aldrich T. Javellana | - | Senior Vice President and Treasurer |
| 5. Alan D. Surposa | - | Senior Vice President |
| 6. Carlos G. Santos | - | Chief Information Officer |
| 7. Brian M. Go | - | Chief Finance and Risk Officer |
| 8. David Gulliver G. Go | - | Chief Human Resources Officer |
| 9. Michele F. Abellanos | - | Chief Compliance Officer |
| 10. Rya Aissa S. Agustin | - | Chief Audit Executive |
| 11. Ian Pajantoy | - | Data Protection Officer |
| 12. Andre Ria B. Buzeta-Acero | - | Assistant Corporate Secretary |

(2) Voting Trust Holders of 5% or More

As of December 31, 2021, there are no persons holding more than 5% of a class under a voting trust or similar agreement.

(3) Changes in Control

None

Item 12. Certain Relationships and Related Transactions

See Note 40 (Related Party Transactions Disclosures) of the Notes to Consolidated Financial Statements filed as part of this Form 17-A.

The Company and its subsidiaries and affiliates, in their regular conduct of business, have engaged in transactions with each other and with other affiliated companies, consisting principally of sales and purchases at market prices and advances made and obtained.

PART IV - CORPORATE GOVERNANCE

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.

The Group likewise consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

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

(a) Exhibits - See accompanying Index to Exhibits (page 100)

The other exhibits, as indicated in the Index to Exhibits are either not applicable to the Company or require no answer.

(b) Reports on SEC Form 17-C (Current Report)

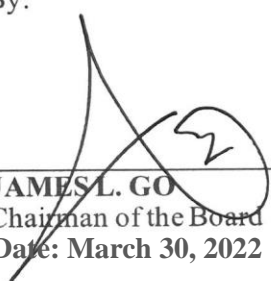
Following is a list of disclosures filed by JGSHI under SEC Form 17-C for the six month period from July 1, 2021 to December 31, 2021:


| Date of Disclosure | Subject Matter |
|---------------------------|---|
| July 1, 2021 | Change in Directors and/or Officers |
| July 8, 2021 | Amendments to Articles of Incorporation |
| August 6, 2021 | Amendments to By-Laws |
| August 12, 2021 | Press Release entitled "JG Summit's total core profit rebounds 19% YoY; surpasses pre-COVID levels excluding airline" |
| September 14, 2021 | Change in Directors and/or Officers |
| September 27, 2021 | Clarification of News Reports regarding "Digital bank GOTyme eyes mid-2022 launch: Lance Gokongwei" |
| November 11, 2021 | Amendments to Articles of Incorporation |

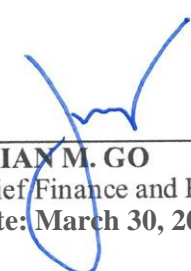
SIGNATURES


Pursuant to the requirements of Section 17 of the Code 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 Pasig on March 30, 2022.

By:


JAMES L. GO
Chairman of the Board
Date: March 30, 2022


LANCE Y. GOKONGWEI
President and
Chief Executive Officer
Date: March 30, 2022


BRIAN M. GO
Chief Finance and Risk Officer
Date: March 30, 2022

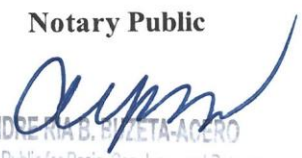

MARIA CELIA H. FERNANDEZ-ESTAVILLO
General Counsel and Corporate Secretary
Date: March 30, 2022

SUBSCRIBED AND SWORN to before me this 30 day of MAR 2022 affiant(s) exhibiting to me his/their Residence Certificates, as follows:

| NAMES | CTC NO./TIN | DATE OF ISSUE | PLACE OF ISSUE |
|------------------------------------|-------------------------|------------------|-----------------|
| James L. Go | 6944416/124-294-200 | February 9, 2021 | Pasig City |
| Lance Y. Gokongwei | 6944415/116-312-586 | February 9, 2021 | Pasig City |
| Brian M. Go | UMID No: 0113-0169883-5 | | |
| Maria Celia H. Fernandez-Estavillo | Passport No: P5542345A | January 6, 2018 | DFA NCR Central |

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Notary Public


ANDRIANA B. RUIZETA-ACERO
Notary Public for Pasig, San Jose, and Pateros
Notarial Commission No. 276, dated August 14, 2022
pursuant to SC En Banc Resolution No. 1735
40th Flr. Robinsons E. Tower, 3rd Floor, Pasig City
Rizal Chapter
MCLE Compliance No. 170053/12-10-2021/Rizal Chapter
PTR No. 8557399/01-07-2021/Rizal Chapter
IBP Receipt No. 170053/12-10-2021/Rizal Chapter

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
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SUPPLEMENTARY SCHEDULES

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INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

Opinion

We have audited the accompanying consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, 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, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements as at December 31, 2021 and 2020, and for each of the three years in the period ended December 31, 2021 are prepared in all material respects, in accordance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements.

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) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 2 to the consolidated financial statements which indicates that the consolidated financial statements have been prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic. The impact of the application of the financial reporting reliefs, which are applicable to the Group's Real Estate Segment, specifically under Robinsons Land Corporation, on the 2021 consolidated financial statements are discussed in detail in Note 2. Our opinion is not modified in respect of this matter.



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.

Real Estate Revenue Recognition

The Group's revenue recognition process, policies and procedures are significant to our audit because these involve application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will collect the consideration from the buyer; (2) application of the input method as the measure of progress of project completion in determining the revenue to be recognized; (3) determination of the actual costs incurred as cost of sales; and (4) recognition of cost to obtain a contract.

In the China operations of the Real Estate Segment, revenue is recognized at the end of the project when the contract has been substantially completed and there has been acceptance by the buyer of the real estate inventory sold. Significant judgment is required to determine that the project is completed or substantially completed.

In evaluating whether collectability of the amount of consideration is probable, the Group considers the significance of the buyer's initial payments (or buyer's equity) in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the buyer, age and pricing of the property. Management regularly evaluates the historical sales cancellations and back-outs, after considering the impact of the COVID-19 pandemic, if such would continue to support the Group's current threshold of buyers' equity before commencing revenue recognition.

In determining the transaction price, the Group considers the selling price of the real estate property and other fees and charges collected from the buyers that are not held on behalf of other parties.

In measuring the progress of its performance obligation over time, the Group uses input method. Under this method, progress is measured based on actual costs incurred on materials, labor, and actual overhead relative to the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual costs incurred. The estimation of the total costs of the real estate project requires technical inputs by project engineers.

In determining the actual costs incurred to be recognized as cost of sales, the Group estimates costs incurred on materials, labor and overhead which have not yet been billed by the contractor.



The Group identifies sales commission after contract inception as the cost of obtaining the contract. For contracts which qualified for revenue recognition, the Group capitalizes the total sales commission due to sales agent as cost to obtain contract and recognizes the related commission payable. The Group uses percentage-of-completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

The Group's real estate revenue and costs include revenue and cost recognition from the Real Estate Segment operations in China. In recording its revenues, it uses Completed Contract Method (CCM) in accordance with PFRS 15. Under this method, all revenue and income associated with the sale of the real estate inventories are recognized only after the completion of the project.

The disclosures related to the real estate revenue are included in Notes 3 and 26 to the consolidated financial statements.

Audit Response

We obtained an understanding of the Group's revenue recognition process.

For the buyers' equity, we evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales cancellations and back-outs of buyers with accumulated payments above the collection threshold. We also considered the impact of the COVID-19 pandemic to the level of cancellations during the year. We traced the analysis to supporting documents such as deed of cancellation.

For the determination of the transaction price, we obtained an understanding of the nature of other fees charged to the buyers. For selected contracts, we agreed the amounts excluded from the transaction price against the expected amounts required to be remitted to the government based on existing tax rules and regulations (e.g., documentary stamp taxes, transfer taxes and real property taxes).

For the application of the input method in determining real estate revenue and for determining cost of sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated, including those incurred but not yet billed costs, to the supporting documents such as purchase order, billings and invoices of contractors and other documents evidencing receipt of materials and services from suppliers and contractors. We visited selected project sites and made relevant inquiries, including inquiries on how the COVID-19 pandemic affected the POC during the period, with project engineers. We performed test computation of the POC calculation of management. For selected projects, we obtained the approved total estimated costs and any revisions thereto and the supporting details such as capital fulfillment plan, capital expenditure requests and related executive committee approvals. We likewise performed inquiries with the project engineers for the revisions.

For the recognition of cost to obtain a contract, we obtained an understanding of the sales commission process. For selected contracts, we agreed the basis for calculating the sales commission capitalized and portion recognized in profit or loss, particularly (a) the percentage of commission due against contracts with sales agents, (b) the total commissionable amount (i.e., net contract price) against the related contract to sell, and (c) the POC used in calculating the sales commission against the POC used in recognizing the related revenue from real estate sales.



We sent instructions to our EY network firm in China (EY Hua Ming Chengdu Office) to review the audit procedures performed by the statutory auditors of the Real Estate Segment operations in China for the purpose of the Group's consolidated financial statements. These audit instructions cover the review of the statutory auditors' scope of work, risk assessment procedures, audit strategy and reporting responsibilities. We obtained information about the statutory auditors' key audit areas, planning and execution of audit procedures, significant areas of estimation and judgment, and results of their work for the year ended December 31, 2021. We also reviewed the working papers of the statutory auditors of the Real Estate Segment operations in China, focusing on the procedures performed on the real estate revenue recognition. Based on the reports obtained and reviewed, the statutory auditors in China performed tests of the relevant controls on revenue process, verified the revenue and costs recognized, obtained and assessed relevant licenses including communications to buyers that real estate inventories are ready for acceptance, obtained signed notice of acceptance or equivalent documentation from the buyers, obtained and evaluated accomplishment reports, and validated that the revenue and costs are recognized in the correct period.

Recoverability of Goodwill and Intangible Assets

The Group is required to perform annual impairment tests on its goodwill and intangible assets with indefinite useful lives. As of December 31, 2021, the Group's goodwill attributable to the acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries and other acquired entities amounted to P22.2 billion. The Group's intangible assets with indefinite useful lives consist of trademarks and brands, and product formulation amounting to P1.4 billion and P0.4 billion, respectively. The annual impairment test is significant to our audit because (a) the balances of goodwill and intangible assets with indefinite useful lives are material to the consolidated financial statements; and (b) management's assessment process requires significant judgment and is based on assumptions which are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts.

The Group's disclosures about goodwill and intangible assets with indefinite useful lives are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response

We involved our internal specialists in evaluating the methodologies used and the management's assumptions by comparing the key assumptions used such as revenue growth rate and the terminal growth rate against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data, taking into consideration the impact associated with the COVID-19 pandemic. We also assessed the reasonableness of the discount rate used by comparing these against entities with similar risk profiles, capital structures, industries, and market information. We also reviewed the Group's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of goodwill and intangible assets with indefinite useful lives.



Adequacy of Allowance for Credit Losses on Loans and Receivables from the Banking Segment

The Group's application of the expected credit loss (ECL) model in calculating the allowance for credit losses on loans and receivables of its banking business is significant to our audit as it involves the exercise of significant management judgment. Key areas of judgment include: segmenting the Group's credit risk exposures; determining the method to estimate ECL; defining default; identifying exposures with significant deterioration in credit quality, taking into account extension of payment terms and payment holidays provided as a result of the coronavirus pandemic; determining assumptions to be used in the ECL model such as the counterparty credit risk rating, the expected life of the financial asset, expected recoveries from defaulted accounts and impact of any financial support and credit enhancements extended by any party; and incorporating forward-looking information (called overlays), including the impact of the coronavirus pandemic, in calculating ECL.

Allowance for credit losses on loans and receivables as of December 31, 2021 for the Banking Segment amounted to ₱2.3 billion. Provision for credit losses of the Banking Segment in 2021 amounted to ₱1.3 billion.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 11 to the consolidated financial statements.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Banking Segment's different credit exposures and assessed whether these considered the requirements of PFRS 9 to reflect an unbiased and probability-weighted outcome, and to consider time value of money and the best available forward-looking information.

We (a) assessed the segmentation of its credit risk exposures based on homogeneity of credit risk characteristics; (b) tested the definition of default and significant increase in credit risk criteria against historical analysis of accounts and credit risk management policies and practices in place, and management's assessment of the impact of the coronavirus pandemic on the counterparties; (c) tested the application of internal credit risk rating system, including the impact of the coronavirus pandemic on the borrowers, by reviewing the ratings of sample credit exposures; (d) assessed whether expected life is different from the contractual life by testing the maturity dates reflected in the records and considering management's assumptions regarding future collections, advances, extensions, renewals and modifications; (e) tested loss given default by inspecting historical recoveries and related costs, write-offs and collateral valuations; (f) tested exposure at default considering outstanding commitments and repayment scheme; (g) evaluated the forward-looking information used for overlay through corroboration of publicly available information and our understanding of the Banking Segment's lending portfolios and broader industry knowledge, including the impact of the coronavirus pandemic; and (h) tested the effective interest rate used in discounting the expected loss.

Further, we compared the data used in the ECL models from source system reports to the data warehouse and from the data warehouse to the loss allowance analysis and models and financial reporting systems. To the extent that the loss allowance analysis is based on credit exposures that have been disaggregated into subsets of debt financial assets with similar risk characteristics, we traced or re-performed the disaggregation from source systems to the loss allowance analysis. We also assessed the assumptions used where there are missing or insufficient data.



We recalculated impairment provisions on a sample basis. We reviewed the completeness of the disclosures made in the consolidated financial statements. We involved our internal specialists in the performance of the above procedures.

Accounting for Investment in an Associate

The Group has an investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2021, the Group's share in the net income of Meralco amounted to ₱6.7 billion and accounts for 10.4% of the Group's consolidated gross income.

The Group's share in Meralco's net income is significantly affected by Meralco's revenues from the sale of electricity which arise from its service contracts with a large number of customers that are classified as either commercial, industrial or residential, located within Meralco's franchise area. This matter is significant to our audit because the revenue recognized depends on (a) the complete capture of electric consumption based on the meter readings over the franchise area taken on various dates; (b) the propriety of rates computed and applied across customer classes including the application of adjustments promulgated by the Energy Regulatory Commission (ERC); and (c) the reliability of the IT systems involved in processing the billing transactions.

In addition, Meralco is involved in certain proceedings and claims for which it has recognized provisions for probable costs and/or expenses, which may be incurred, and/or has disclosed relevant information about such contingencies. This matter is significant to our audit because the determination of whether any provision should be recognized and the estimation of the potential liability resulting from these assessments require significant judgment by management. The inherent uncertainty over the outcome of these matters is brought about by the differences in the interpretation and implementation of the relevant laws and regulations.

The disclosures in relation to investments in associates are included in Note 14 to the consolidated financial statements.

Audit response

We obtained an understanding and evaluated the design of, as well as tested the controls over, the customer master file maintenance, accumulation and processing of meter data, and interface of data from the billing system to the financial reporting system. In addition, we performed a test recalculation of the bill amounts using the ERC-approved rates, adjustments and formulae, as well as actual pass-through costs incurred, and compared them with the amounts reflected in the billing statements. We involved our internal specialist in understanding the IT processes and in understanding and testing the IT general controls over the IT systems supporting the revenue process.

We also examined the bases of management's assessment of the possible outcomes and the related estimates of the probable costs and/or expenses that are recognized and/or disclosed in the Group's financial statements and involved our internal specialist when necessary. We discussed with management the status of the claims and/or assessments and obtained correspondences with the relevant authorities and opinions from the internal and external legal counsels. We evaluated the position of the Group by considering the relevant laws, rulings and jurisprudence.

We obtained the financial information of Meralco for the year ended December 31, 2021 and recomputed the Group's share in net income and other comprehensive income for the year ended December 31, 2021.



Impairment Testing of Property and Equipment and Right-of-use Assets

The Group tests for impairment its property and equipment and right-of-use assets where indicators of impairment exist. As of December 31, 2021, the Group has property and equipment and right-of-use assets relating to its airline business amounting to ₱74.3 billion and ₱30.3 billion, respectively. The disruption caused by the COVID-19 pandemic to the Group's airline operations, which reported significant net loss in 2021, is considered by management as an impairment indicator of property and equipment and right-of-use assets. Accordingly, management performed impairment tests to determine whether the carrying amounts of property and equipment and right-of-use assets have exceeded their recoverable amounts.

Management's impairment assessment process on property and equipment and right-of-use assets requires significant judgment and is based on assumptions, specifically discount rate and cashflow forecast, that are subject to higher level of estimation uncertainty especially given the current economic conditions as impacted by the COVID-19 pandemic.

We consider the impairment testing as a key audit matter given that the amounts of property and equipment and right-of-use assets are significant to the consolidated financial statements of the Group, the heightened level of estimation uncertainty on the future economic outlook and market forecast and the significant judgment involved.

The Group's disclosures in relation to property and equipment and right-of-use assets are included in Notes 3, 16 and 42 to the consolidated financial statements.

Audit response

With the involvement of our internal specialist, we evaluated the key assumptions, such as forecasted revenues, operating costs and discount rates, that were used to estimate the discounted cash flows of the CGU to which management attributes the property and equipment and right-of-use 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.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 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, 2021 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 it becomes available and, in doing so, consider whether the other 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 of the consolidated financial statements in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements, 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 accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



The engagement partner on the audit resulting in this independent auditor's report is Vicky Lee Salas.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

Tax Identification No. 129-434-735

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 86838-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | December 31 | |
|---|--------------------|------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents (Note 7) | ₱82,890,121,521 | ₱81,491,412,768 |
| Financial assets at fair value through profit or loss (Note 9) | 6,461,016,163 | 5,565,016,984 |
| Financial assets at fair value through other comprehensive income (Note 10) | 39,258,310,300 | 31,894,154,102 |
| Receivables (Note 11) | 72,223,652,647 | 68,368,485,048 |
| Inventories (Note 12) | 81,611,906,817 | 75,777,125,084 |
| Biological assets (Note 17) | 132,144,916 | 99,919,468 |
| Assets held for sale (Note 14) | — | 11,101,305,051 |
| Other current assets (Note 13) | 23,689,960,612 | 26,991,150,439 |
| Total Current Assets | 306,267,112,976 | 301,288,568,944 |
| Noncurrent Assets | | |
| Financial assets at fair value through other comprehensive income (Note 10) | 44,506,905,999 | 32,847,478,716 |
| Receivables (Note 11) | 75,487,480,442 | 66,846,238,081 |
| Investment securities at amortized cost (Note 10) | 8,474,858,779 | 8,049,365,423 |
| Investments in associates and joint ventures (Note 14) | 146,034,119,456 | 139,332,835,472 |
| Property, plant and equipment (Note 16) | 249,548,670,957 | 260,415,739,705 |
| Investment properties (Note 15) | 117,761,485,499 | 104,675,085,905 |
| Right-of-use assets (Note 42) | 32,280,314,606 | 23,048,735,045 |
| Goodwill (Note 19) | 22,237,699,206 | 32,160,471,793 |
| Intangible assets (Note 18) | 4,352,695,726 | 14,154,901,195 |
| Biological assets (Note 17) | 166,105,594 | 134,331,929 |
| Other noncurrent assets (Note 20) | 15,627,551,560 | 16,654,770,116 |
| Total Noncurrent Assets | 716,477,887,824 | 698,319,953,380 |
| | ₱1,022,745,000,800 | ₱999,608,522,324 |
| LIABILITIES AND EQUITY | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses (Notes 21 and 42) | ₱181,687,563,607 | ₱172,620,587,036 |
| Short-term debts (Note 23) | 65,995,583,482 | 44,418,092,185 |
| Current portion of long-term debts (Note 23) | 19,501,714,468 | 34,413,387,739 |
| Income tax payable | 333,400,913 | 532,809,008 |
| Other current liabilities (Note 22) | 32,691,500,170 | 43,594,117,685 |
| Total Current Liabilities | 300,209,762,640 | 295,578,993,653 |
| Noncurrent Liabilities | | |
| Long-term debts - net of current portion (Note 23) | 200,830,478,415 | 237,928,498,602 |
| Bonds payable (Note 23) | 12,184,836,126 | — |
| Deferred tax liabilities (Note 38) | 4,548,347,515 | 8,661,143,952 |
| Other noncurrent liabilities (Note 24) | 61,340,593,544 | 49,329,529,759 |
| Total Noncurrent Liabilities | 278,904,255,600 | 295,919,172,313 |
| Total Liabilities | 579,114,018,240 | 591,498,165,966 |

(Forward)



| | December 31 | |
|--|---------------------------|------------------|
| | 2021 | 2020 |
| Equity | | |
| Equity attributable to equity holders of the Parent Company: | | |
| Paid-up capital (Note 25) | ₱52,775,553,415 | ₱52,832,571,475 |
| Retained earnings (Note 25) | 246,190,700,415 | 242,690,846,520 |
| Equity reserve (Note 25) | 40,341,545,330 | 30,870,428,825 |
| Other comprehensive losses (Note 36) | (3,998,907,945) | (18,072,540,464) |
| | 335,308,891,215 | 308,321,306,356 |
| Non-controlling interests (Note 25) | 108,322,091,345 | 99,789,050,002 |
| Total Equity | 443,630,982,560 | 408,110,356,358 |
| | ₱1,022,745,000,800 | ₱999,608,522,324 |

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| Years Ended December 31 | | | |
|--|------------------------|---|---|
| | 2021 | 2020 (As Restated - Notes 2 and 44) | 2019 (As Restated - Notes 2 and 44) |
| REVENUE (Note 26) | | | |
| Sale of goods and services: | | | |
| Foods | ₱116,954,788,444 | ₱113,161,785,302 | ₱114,403,217,219 |
| Real estate and hotels | 35,561,985,340 | 27,518,406,639 | 33,491,747,783 |
| Air transportation | 15,740,756,855 | 22,617,967,165 | 84,806,810,363 |
| Petrochemicals | 40,323,467,713 | 21,275,283,602 | 29,053,982,086 |
| Banking | 9,285,942,362 | 9,174,583,626 | 8,121,662,955 |
| Equity in net earnings of associates and joint ventures (Note 14) | 9,685,312,139 | 7,584,634,408 | 13,337,668,925 |
| Dividend income (Note 28) | 2,139,858,648 | 2,011,120,839 | 1,348,711,916 |
| Supplementary businesses | 860,222,110 | 907,768,085 | 749,175,892 |
| | 230,552,333,611 | 204,251,549,666 | 285,312,977,139 |
| COST OF SALES AND SERVICES | | | |
| Cost of sales (Note 30) | 122,294,514,585 | 100,432,212,372 | 109,754,474,094 |
| Cost of services (Note 30) | 43,588,528,368 | 39,532,427,637 | 70,085,768,333 |
| | 165,883,042,953 | 139,964,640,009 | 179,840,242,427 |
| GROSS INCOME | 64,669,290,658 | 64,286,909,657 | 105,472,734,712 |
| NET OPERATING EXPENSES | | | |
| General and administrative expenses (Note 31) | 51,235,705,424 | 52,947,982,752 | 53,703,458,101 |
| Provision for (reversal of) impairment losses and others (Note 34) | 2,018,025,657 | 1,420,479,998 | (2,144,968,452) |
| | 53,253,731,081 | 54,368,462,750 | 51,558,489,649 |
| OPERATING INCOME | 11,415,559,577 | 9,918,446,907 | 53,914,245,063 |
| OTHER INCOME (LOSSES) | | | |
| Financing costs and other charges (Note 35) | (9,111,084,606) | (8,913,379,991) | (9,942,735,096) |
| Finance income (Note 27) | 1,094,584,901 | 1,213,910,835 | 2,054,451,319 |
| Foreign exchange gains (losses) | (3,056,849,330) | 2,566,753,557 | 899,389,898 |
| Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9) | 223,603,728 | (307,614,214) | 703,885,932 |
| Market valuation losses on derivative financial instruments - net (Note 8) | (1,318,117,077) | (2,025,330,184) | (63,352,472) |
| Others (Notes 21 and 29) | 568,113,153 | (470,478,828) | (54,316,681) |
| INCOME (LOSS) BEFORE INCOME TAX | (184,189,654) | 1,982,308,082 | 47,511,567,963 |
| PROVISION FOR INCOME TAX (Note 38) | 362,357,776 | 2,705,574,458 | 5,210,568,871 |
| NET INCOME (LOSS) FROM CONTINUING OPERATIONS | (546,547,430) | (723,266,376) | 42,300,999,092 |
| NET INCOME FROM DISCONTINUED OPERATIONS (Note 44) | 11,280,571,602 | 1,120,472,735 | 364,512,757 |
| NET INCOME | 10,734,024,172 | 397,206,359 | 42,665,511,849 |
| OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Cumulative translation adjustments | 1,652,006,232 | (1,910,864,049) | 1,200,011,485 |
| Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10) | (1,743,564,389) | 457,815,933 | 1,496,992,980 |
| Net gains (losses) from cash flow hedges (Note 8) | 51,509,875 | (230,922,782) | 175,171,778 |

(Forward)



| Years Ended December 31 | | | |
|---|------------------------|---|---|
| | 2021 | 2020 (As Restated - Notes 2 and 44) | 2019 (As Restated - Notes 2 and 44) |
| Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14) | ₱77,748,060 | ₱29,562,000 | ₱176,256,150 |
| Items that will not be reclassified to profit or loss: | | | |
| Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10) | 12,022,272,326 | 8,599,375,242 | (2,403,711,068) |
| Remeasurements of the net defined benefit liability (Note 37) | 679,789,817 | (65,080,677) | (588,565,201) |
| Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14) | (43,264,137) | 26,101,285 | — |
| Share in remeasurements of the net defined benefit liability of associates (Note 14) | 1,918,720,561 | (1,083,403,985) | (1,170,380,505) |
| | 14,615,218,345 | 5,822,582,967 | (1,114,224,381) |
| TOTAL COMPREHENSIVE INCOME | ₱25,349,242,517 | ₱6,219,789,326 | ₱41,551,287,468 |
| NET INCOME (LOSS) ATTRIBUTABLE TO | | | |
| Equity holders of the Parent Company | ₱5,108,229,771 | (₱468,159,528) | ₱31,285,246,332 |
| Non-controlling interests (Note 25) | 5,625,794,401 | 865,365,887 | 11,380,265,517 |
| | ₱10,734,024,172 | ₱397,206,359 | ₱42,665,511,849 |
| TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO | | | |
| Equity holders of the Parent Company | ₱19,124,074,421 | ₱6,246,468,718 | ₱29,342,932,092 |
| Non-controlling interests (Note 25) | 6,225,168,096 | (26,679,392) | 12,208,355,376 |
| | ₱25,349,242,517 | ₱6,219,789,326 | ₱41,551,287,468 |
| Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39) | | | |
| Basic/diluted earnings (loss) per share | ₱0.68 | (₱0.06) | ₱4.16 |

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2021, 2020 and 2019

ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

| | Paid-up Capital (Note 25) | | | Retained Earnings (Note 25) | | | Other Comprehensive Income (Note 36) | | | | | | | NON-CONTROLLING INTERESTS (Note 25) | TOTAL EQUITY |
|---|---------------------------|----------------------------|------------------------------|-----------------------------|--------------------------------|------------------------------|--------------------------------------|--------------------------|--|--|---|---|---|-------------------------------------|-------------------------|
| | Capital Stock | Additional Paid-in Capital | Stock Dividend Distributable | Total Paid-up Capital | Unrestricted Retained Earnings | Restricted Retained Earnings | Total Retained Earnings | Equity Reserve (Note 25) | Cumulative Translation Adjustments (Note 25) | Net Unrealized Gains (Losses) on Financial Assets at FVOCI (Note 10) | Net Unrealized Losses on Cash Flow Hedge (Note 8) | Remeasurements of the Net Defined Benefit Liability (Note 37) | Total Other Comprehensive Income (Loss) | | |
| Balance at January 1, 2021 | P7,560,983,658 | P45,148,987,817 | P122,600,000 | P52,832,571,475 | P124,406,517,121 | P118,284,329,399 | P242,690,846,520 | P30,870,428,825 | (P924,884,392) | (P14,794,597,877) | (P23,730,026) | (P2,329,328,169) | (P18,072,540,464) | P308,321,306,356 | P99,789,050,002 |
| Total comprehensive income | — | — | — | — | 5,108,229,771 | — | 5,108,229,771 | — | 877,705,266 | 10,755,237,381 | 23,730,026 | 2,359,171,977 | 14,015,844,650 | 19,124,074,421 | 6,225,168,096 |
| Cash dividends | — | — | — | — | (2,873,173,790) | — | (2,873,173,790) | — | — | — | — | — | — | (2,873,173,790) | (4,420,473,375) |
| Sale of equity interest in an associate | — | — | — | — | (57,787,869) | — | (57,787,869) | — | — | — | — | 57,787,869 | — | 57,787,869 | — |
| Sale of equity interest in a subsidiary (by a subsidiary) | — | — | — | — | — | — | — | 10,830,531,189 | — | — | — | — | — | 10,830,531,189 | 10,593,578,230 |
| Acquisition of non-controlling interest by a subsidiary | — | — | — | — | (4,210,312) | — | (4,210,312) | — | — | — | — | — | — | (4,210,312) | (473,539,688) |
| Issuance of shares by subsidiaries | — | — | — | — | — | — | — | 159,533,787 | — | — | — | — | — | 159,533,787 | 3,021,843,474 |
| Stock dividends | 2,000,000 | 120,600,000 | (122,600,000) | — | — | — | — | — | — | — | — | — | — | — | — |
| Increase in subsidiaries' treasury shares | — | (700,245) | — | (700,245) | — | — | — | (185,652,747) | — | — | — | — | — | (186,352,992) | (673,255,042) |
| Stock issue costs of subsidiaries | — | (56,317,815) | — | (56,317,815) | (6,499,629) | — | (6,499,629) | — | — | — | — | — | — | (62,817,444) | (11,519,640) |
| Sale of business by a subsidiary (Note 44) | — | — | — | — | 1,333,295,724 | — | 1,333,295,724 | (1,333,295,724) | — | — | — | — | — | — | (6,244,876,706) |
| Acquisition of new subsidiary by a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 341,291,632 |
| Subsidiary's share-based payments (Note 45) | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 174,824,362 |
| Balance at December 31, 2021 | P7,562,983,658 | P45,212,569,787 | P— | P52,775,553,415 | P127,906,371,016 | P118,284,329,399 | P246,190,700,415 | P40,341,545,330 | (P47,179,126) | (P4,039,360,496) | P— | P87,631,677 | (P3,998,907,945) | P335,308,891,215 | P108,322,091,345 |
| Balance at January 1, 2020 | P7,202,841,657 | P23,553,025,157 | P— | P30,755,866,814 | P149,688,466,157 | P118,284,329,399 | P267,972,795,556 | P30,870,148,859 | P135,082,929 | (P23,832,621,540) | P121,882,506 | (P1,211,512,605) | (P24,787,168,710) | P304,811,642,519 | P103,835,500,348 |
| Total comprehensive income | — | — | — | — | (468,159,528) | — | (468,159,528) | — | (1,059,967,321) | 9,038,023,663 | (145,612,532) | (1,117,815,564) | 6,714,628,246 | 6,246,468,718 | (26,679,392) |
| Cash dividends | — | — | — | — | (2,737,084,847) | — | (2,737,084,847) | — | — | — | — | — | — | (2,737,084,847) | (4,494,502,566) |
| Stock dividends | 358,142,001 | 21,595,962,660 | 122,600,000 | 22,076,704,661 | (22,076,704,661) | — | (22,076,704,661) | — | — | — | — | — | — | — | — |
| Increase in subsidiary's treasury shares | — | — | — | — | — | — | — | 279,966 | — | — | — | — | — | 279,966 | (45,040,628) |
| Acquisition of non-controlling interest by a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 327,772,240 |
| Issuance of shares by a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 192,000,000 |
| Balance at December 31, 2020 | P7,560,983,658 | P45,148,987,817 | P122,600,000 | P52,832,571,475 | P124,406,517,121 | P118,284,329,399 | P242,690,846,520 | P30,870,428,825 | (P924,884,392) | (P14,794,597,877) | (P23,730,026) | (P2,329,328,169) | (P18,072,540,464) | P308,321,306,356 | P99,789,050,002 |
| Balance at January 1, 2019 | P7,202,841,657 | P23,553,025,157 | P— | P30,755,866,814 | P121,568,271,238 | P117,784,329,399 | P239,352,600,637 | P29,573,169,046 | (P538,392,593) | (P22,647,670,192) | P2,541,653 | P338,666,662 | (P22,844,854,470) | P276,836,782,027 | P91,055,029,938 |
| Total comprehensive income | — | — | — | — | 31,285,246,332 | — | 31,285,246,332 | — | 673,475,522 | (1,184,951,348) | 119,340,853 | (1,550,179,267) | (1,942,314,240) | 29,342,932,092 | 12,208,355,376 |
| Reversal of appropriation of retained earnings | — | — | — | — | 24,500,000,000 | (24,500,000,000) | — | — | — | — | — | — | — | — | — |
| Appropriation of retained earnings | — | — | — | — | (25,000,000,000) | 25,000,000,000 | — | — | — | — | — | — | — | — | — |
| Cash dividends | — | — | — | — | (2,665,051,413) | — | (2,665,051,413) | — | — | — | — | — | — | (2,665,051,413) | (5,768,961,389) |
| Property dividends (subsidiary) | — | — | — | — | — | — | — | (18,260,801) | — | — | — | — | — | (18,260,801) | (38,738,395) |
| Increase in subsidiary's treasury shares | — | — | — | — | — | — | — | (16,132,408) | — | — | — | — | — | (16,132,408) | (104,451,717) |
| Incorporation of a subsidiary (by a subsidiary) | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 159,250,000 |
| Sale of equity interest in a subsidiary (Note 44) | — | — | — | — | — | — | — | 1,331,373,022 | — | — | — | — | — | 1,331,373,022 | 6,066,755,734 |
| Issuance of shares by a subsidiary | — | — | — | — | — | — | — | — | — | — | — | — | — | — | 240,000,000 |
| Balance at December 31, 2019 | P7,202,841,657 | P23,553,025,157 | P— | P30,755,866,814 | P149,688,466,157 | P118,284,329,399 | P267,972,795,556 | P30,870,148,859 | P135,082,929 | (P23,832,621,540) | P121,882,506 | (P1,211,512,605) | (P24,787,168,710) | P304,811,642,519 | P103,835,500,348 |

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Years Ended December 31 | | |
|---|-------------------------|------------------|------------------|
| | 2021 | 2020 | 2019 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Income (loss) before income tax from continuing operations | (P184,189,654) | P 1,982,308,082 | P 47,511,567,963 |
| Income before income tax from discontinued operations (Note 44) | 11,599,742,265 | 1,278,949,112 | 526,258,396 |
| Income before income tax | 11,415,552,611 | 3,261,257,194 | 48,037,826,359 |
| Adjustments for: | | | |
| Depreciation and amortization (Notes 15, 16, 18, 33, 42 and 44) | 30,332,169,190 | 31,607,025,151 | 30,012,996,106 |
| Interest expense (Notes 35 and 44) | 9,593,703,923 | 9,498,175,745 | 10,735,461,364 |
| Unrealized foreign exchange (gains) losses | 3,045,695,579 | (2,584,645,951) | (828,657,682) |
| Provision for (recovery from) impairment losses (Note 34) | 1,908,857,830 | 1,420,479,998 | (2,144,971,130) |
| Market valuation losses on derivative financial instruments - net (Note 8) | 1,318,117,077 | 2,025,330,184 | 63,352,472 |
| Gain on sale of financial assets at fair value through OCI (Notes 10 and 29) | (348,808,663) | (23,850,313) | (277,810,114) |
| Loss on extinguishment of debt (Note 23) | 77,337,557 | — | — |
| Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17) | (2,550,156) | (37,039,948) | 70,184,825 |
| Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9) | (223,603,728) | 307,614,214 | (703,885,932) |
| Gain on disposal of asset held for sale (Note 14) | (261,944,949) | — | — |
| Finance income (Notes 27 and 44) | (1,111,625,185) | (1,232,992,615) | (2,096,212,143) |
| Loss (gain) on sale and retirement of property, plant and equipment (Note 16) | (1,214,494,973) | 370,195,060 | 223,819,896 |
| Inventory obsolescence and market decline (Note 34) | 109,167,827 | — | 2,678 |
| Dividend income (Note 28) | (2,139,858,648) | (2,011,120,839) | (1,348,711,916) |
| Equity in net earnings of associates and joint ventures (Note 14) | (9,685,312,139) | (7,616,221,319) | (13,357,511,170) |
| Gain on sale of business (Note 44) | (10,100,438,582) | — | — |
| Write-down of biological assets (Note 17) | — | 550,573,074 | 238,990,324 |
| Gain on sale of investment securities at amortized cost (Note 10) | — | (190,914,608) | (62,879,198) |
| Gain on remeasurement of investment in associate (Note 14) | — | (71,324,225) | — |
| Gain on sale and disposal of investments in associates and joint ventures (Note 14) | — | (34,465,240) | — |
| Gain on retirement and disposal of investment properties (Note 15) | — | — | (17,356,519) |
| Operating income before changes in working capital accounts | 32,711,964,571 | 35,238,075,562 | 68,544,638,220 |
| Changes in operating assets and liabilities: | | | |
| Decrease (increase) in | | | |
| Financial assets at fair value through profit or loss | (672,395,451) | (1,487,986,228) | (231,289,647) |
| Derivative assets | — | — | (49,787,891) |
| Receivables | (14,962,575,864) | (16,557,142,519) | (24,978,680,750) |
| Inventories | (6,604,816,148) | (6,606,036,520) | (4,573,432,766) |
| Biological assets | (149,317,080) | 102,612,963 | (266,553,047) |
| Other current assets | 2,581,704,792 | (3,622,276,914) | (6,011,704,518) |
| Increase (decrease) in | | | |
| Accounts payable and accrued expenses | 9,070,638,830 | 15,087,004,249 | 12,832,086,217 |
| Unearned revenue | 39,179,373 | (8,210,131,825) | 771,081,559 |
| Other current liabilities | (10,083,078,905) | 13,334,767,937 | 909,221,590 |
| Net cash generated from operations | 11,931,304,118 | 27,278,886,705 | 46,945,578,967 |
| Interest paid | (10,070,737,832) | (8,684,256,122) | (10,981,560,781) |
| Income taxes paid | (3,978,870,270) | (4,600,167,595) | (5,346,484,101) |
| Interest received | 1,125,220,015 | 682,902,238 | 1,921,379,426 |
| Net cash (used in) provided by operating activities | (993,083,969) | 14,677,365,226 | 32,538,913,511 |

(Forward)



| | Years Ended December 31 | | |
|---|-------------------------|------------------------|------------------------|
| | 2020 | 2020 | 2019 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisitions of: | | | |
| Financial assets at fair value through other comprehensive income (Note 10) | (P25,384,597,804) | (P29,694,236,608) | (P28,047,982,472) |
| Property, plant and equipment (Note 16) | (32,282,201,440) | (27,046,779,261) | (62,087,888,513) |
| Investment properties (Note 15) | (13,453,825,400) | (10,302,106,286) | (10,060,530,771) |
| Investment securities at amortized cost | (912,516,473) | (860,922,314) | (196,260,131) |
| Intangible assets (Note 18) | (301,587,921) | (519,916,914) | (137,886,422) |
| Investments in associates and joint ventures (Note 14) | (655,599,541) | (412,556,393) | (1,544,789,775) |
| Subsidiaries, net of cash acquired (Notes 14 and 19) | (22,565,594,339) | (200,877,673) | — |
| Dividends received on investments in associates and joint ventures (Note 14) | 4,985,370,666 | 7,227,674,931 | 6,866,259,987 |
| Dividends received (Note 28) | 2,793,840,024 | 2,011,120,839 | 1,348,711,916 |
| Decrease (increase) in the amounts of other noncurrent assets | 3,893,982,808 | (3,259,614,783) | 18,056,459,316 |
| Refund of pre-delivery payments (Note 16) | 5,911,374,086 | 1,231,661,595 | — |
| Acquisition of equity interest in a subsidiary (by a subsidiary) (Note 2) | (477,750,000) | — | — |
| Proceeds from sale/maturity of: | | | |
| Financial assets at fair value through other comprehensive income (Note 10) | 17,489,322,420 | 20,343,881,852 | 24,243,072,327 |
| Business (Note 44) | 22,292,159,390 | — | — |
| Investment securities at amortized cost (Note 10) | 487,023,117 | 4,359,732,740 | 1,498,635,579 |
| Investment in associate and joint venture (Note 14) | — | 373,377,600 | — |
| Property, plant and equipment (Note 16) | 11,975,974,647 | 7,382,224,579 | 4,453,351,444 |
| Investment properties | 65,815,075 | — | 50,004,269 |
| Assets held for sale (Note 14) | 9,090,600,000 | — | — |
| Proceeds from sale of business without loss of control (Note 44) | — | — | 7,204,512,000 |
| Net cash used in investing activities | (17,048,210,685) | (29,367,336,096) | (38,354,331,246) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Availments of: | | | |
| Short-term debts (Note 47) | 108,323,336,278 | 114,373,521,775 | 85,967,968,788 |
| Long-term debts (Note 47) | — | 66,185,040,215 | 47,449,632,216 |
| Proceeds from issuance of bonds payable, net of bond issue cost (Note 23) | 11,782,473,335 | — | — |
| Dividends paid to non-controlling interests (Note 25) | (4,420,473,375) | (4,494,502,566) | (5,768,961,389) |
| Increase (decrease) in other noncurrent liabilities | 1,646,390,333 | (5,924,680,459) | 5,114,680,765 |
| Settlements of: | | | |
| Short-term debts (Note 47) | (87,105,805,043) | (118,820,360,881) | (67,145,701,321) |
| Long-term debts (Notes 23 and 47) | (25,562,742,347) | (10,489,146,497) | (35,529,183,139) |
| Principal portion of lease liabilities (Note 42) | (7,160,310,932) | (6,729,663,842) | (6,738,059,926) |
| Dividends paid on: | | | |
| Common shares (Note 25) | (2,857,973,790) | (2,721,884,847) | (2,650,251,413) |
| Preferred shares (Note 25) | (15,200,000) | (15,200,000) | (14,800,000) |
| Cash received from non-controlling interest for newly incorporated subsidiary (Note 25) | — | 327,772,240 | 399,250,000 |
| Purchase of treasury shares by subsidiaries | (859,608,034) | (44,760,662) | (120,584,125) |
| Net cash received from NCI for issuance of shares by a subsidiary (Note 25) | 3,150,653,253 | 192,000,000 | — |
| Net proceeds from sale of equity interest in a subsidiary | 22,519,263,729 | — | — |
| Net cash provided by financing activities | 19,440,003,407 | 31,838,134,476 | 20,963,990,456 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 1,398,708,753 | 17,148,163,606 | 15,148,572,721 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 81,491,412,768 | 64,343,249,162 | 49,194,676,441 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7) | P82,890,121,521 | P81,491,412,768 | P64,343,249,162 |

See accompanying Notes to Consolidated Financial Statements.



JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

JG Summit Holdings, Inc. (the Parent Company) was incorporated in the Philippines on November 23, 1990 with a corporate term of 50 years from the date of incorporation. On May 8, 2014, the Board of Directors (BOD) of the Parent Company approved its amendment to Article Three of the Amended Articles of Incorporation to change the principal office address of the Parent Company from “Metro Manila, Philippines” to “43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City” in accordance with Securities and Exchange Commission (SEC) Memorandum Circular No. 6, Series of 2014.

The Parent Company, a holding company, is the ultimate parent of the JG Summit Group (the Group). The Group has business interests in branded consumer foods, agro-industrial and commodity food products, real property development, hotels, banking and financial services, telecommunications, petrochemicals, air transportation and power distribution.

The Group conducts business throughout the Philippines, but primarily in and around Metro Manila where it is based. The Group also has branded food businesses in the People’s Republic of China, in the Association of Southeast Asian Nations region and interests in property development businesses in Singapore and People’s Republic of China.

The principal activities of the Group are further described in Note 6, *Segment Information*, to the consolidated financial statements.

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), financial assets at fair value through other comprehensive income (FVOCI), and derivative financial instruments that are measured at fair value, and certain biological assets and agricultural produce that are measured at fair value less estimated costs to sell.

The consolidated financial statements of the Group are presented in Philippine peso (₱), the functional currency of the Parent Company. All values are rounded to the nearest peso except when otherwise stated.

A summary of the functional currencies of certain foreign subsidiaries within the Group follows:

| Subsidiaries | Country of Incorporation | Functional Currency |
|--|--------------------------|---------------------|
| Parent Company | | |
| JG Summit Cayman Limited | Cayman Islands | US Dollar |
| JG Summit Philippines, Ltd. and Subsidiaries | | |
| JG Summit Philippines, Ltd. | -do- | -do- |
| JGSH Philippines, Limited | British Virgin Islands | -do- |
| Telegraph Development, Ltd. | -do- | -do- |
| Summit Top Investment, Ltd. | -do- | -do- |
| JG Digital Equity Ventures and a Subsidiary | | |
| JG Digital Capital Pte. Ltd. | Singapore | Singapore Dollar |

(Forward)



| Subsidiaries | Country of Incorporation | Functional Currency |
|--|--------------------------|---------------------|
| URC Group | | |
| Universal Robina (Cayman), Limited | Cayman Islands | US Dollar |
| URC Philippines, Limited | British Virgin Islands | -do- |
| URC Asean Brands Co. Ltd. | -do- | -do- |
| Hong Kong China Foods Co. Ltd. | -do- | -do- |
| URC International Co., Ltd. | -do- | -do- |
| URC China Commercial Co. Ltd. | China | Chinese Renminbi |
| Xiamen Tongan Pacific Food Co., Ltd. | -do- | -do- |
| Shanghai Peggy Foods Co., Ltd. | -do- | -do- |
| Guangzhou Peggy Foods Co., Ltd. | -do- | -do- |
| Jiangsu Acesfood Industrial Co. | -do- | -do- |
| Shantou SEZ Shanfu Foods Co., Ltd. | -do- | -do- |
| Shantou Peggy Co., Ltd. | -do- | -do- |
| URC Hong Kong Company Limited | -do- | Hong Kong Dollar |
| URC (Thailand) Co., Ltd. | Thailand | Thai Baht |
| Siam Pattanasin Co., Ltd. | -do- | -do- |
| URC Foods (Singapore) Pte. Ltd. | Singapore | Singapore Dollar |
| Advanson International Pte. Ltd. | -do- | -do- |
| URC Equity Ventures Pte. Ltd. | -do- | -do- |
| PT URC Indonesia | Indonesia | Indonesian Rupiah |
| URC (Myanmar) Co. Ltd. | Myanmar | Myanmar Kyats |
| URC Vietnam Co., Ltd. | Vietnam | Vietnam Dong |
| URC Hanoi Company Limited | -do- | -do- |
| URC Central Co. Ltd. | -do- | -do- |
| Ricellent Sdn. Bhd. | Malaysia | Malaysian Ringgit |
| URC Snack Foods (Malaysia) Sdn. Bhd. | -do- | -do- |
| Crunchy Foods Sdn. Bhd. (Malaysia) | -do- | -do- |
| Munchy Foods Industries Sdn. Bhd. | -do- | -do- |
| Munchworld Marketing Sdn. Bhd. | -do- | -do- |
| RLC Group | | |
| Robinsons (Cayman) Limited | Cayman Islands | US Dollar |
| RLC Resources Ltd | British Virgin Islands | -do- |
| Land Century Holdings, Ltd. | China | Hong Kong Dollar |
| World Century Enterprise Ltd. | -do- | -do- |
| First Capital Development, Ltd. | -do- | -do- |
| Chengdu Xin Yao Real Estate Development, Co. Ltd | -do- | Chinese Renminbi |

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) in response to the COVID-19 pandemic.

Deferral of the following provisions of Philippine Interpretations Committee (PIC) Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry

On December 15, 2020, the Philippine SEC issued SEC Memorandum Circular (MC) No. 34-2020 which further extended the deferral of the following provisions of PIC Q&A 2018-12 until December 31, 2023:

- Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
- Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
- Implementation of International Financial Reporting Standards (IFRS) Interpretations Committee (IFRIC) Agenda Decision on Over Time Transfer of Constructed Goods (Philippine Accounting Standard (PAS) 23, *Borrowing Cost*) for Real Estate industry



The exclusion of land in the determination of POC and IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (PAS 23, *Borrowing Cost*) for Real Estate industry as discussed in PIC Q&A No. 2018-12-E are not applicable to the Group's real estate operations in the Philippines.

The details and the impact of the adoption of the above financial reporting reliefs are discussed in the "Standards Issued But Not Yet Effective" section.

PFRSs include Philippine Financial Reporting Standards, Philippine Accounting Standards and Interpretations issued by the Philippine Interpretations Committee (PIC).



Basis of Consolidation

The consolidated financial statements include the financial statements of the Parent Company and the following wholly and majority-owned subsidiaries:

| Subsidiaries | Country of Incorporation | Principal Place of Business | Effective Percentage of Ownership | |
|---|--------------------------|--|-----------------------------------|---------|
| | | | 2021 | 2020 |
| Food | | | | |
| Universal Robina Corporation (URC) and Subsidiaries | Philippines* | 8 th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City | 55.33 | 55.25 |
| CFC Corporation | -do- | -do- | 55.33 | 55.25 |
| Bio-Resource Power Generation Corporation | -do- | Manjuyod, Negros Oriental | 55.33 | 55.25 |
| Nissin-URC | -do- | CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City | 28.22** | 28.17** |
| URC Snack Ventures Inc. (formerly, Calbee-URC, Inc. (CURCI)) | -do- | 8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City | 55.33 | 55.25 |
| URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC)) | -do- | -do- | 55.33 | 55.25 |
| URC Philippines, Limited (URCPL) | British Virgin Islands | Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 55.33 | 55.25 |
| URC International Co. Ltd. (URCICL) and Subsidiaries | -do- | -do- | 55.33 | 55.25 |
| Universal Robina (Cayman), Ltd. (URCL) | Cayman Islands | Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies | 55.33 | 55.25 |
| URC China Commercial Co., Ltd. | China | 318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China | 55.33 | 55.25 |
| Najalin Agri-Ventures, Inc. (NAVI) (Note 16) | Philippines | CAC Compound, La Carlota City, Negros Occidental | 53.02** | 52.94** |
| Air Transportation | | | | |
| CP Air Holdings, Inc. (CPAHI) and Subsidiaries | Philippines | 2nd Floor, Doña Juanita Marquez Lim Building, Osmeña Boulevard, Cebu City | 100.00 | 100.00 |
| Cebu Air, Inc. (CAI) and Subsidiaries | -do- | -do- | 66.56 | 67.80 |
| CEBGO, Inc. (CEBGO) | -do- | AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga | 66.56 | 67.80 |
| Aviation Partnership (Philippines) Corp | -do- | 3rd Floor Aviation Partnership Philippines Bldg. 8006 Domestic Road Pasay City | 100.00 | 100.00 |
| Real Estate and Hotels | | | | |
| Robinsons Land Corporation (RLC) and Subsidiaries | Philippines | 43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City | 61.19 | 60.97 |
| Robinson’s Inn, Inc. | -do- | -do- | 61.19 | 60.97 |
| RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation) | -do- | -do- | 38.85** | 60.97 |
| Robinsons (Cayman) Limited | Cayman Islands | Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands | 61.19 | 60.97 |
| Robinsons Properties Marketing and Management Corporation | Philippines | 43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City | 61.19 | 60.97 |
| Manhattan Buildings and Management Corp | -do- | -do- | 61.19 | 60.97 |
| Altus Angeles, Inc. | -do- | McArthur Highway, Balisage, Angeles City, Pampanga | 31.20** | 31.09** |

(Forward)



| Subsidiaries | Country of Incorporation | Principal Place of Business | Effective Percentage of Ownership | |
|--|--------------------------|--|-----------------------------------|---------|
| | | | 2021 | 2020 |
| Go Hotels Davao, Inc. | -do- | Lanang, Davao City | 31.20** | 31.09** |
| RLC Resources Ltd | British Virgin Islands | British Virgin Islands | 61.19 | 60.97 |
| Land Century Holdings, Ltd. | China | Hong Kong | 61.19 | 60.97 |
| World Century Enterprise Ltd. | -do- | Hong Kong | 61.19 | 60.97 |
| First Capital Development, Ltd | -do- | Hong Kong | 61.19 | 60.97 |
| Chengdu Xin Yao Real Estate Development Co. Ltd. | -do- | China | 61.19 | 60.97 |
| Bacoor R and F Land Corporation (BRFLC) | Philippines | Philippines | 42.83** | 42.68 |
| Bonifacio Property Ventures, Inc. | -do- | Philippines | 61.19 | 60.97 |
| Altus Mall Ventures, Inc. | -do- | Philippines | 61.19 | 60.97 |
| RLGB Land Corporation (RLGB) | -do- | Philippines | 61.19 | 31.09** |
| Robinsons Logistix and Industrials, Inc. (RLII) | -do- | Philippines | 61.19 | — |
| RL Property Management, Inc. (RLPMI) | -do- | Philippines | 61.19 | — |
| RL Fund Management, Inc. (RLFMI) | -do- | Philippines | 61.19 | — |
| Malldash Corp. | -do- | Philippines | 61.19 | — |
| Altus Property Ventures, Inc. (APVI) | -do- | Brgy. 1 San Francisco, San Nicolas, Ilocos Norte | 64.70 | 64.70 |
| Petrochemicals | | | | |
| JG Summit Petrochemical Corporation (JGSPC) | Philippines | Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City | 100.00 | 100.00 |
| Peak Fuel Corporation | -do- | 10 th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, Ortigas Center, Pasig City | 100.00 | 100.00 |
| JG Summit Olefins Corporation (JGSOC) | -do- | 43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City | 100.00 | 100.00 |
| JGSOC Philippines Limited | British Virgin Islands | British Virgin Islands | 100.00 | 100.00 |
| Banking | | | | |
| Robinsons Bank Corporation (RBC) and a Subsidiary | -do- | 17th floor, Galleria Corporate Center EDSA corner Ortigas Avenue, Quezon City | 60.00 | 60.00 |
| Legazpi Savings Bank, Inc. (LSB) | -do- | Rizal Street, Barangay Sagpon, Albay, Legazpi City | 60.00 | 60.00 |
| Supplementary Businesses | | | | |
| Data Analytics Ventures, Inc. (DAVI) | -do- | 42nd Floor, Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City | 45.20** | 45.20** |
| JG Digital Equity Ventures, Inc. (JG DEV) and Subsidiary | -do- | 29th Floor, Galleria Corporate Center, EDSA, Quezon City | 100.00 | 100.00 |
| JG Digital Capital Pte. Ltd. (JDCPL) | Singapore | 168 Tagore Lane Singapore | 100.00 | 100.00 |
| JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries | Philippines | 40th Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City | 100.00 | 100.00 |
| JG Summit Capital Markets Corporation (JGSMC) | -do- | -do- | 100.00 | 100.00 |
| Summit Internet Investments, Inc. | -do- | -do- | 100.00 | 100.00 |
| JG Summit Cayman, Ltd. (JGSCL) | Cayman Islands | Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands | 100.00 | 100.00 |
| JG Summit Philippines Ltd. (JGSPL) and Subsidiaries | -do- | -do- | 100.00 | 100.00 |
| JGSH Philippines, Limited | British Virgin Islands | Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | 100.00 | 100.00 |
| Telegraph Developments, Ltd. | -do- | -do- | 100.00 | 100.00 |
| Summit Top Investments, Ltd. | -do- | -do- | 100.00 | 100.00 |
| Unicon Insurance Brokers Corporation (UIBC) | Philippines | CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City | 100.00 | 100.00 |

(Forward)



| Subsidiaries | Country of Incorporation | Principal Place of Business | Effective Percentage of Ownership | |
|---|-----------------------------|--|--------------------------------------|--------|
| | | | 2021 | 2020 |
| JG Summit Infrastructure Holdings Corporation | -do- | 43 rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City | 100.00 | 100.00 |
| Merbau Corporation | -do- | Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City | 100.00 | 100.00 |
| Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries | -do- | 5th Floor Citibank Center, Makati | 100.00 | 100.00 |
| Fruits of the East, Inc. | -do- | Citibank Center, Paseo de Roxas, Makati | 100.00 | 100.00 |
| Hometel Integrated Management Corporation | -do- | -do- | 100.00 | 100.00 |
| King Leader Philippines, Inc. | -do- | 5th Floor Citibank Center, Makati | 100.00 | 100.00 |
| Tropical Aqua Resources | -do- | -do- | 100.00 | 100.00 |
| United Philippines Oil Trading, Inc. | -do- | -do- | 100.00 | 100.00 |
| Samar Commodities Trading and Industrial Corporation | -do- | -do- | 100.00 | 100.00 |

* Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.

** These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.



Investment in RLGB

On October 18, 2021, Gokongwei Brothers Foundation's (GBF's) 49% share subscription was rescinded and its invested capital was returned subsequently pursuant to the Rescission Agreement executed between RLGB and GBF. RLGB became a wholly-owned subsidiary of RLC.

Investment in RLII

On April 5, 2021, RLII was incorporated to engage in and carry on a business of logistics and to develop buildings, warehouses, industrial and logistics facilities, among others.

Investment in RLPMI

On April 12, 2021, RLPMI was incorporated primarily to engage in the business of providing services in relation to property management, lease management, marketing, project management, including tenant services, care and maintenance of physical structures, securing and administering routine management services, formulating and implementing leasing strategies, enforcing tenancy conditions, ensuring compliance with relevant government regulations with respect to the managed property, and formulating and implementing policies and programs in respects of building management, maintenance and improvement, initiating refurbishment and monitoring thereof, and such other duties and functions necessary and incidental to property management.

Investment in RLFMI

On May 28, 2021, RLFMI was incorporated to engage in the business of providing fund management services to real estate investment trust (REIT) companies, as provided under Republic Act No. 9856 (the Real Estate Investment Trust Act of 2009), including its implementing rules and regulations.

Incorporation of Malldash Corp

On July 26, 2021, Malldash Corp. was organized to engage in, develop, operate, and maintain the business of providing Information Technology (I.T.) solutions; to develop, operate, and maintain an electronic marketplace that will allow for business to business integration to consumer electronic commerce solutions; to provide solutions for merchant to consumer/user product delivery and/or fulfillment; to provide logistic services and digital services; and to do other things necessary or convenient for carrying out into effect the foregoing purpose.

RL Commercial REIT

On April 15, 2021, the BOD and stockholders of the RCR approved the amendments to the Articles of Incorporation (AOI) of Robinsons Realty and Management Corporation that resulted in: (a) change in corporate name to RL Commercial REIT, Inc.; (b) change in primary purpose to engage in the business of REIT; (c) increase in authorized capital stock from One Hundred Million Pesos (₱100,000,000), divided into One Hundred Million (100,000,000) common shares with par value of One Peso (₱1.00) per share, to Thirty-Nine Billion Seven Hundred Ninety-Five Million Nine Hundred Eighty-Eight Thousand Seven Hundred Thirty-Two (39,795,988,732) shares with par value of One Peso (₱1.00) per share.

Further, a Comprehensive Deed of Assignment was executed between RCR and RLC on April 15, 2021 for the assignment, transfer, and conveyance by RLC of several properties (the Assigned Properties) to RCR in the form of buildings and condominium units with an aggregate gross area of Three Hundred Sixty-Five Thousand Three Hundred Twenty-Nine and Eighty-One Hundredths (365,329.81) square meters and with a total value of Fifty-Nine Billion Forty-Six Million Pesos (₱59,046,000,000) in exchange for the issuance of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three (9,923,997,183) shares of the Assigned Properties at One Peso (₱1.00) per share with an aggregate par value of Nine Billion Nine Hundred Twenty-Three Million Nine Hundred Ninety-Seven Thousand One Hundred Eighty-Three Pesos (₱9,923,997,183), with the remaining amount of Forty-Nine Billion One Hundred Twenty-Two Million Two Thousand Eight



Hundred Seventeen Pesos (₱49,122,002,817) being treated as additional paid-in capital without issuance of additional shares (the Property-for-Share Swap).

On August 2, 2021, the SEC approved the amendments to RCR's AOI and the Property-for-Share Swap. On September 14, 2021, RCR completed its initial public offering, and its common shares were listed and currently traded in the PSE as a REIT entity.

Merger of JGSPC with JGSOC

On December 18, 2020, the Board of Directors (BOD) of JGSPC approved a plan to merge JGSPC and JGSOC, a sister company incorporated in the Philippines and registered with the Philippine SEC, wherein JGSOC will be the surviving entity. On September 30, 2021, the merger of the said companies was approved by the Philippine SEC effective on January 1, 2022.

Transfer of direct control over APVI

On July 31, 2019, RLC declared its 93.89% stake in APVI as property dividends in favor of its registered shareholders. As a result, the Parent Company now has direct control over APVI. However, this has no impact in the consolidated financial statements.

Incorporation of DAVI

On December 4, 2018, the Group, through its majority-owned subsidiaries CAI and RLC and wholly-owned subsidiary JG DEV and in partnership with Robinsons Retail Holdings, Inc. (RRHI), launched DAVI, the conglomerate's data services firm.

On June 5, 2020, the Group made additional capital infusion to DAVI amounting to ₱288.0 million.

The Group controls an investee if and only if the Group has:

- Power over the investee (i.e., 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 its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Group.

All intragroup transactions, balances, income and expenses are eliminated in the consolidation.



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.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Group.

If the Group loses control over a subsidiary, it:

- derecognizes the assets (including goodwill) and liabilities of the subsidiary;
- derecognizes the carrying amount of any non-controlling interest;
- derecognizes the related other comprehensive income recorded in equity and recycles the same to profit or loss or retained earnings;
- recognizes the fair value of the consideration received;
- recognizes the fair value of any investment retained; and
- recognizes any surplus or deficit in profit or loss in the consolidated statement of comprehensive income.

Business Combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss in the consolidated statement of comprehensive income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant PFRS. Changes in the fair value of contingent consideration classified as equity are not recognized.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that if known, would have affected the amounts recognized as of that date. The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum period of one year.

If the business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (the date when the Group attains control) and the resulting gain or loss, if any, is recognized in profit or loss in the consolidated statement of comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss



in the consolidated statement of comprehensive income, where such treatment would be appropriate if that interest were disposed of.

Goodwill

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date the control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held interest, if any, in the entity over the net fair value of the identifiable net assets recognized.

If after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest, if any, the excess is recognized immediately in profit or loss in the consolidated statement of comprehensive income as a bargain purchase gain.

Goodwill is not amortized, but is reviewed for impairment at least annually. Any impairment loss is recognized immediately in profit or loss in the consolidated statement of comprehensive income and is not subsequently reversed.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as at January 1, 2021. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Group.

- Amendments to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

The amendment provides relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

- The rent concession is a direct consequence of COVID-19;
- The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
- Any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- There is no substantive change to other terms and conditions of the lease.

A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The Group adopted the amendment beginning April 1, 2021.



- Amendments to PFRS 9, PAS 39, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform - Phase 2*

The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

- Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform
- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Group shall also disclose information about:

- The nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The Group adopted the amendments beginning January 1, 2021.

- Adoption of PIC Q&A 2018-14 on Accounting for Cancellation of Real Estate Sales (as amended by PIC Q&A 2020-05)

On June 27, 2018, PIC Q&A 2018-14 was issued providing guidance on accounting for cancellation of real estate sales. Under SEC MC No. 3-2019, the adoption of PIC Q&A No. 2018-14 was deferred until December 31, 2020. After the deferral period, real estate companies will adopt PIC Q&A No. 2018-14 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.

On November 11, 2020, PIC Q&A 2020-05 was issued which supersedes PIC Q&A 2018-14. This PIC Q&A adds a new approach where the cancellation is accounted for as a modification of the contract (i.e., from non-cancellable to being cancellable). Under this approach, revenues and related costs previously recognized shall be reversed in the period of cancellation and the inventory shall be reinstated at cost. PIC Q&A 2020-05 will have to be applied prospectively from approval date of the Financial Reporting Standards Council which was on November 11, 2020.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since it has previously adopted approach 3 in its accounting for sales cancellation which records the repossessed inventory at cost.

- Adoption of PIC Q&A 2018-12 on Accounting for Common Usage Service Area (CUSA)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15, *Revenue from Contracts with Customers*, affecting the real estate industry. This includes PIC Q&A No. 2018-12-H which discussed accounting for CUSA wherein it was concluded that real estate developers are generally acting as principal for CUSA. On October 25, 2018, the SEC decided to provide relief to the real estate industry by deferring the application of the provisions of the PIC Q&A 2018-12-H for a period of three years or until December 31, 2020. The deferral will only be applicable for real estate transactions.



The Group previously availed of the reliefs provided by the SEC and have accounted for the related revenue net of costs and expenses. As at January 1, 2021, the Group adopted PIC Q&A 2018-12-H retrospectively. The initial adoption has no impact on the Group's consolidated statement of financial position and consolidated statement of cash flows.

The impact of initial adoption in the consolidated statement of comprehensive income follows:

Consolidated statement of comprehensive income for the year ended December 31, 2020

| | Amounts prepared under | | |
|-----------------------------------|------------------------|-----------------|----------------|
| | PFRS 15 | Previous PFRS | Increase |
| REVENUE | | | |
| Sale of goods and services | | | |
| Real estate and hotels | ₱27,518,406,639 | ₱24,897,015,631 | ₱2,621,391,008 |
| COST OF SALES AND SERVICES | | | |
| Cost of services | ₱39,532,427,637 | ₱36,911,036,629 | ₱2,621,391,008 |

Consolidated statement of comprehensive income for the year ended December 31, 2019

| | Amounts prepared under | | |
|-----------------------------------|------------------------|-----------------|----------------|
| | PFRS 15 | Previous PFRS | Increase |
| REVENUE | | | |
| Sale of goods and services | | | |
| Real estate and hotels | ₱33,491,747,783 | ₱30,210,187,210 | ₱3,281,560,573 |
| COST OF SALES AND SERVICES | | | |
| Cost of services | ₱70,085,768,333 | ₱66,804,207,760 | ₱3,281,560,573 |

- Adoption of PIC Q&A 2018-12-E (as amended by PIC Q&A 2020-02) on Treatment of Uninstalled Materials in the Calculation of the POC

PIC Q&A 2020-02 was issued by the PIC on October 29, 2020. The latter aims to provide conclusion on the treatment of materials delivered on site but not yet installed in measuring performance obligation in accordance with PFRS 15, *Revenue from Contracts with Customers*, in the Real Estate industry.

The adoption of this PIC Q&A did not impact the consolidated financial statements of the Group since the prescribed accounting treatment for uninstalled materials is already taken into consideration in the Group's current POC computation using input method.

Significant Accounting Policies

Fair Value Measurement

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly 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 by the Group.

The fair value of an asset or a 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.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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.

Foreign Currency Translation

The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in the statement of comprehensive income.

Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the dates of initial transactions. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Group companies

As of reporting date, the assets and liabilities of foreign subsidiaries, with functional currencies other than the functional currency of the Parent Company, are translated into the presentation currency of the Group using the closing foreign exchange rate prevailing at the reporting date, and their respective income and expenses are translated at the monthly weighted average exchange rates for the year. The exchange differences arising on the translation are recognized in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation shall be recognized in profit or loss.

Cash and Cash Equivalents

Cash represents cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the dates of placement, and that are subject to an insignificant risk of changes in value.



Financial Instruments – Classification and Measurement

Initial recognition and measurement of financial assets

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI, and FVPL.

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. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, 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 that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or computed based on valuation technique whose variables include only data from observable markets, the Group recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statement of comprehensive income unless it qualifies for recognition as some other type of asset or liability. In cases where fair value is determined using data which are not observable from the market, the difference between the transaction price and the model value is only recognized in the statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the amount of 'Day 1' difference.

Contractual cash flows characteristics

If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at fair value through profit or loss. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

Business model

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows. The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

Subsequent measurement of financial assets

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);



- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and
- Financial assets at FVPL.

Investment securities at amortized cost

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Provision for impairment losses and others' in the consolidated statement of comprehensive income.

Financial assets at FVOCI

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at FVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Net gains (losses) on financial assets at FVOCI'.

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of comprehensive income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the EIR method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the consolidated statements of comprehensive income is recognized in profit or loss. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Provision for impairment losses and others' in the consolidated statements of comprehensive income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statements of comprehensive income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

Financial assets at FVPL

Financial assets are measured at FVPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets



held at FVPL are initially recognized at fair value, with transaction costs recognized in the profit or loss in the statement of comprehensive income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the 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' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Modification of financial assets

The Group derecognizes a financial asset when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new asset, with the difference between its carrying amount and the fair value of the new asset recognized as a derecognition gain or loss in profit or loss, to the extent that an impairment loss has not already been recorded.

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial asset is substantial or not. When assessing whether a modification is substantial, the Group considers the following factors, among others:

- Change in currency
- Introduction of an equity feature
- Change in counterparty
- If the modification results in the asset no longer considered SPPI



The Group also performs a quantitative assessment similar to that being performed for modification of financial liabilities. In performing the quantitative assessment, the Group considers the new terms of a financial asset to be substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial asset.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR (or credit-adjusted EIR for purchased or originated credit-impaired financial assets) and recognizes a modification gain or loss in the statement of income.

When the modification of a financial asset results in the derecognition of the existing financial asset and the subsequent recognition of a new financial asset, the modified asset is considered a 'new' financial asset. Accordingly, the date of the modification shall be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. The newly recognized financial asset is classified as Stage 1 for ECL measurement purposes, unless the new financial asset is deemed to be originated as credit impaired (POCI).

Initial recognition and measurement of financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at FVPL, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement of financial liabilities

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Other financial liabilities

This category pertains to the Group's interest-bearing loans and borrowing and payables. After initial recognition, these other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.



Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

Exchange or modification of financial liabilities

The Group considers both qualitative and quantitative factors in assessing whether a modification of financial liabilities is substantial or not. The terms are considered substantially different if the present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10.00% different from the present value of the remaining cash flows of the original financial liability. However, under certain circumstances, modification or exchange of a financial liability may still be considered substantial, even where the present value of the cash flows under the new terms is less than 10.00% different from the present value of the remaining cash flows of the original financial liability. There may be situations where the modification of the financial liability is so fundamental that immediate derecognition of the original financial liability is appropriate (e.g., restructuring a financial liability to include an embedded equity component).

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the fair value of the new liability is recognized in profit or loss.

When the exchange or modification of the existing financial liability is not considered as substantial, the Group recalculates the gross carrying amount of the financial liability as the present value of the renegotiated or modified contractual cash flows discounted at the original EIR and recognizes a modification gain or loss in profit or loss.

If modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. If the modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the financial instrument and are amortized over the remaining term of the modified financial instrument.

Reclassifications of financial instruments

The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of Financial Assets

The Group recognizes an allowance for ECL for all debt instruments not classified as FVPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. ECL



allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

Staging assessment

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a SICR since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

Definition of “default” and “restored”

The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikelihood to pay. 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. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

Credit risk at initial recognition

The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

Significant increase in credit risk

The assessment of whether there has been a SICR is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if,



based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

ECL parameters and methodologies

ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables of other segments, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For the Real estate and hotels segment's installment contract, the vintage analysis approach is used. This method accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the PD from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. 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.



For cash and cash equivalents, short-term investments and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a SICR since origination, the allowance will be based on the lifetime ECL. 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.

Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

Write-off of Financial Assets

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts).

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

Classification of Financial Instruments Between Debt and Equity

A financial instrument is classified as debt, 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 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.

Inventories

Inventories, including work-in-process, are valued at the lower of cost and net realizable value (NRV). NRV is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. NRV for materials, spare parts and other supplies represents the related replacement costs. In determining the NRV, the Group deducts from cost 100.0% of the carrying value of slow-moving items and nonmoving items for more than one year.



When inventories are sold, the carrying amounts of those inventories are recognized under 'Cost of sales and services' in profit or loss in the period when the related revenue is recognized.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

Finished goods, work-in-process, raw materials and packaging materials

a. *Petrochemicals*

Cost is determined using the moving average costing method. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*

Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

Subdivision land and condominium and residential units for sale

Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

Factory supplies and spare parts

Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures

Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's



share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties

Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of dacion in payment (dacion en pago).

The Group's investment properties are depreciated using the straight-line method over their estimated useful lives (EUL) as follows:

| | |
|----------------------------|----------------|
| Land improvements | 5 to 10 years |
| Buildings and improvements | 10 to 30 years |

The depreciation and amortization method and useful life are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses on the retirement or disposal of investment properties are recognized in profit or loss in the consolidated statement of comprehensive income in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by the end of owner occupation or commencement of an operating lease to another party. Transfers



are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner occupation or commencement of development with a view to sale.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes. If the property occupied by the Group as an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under 'Property, plant and equipment' up to the date of change in use.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of investment properties are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

| | EUL |
|--|----------------|
| Land and improvements | 10 to 40 years |
| Buildings and improvements | 10 to 30 years |
| Machinery and equipment | 4 to 50 years |
| Leasehold improvements | 15 years |
| Passenger aircraft | 15 years |
| Other flight equipment | 3 to 5 years |
| Transportation, furnishing and other equipment | 3 to 5 years |



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

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

An item of property, plant 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 item) is included in profit or loss in the consolidated statement of comprehensive income, in the year the item is derecognized.

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. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. 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 accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

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.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' 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 related liability.



Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Biological Assets

The biological assets of the Group are divided into two major categories with sub-categories as follows:

- | | |
|-------------------|--|
| Swine livestock | <ul style="list-style-type: none">- Breeders (livestock bearer)- Sucklings (breeders' offspring)- Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners)- Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat) |
| Poultry livestock | <ul style="list-style-type: none">- Breeders (livestock bearer)- Chicks (breeders' offspring intended to be sold as breeders) |

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Goodwill

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.



Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Bank Licenses

Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

Intangible Assets

Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with



the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

| | Technology Licenses | Branch Licenses | Product Formulation and Brands | Software Costs | Customer Relationship | Trademarks |
|----------------------------------|--|-----------------|--------------------------------|--|----------------------------|-----------------|
| EUL | Finite (12 to 13.75 years) | Indefinite | Indefinite | Finite (5 years) | Finite (35 years) | Indefinite |
| Amortization method used | Amortized on a straight-line basis over the EUL of the license | No amortization | No amortization | Amortized on a straight-line basis over the EUL of the software cost | Straight line amortization | No amortization |
| Internally generated or acquired | Acquired | Acquired | Acquired | Acquired | Acquired | Acquired |

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost', 'Intangible assets', 'Goodwill', "Right-of-Use assets" and 'Deferred subscriber acquisition and retention costs'.

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value-in-use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses or reversal of impairment losses from continuing operations are recognized under 'Provision for (reversal of) impairment losses and others' in profit or loss in the statement of comprehensive income.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, right-of-use assets, intangible assets with definite useful lives and costs

For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last



impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill

Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every annually.

Investments in associates and joint ventures

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity

Common and preferred stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.



Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals

Revenue Recognition

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

Sales of goods

Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

Sale of sugar

Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment or delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

Rendering of tolling services

Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

Significant Accounting Policies Generally Applicable to Air Transportation

Revenue Recognition

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 contract liabilities 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.

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 contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.



Other ancillary revenue

Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

Liability under Lifestyle Rewards Program

The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

Significant Accounting Policies Generally Applicable to Real Estate and Hotels

Revenue Recognition

Revenue from Contract with Customers

The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, and common use service area in its mall retail spaces, wherein it is acting as agent.

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

Real estate sales – Philippines Operations – Performance obligation is satisfied over time

The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or POC) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method excludes the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of collections over the total of recognized trade receivables and installment contract receivables is included as 'Contract liabilities' under 'Other current and noncurrent liabilities' in the consolidated statements of financial position.

The impact of the significant financing component on the transaction price has not been considered since the Group availed the relief granted by the SEC under Memorandum Circular Nos. 14-2018 as of



2018 for the implementation issues of PFRS 15 affecting the real estate industry. Under the SEC Memorandum Circular No. 34, the relief has been extended until December 31, 2023.

Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time

The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

Real estate sales – China Operations

Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Amusement income

Revenue is recognized upon rendering of services or at a point in time.

Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

Interest income

Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

Other income

Other income is recognized when earned.

Costs Recognition

Cost of Real Estate Sales

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion



allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

Costs and General and Administrative Expense

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

Costs to obtain contract

The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

Contract fulfillment assets

Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.



If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

Amortization, de-recognition and impairment of capitalized costs to obtain a contract

The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using POC following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Significant Accounting Policies Generally Applicable to Banking

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

Interest income

For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVPL and financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.



The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the EIR method and is shown as a deduction from loans.

Service fees and commission income

The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)

Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

Gain from sale of properties, investments and other assets

Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectability of the sales price is reasonably assured.

Other Income of the Group (Outside of Scope of PFRS 15)

Rental income

The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

Dividend income

Dividend income is recognized when the shareholder's right to receive the payment is established.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive



income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs

The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets (if any), 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.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

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. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. 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). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.



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.

Termination benefit

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement

Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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 taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as of reporting date.

Deferred tax

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and



- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to 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 recognized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply 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 reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Leases

Group as a lessee

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset, whether the Group has the right to direct the use of the asset. The Group recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

Right-of-use assets

The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The depreciation period for each class of ROU assets follow:

| | Period |
|---|------------------|
| Land and improvements | 2 to 50 years |
| Buildings and improvements | 2 to 30 years |
| Passenger aircraft and other flight equipment | 1.25 to 18 years |
| Transportation and other equipment | 2 to 30 years |



ROU assets are also subject to impairment.

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 (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to 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 current portion of lease liabilities is presented within the “Other current liabilities” account in the consolidated statement of financial position.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of other flight equipment, furniture and fixtures, and machineries (i.e., lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases of office spaces that are considered low-value. Lease payments on short-term leases and leases of low-value assets 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 the previous carrying amount of the asset that relates to the right of use 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 consolidated statement of financial position and accounts for the proceeds from the sale and leaseback as a financial liability in accordance with PFRS 9.

Group as a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.



Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) 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.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events

Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3, *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets* or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.



- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs 2018-2020 Cycle*

- Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PFRS 9, *Financial Instruments, Fees in the ‘10 per cent’ test for derecognition of financial liabilities*

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.



The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2023

- Amendments to PAS 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

- Amendments to PAS 8, *Definition of Accounting Estimates*

The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted. The amendments are not expected to have a material impact on the Group.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

- Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and



- Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1, *Classification of Liabilities as Current or Non-current*

The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024.

Effective beginning on or after January 1, 2025

- PFRS 17, *Insurance Contracts*

PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.



PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

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*

The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the IASB completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

- Deferral of Certain Provisions of PIC Q&A 2018-12, PFRS 15 Implementation Issues Affecting the Real Estate Industry (as amended by PIC Q&As 2020-02 and 2020-04)

On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some PFRS 15 implementation issues affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC MC No. 14-2018 and SEC MC No. 3-2019, respectively, providing relief to the real estate industry by deferring the application of certain provisions of this PIC Q&A for a period of three years until December 31, 2020. On December 15, 2020, the Philippine SEC issued SEC MC No. 34-2020 which further extended the deferral of certain provisions of this PIC Q&A until December 31, 2023.

The PIC Q&A provisions covered by the SEC deferral that the Group availed in 2021 follows:

| | Deferral Period |
|---|-------------------------|
| Assessing if the transaction price includes a significant financing component as discussed in PIC Q&A 2018-12-D (as amended by PIC Q&A 2020-04) | Until December 31, 2023 |

The SEC Memorandum Circulars also provided the mandatory disclosure requirements should an entity decide to avail of any relief. Disclosures should include:

- The accounting policies applied.
- Discussion of the deferral of the subject implementation issues in the PIC Q&A.
- Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
- Should any of the deferral options result into a change in accounting policy (e.g., when an entity excludes land and/or uninstalled materials in the POC calculation under the previous standard but opted to include such components under the relief provided by the circular), such accounting change will have to be accounted for under PAS 8, i.e., retrospectively, together with the corresponding required quantitative disclosures.

After the deferral period, real estate companies would have to adopt PIC Q&A No. 2018-12 and any subsequent amendments thereto retrospectively or as the SEC will later prescribe.



The Group availed of the SEC relief on the accounting for significant financing component of PIC Q&A No. 2018-12. Had this provision been adopted, the Group assessed that the impact would have been as follows:

The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments provided for in the contract to sell might constitute a significant financing component. In case of the presence of significant financing component, the guidance should have been applied retrospectively and would have resulted in restatement of prior year financial statements. Adoption of this guidance would have impacted interest income, interest expense, revenue from real estate sales, installment contract receivables, provision for deferred income tax, deferred tax asset or liability for all years presented, and the opening balance of retained earnings. These would have impacted the cash flows from operations and cash flows from financing activities for all years presented. The Group is still in the process of assessing the impact of significant financing component as of December 31, 2021.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC in response to the COVID-19 pandemic, requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. Revenue and cost recognition on real estate sales

Existence of a contract

The Group's primary document for a contract with a customer is a signed contract to sell. It has determined, however, that in cases wherein contract to sell are not signed by both parties, the combination of its other duly executed and signed documentation such as reservation agreement, official receipts, buyers' computation sheets and invoices, would contain all the criteria to qualify as contract with the customer under PFRS 15.

In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity considers the significance of the customer's initial payments in relation to the total contract price. Collectability is also assessed by considering factors such as past history with the customer, age and pricing of the property. Management regularly evaluates the historical cancellations and back-outs if it would still support its current threshold of customers' equity before commencing revenue recognition.



Identifying performance obligation

In 2018, the Group entered into a contract to sell covering a land upon which, site preparation will be performed prior to turnover to the buyer. The Group concluded that the revenue and cost of real estate sales should be recorded upon completion of the site preparation activities as specifically stated in the contract to sell, which is at a point in time, since there is only one performance obligation (i.e., developed land) and the Group does not have a right to demand payment for work performed to date from the buyer. For the year ended December 31, 2021, the related revenue has been recognized as the performance obligations under the contract to sell has been performed.

Revenue recognition method and measure of progress

For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because: (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, the Group requires a certain percentage of buyer's payments of total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. Reaching this level of collection is an indication of buyer's continuing commitment and the probability that economic benefits will flow to the Group. The Group considers that the initial and continuing investments by the buyer of about 10.00% on projects that are under development and construction demonstrate the buyer's commitment to pay. For certain inventories that have been fully completed and ready for occupancy, outright investment of the buyer of about 5% demonstrates the buyer's commitment to pay.

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

Principal versus agent considerations

The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company. The utility and service companies, and not the Group, are primarily responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities.

For the provision of CUSA and air-conditioning of the buildings, the Group acts as a principal because it retains the right to direct the service provider of maintenance, janitorial and security to the leased premises, and air-conditioning, respectively. The right to the services mentioned never transfers to the tenant and the Group has the discretion to price the CUSA and air-conditioning charges.



Revenue and cost recognition

The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

Real estate revenue and cost recognition from Chengdu Project

In July 2018, Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 of its residential development in Chengdu Xin Yao Ban Bian Jie. As of December 31, 2021, related revenue has been recognized.

Revenue from the sale of real estate units of Chengdu Xin Yao is accounted for under a completed contract method (i.e., at a point in time) in the consolidated financial statements. It is a recognition method that allows that revenue is recognized at the completion of the project. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

b. Definition of default and credit-impaired financial assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria - for installment contract receivables, the customer receives a notice of cancellation and does not continue the payments.

Qualitative criteria - the customer meets 'unlikelihood to pay' criteria, which indicates the customer is in significant financial difficulty. These are instances where: Qualitative criteria - the customer meets 'unlikelihood to pay' criteria, which indicates the customer is in significant financial difficulty. These are instances where:

- a. The customer is experiencing financial difficulty or is insolvent
- b. The customer is in breach of financial covenant(s)
- c. An active market for that financial assets has disappeared because of financial difficulties
- d. Concessions have been granted by the Group, for economic or contractual reasons relating to the customer's financial difficulty
- e. It is becoming probable that the customer will enter bankruptcy or other financial reorganization

The criteria above have been applied to the financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) throughout the Group's expected loss calculation.



c. *Revenue recognition on sale of goods from the food business*

Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

i. *Existence of a contract*

The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement / exclusive distributorship agreement constitute a valid contract.

ii. *Identifying performance obligation*

The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*

The Group recognizes its revenue for all revenue streams at a point in time, when the goods are sold and delivered and when services are already rendered. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

iv. *Method to estimate variable consideration and assess constraint*

The Group uses historical experience with key accounts and distributors from the past 12 months to determine the expected value of rights of return and constrain the consideration under the contract accordingly.

v. *Recognition of milling revenue under output sharing agreement*

The Group applies both output sharing agreement and cane purchase agreement in relation to milling operation. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.



d. *Classification of financial assets from the banking business*

Evaluation of business model in managing financial instruments

The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them.

The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios.

In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

e. *Classification of financial assets from the other businesses*

The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales



f. Determination of fair values of financial instruments

The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

g. Determining whether it is reasonably certain that a renewal and termination option will be exercised - Group as a lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew 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.

The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain 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 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 terminate (e.g., a change in business strategy).

For most of its leases, the Group did not include the renewal or termination options in the lease term as the Group assesses that these options are not reasonably certain to be exercised. However, for some leases of parcels of land, the Group included the renewal period as part of the lease term due to significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one year) and there will be a significant negative effect on the operations if a replacement is not readily available.

Refer to Note 42 for the disclosure on the Group's leases.

h. Classification of leases - Group as lessor

Operating lease commitments

The Group has entered into commercial, office and industrial property leases on its investment property portfolio. Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. In determining significant risks and benefits of ownership, the Group considered, among others, the significance of the lease term as compared with the EUL of the related asset.

A number of the Group's operating lease contracts are accounted for as noncancellable operating leases and the rest are cancellable. In determining whether a lease contract is cancellable or not, the Group considers, among others, the significance of the penalty, including the economic consequence to the lessee.



Finance lease commitments

The Group has entered into property leases on some of its real estate condominium unit property portfolio. The Group has determined based on evaluation of terms and conditions of the arrangements, particularly the bargain purchase option and minimum lease payments that the Group has transferred all the significant risks and rewards of ownership of these properties to the lessee and accounts for them as finance leases.

Refer to Note 42 for the disclosure on the Group's leases.

i. Assessment on whether lease concessions granted constitute a lease modification

In line with the rental relief framework implemented by the government to support businesses and the broader economy due to the impact of COVID-19, the Group waived its right to collect rent and other charges as part of various lease concessions it granted to lessees such as lease payment holidays or lease payment reductions.

The Group applies judgment when assessing whether the rent concessions granted is considered a lease modification under PFRS 16.

In making this judgment, the Group determines whether the rent concessions granted has changed the scope of the lease, or the consideration thereof, that was not part of the original terms and conditions of the lease. The Group assessed that the lease concessions it granted to lessees do not qualify as lease modifications since the terms and conditions under the corresponding lease contracts have not been modified by the waiver and therefore, is not a lease modification under PFRS 16.

The rent concessions granted by the Group for the years ended December 31, 2021 and 2020 amounted to ₱3.8 billion and ₱3.5 billion, respectively.

j. Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property. In making its judgment, the Group considers whether the property is not occupied substantially for use by, or in operations of the Group, nor for sale in the ordinary course of business, but are held primarily to earn rental income and capital appreciation. Owner-occupied properties generate cash flows that are attributable not only to the property but also to the other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions cannot be sold separately, the property is accounted for as an investment property, only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgment is applied in determining whether ancillary services are so significant that a property does not qualify as an investment property. The Group considers each property separately in making its judgment.

k. 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 Group'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.

l. Determination of functional currency

PAS 21, *The Effects of Changes in Foreign Exchange Rates*, requires management to use its judgment to determine an entity's functional currency such that it most faithfully represents the economic effects of the underlying transactions, events and conditions that are relevant to the entity. In making this judgment, each entity in the Group considers the following:

- a. 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);
- b. the currency in which funds from financing activities are generated; and
- c. the currency in which receipts from operating activities are usually retained.

In the case of an intermediate holding company or finance subsidiary, the principal consideration of management is whether it is an extension of the Parent Company and performing the functions of the Parent Company - i.e., whether its role is simply to hold the investment in, or provide finance to, the foreign operation on behalf of the Parent Company or whether its functions are essentially an extension of a local operation (e.g., performing selling, payroll or similar activities for that operation) or indeed it is undertaking activities on its own account. In the former case, the functional currency of the entity is the same with that of the Parent Company; while in the latter case, the functional currency of the entity would be assessed separately.

m. Significant influence over an associate with less than 20.0% ownership

In determining whether the Group has significant influence over an investee requires significant judgment. Generally, a shareholding of 20.0% to 50.0% of the voting rights of an investee is presumed to give the Group a significant influence.

There are instances that an investor exercises significant influence even if its ownership is less than 20.0%. The Group applies significant judgment in assessing whether it holds significant influence over an investee and considers the following: (a) representation on the board of directors or equivalent governing body of the investee; (b) participation in policy-making processes, including participation in decisions about dividends or other distributions; (c) material transactions between the investor and the investee; (d) interchange of managerial personnel; or (e) provision of essential technical information.

n. Determination of jet fuel/sing kero price risk components

The Group has historically entered into fuel derivatives to provide extensive protection against the unexpected jet fuel prices movement due to various economic and political events happening across the world. Beginning September 1, 2019, the Group commenced the application of hedge accounting under PFRS 9 on fuel derivatives maturing in 2020 and beyond and has classified these as cash flow hedges. Along with the jet fuel price risk hedging, the Group also adopted risk component hedging strategy given the lack of liquidity in the jet fuel derivatives with long-term maturities across financial markets. Risk components of the jet fuel price are identified as the Brent crude oil and cracks. These components are determined to be separately identifiable and changes



in the fair value of the jet fuel attributable to changes in the Brent crude oil price can be measured reliably.

The existence of a separate market structure for the Brent crude oil and the crack which represents the refining component corroborates with the management's assertion that these two risk components are separately identifiable and corresponding prices can be reliably measured among others.

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

a. Impairment of goodwill and intangible assets

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value-in-use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include revenue growth and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates.

Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Value-in-use is most sensitive to changes in revenue growth rates and discount rates.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value-in-use of the cash-generating units to which the goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows.

As of December 31, 2021 and 2020, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss, are disclosed in Notes 19 and 18, respectively.

b. Expected credit losses on receivables

For loans and receivables from the banking business, the Group reviews its financial assets and commitments at each reporting date to determine the amount of expected credit losses to be recognized in the balance sheet and any changes thereto in the statement of income. In particular, judgments and estimates by management are required in determining the following:

- whether a financial asset has had a significant increase in credit risk since initial recognition; whether default has taken place and what comprises a default;
- macro-economic factors that are relevant in measuring a financial asset's probability of default as well as the Group's forecast of these macro-economic factors;
- probability weights applied over a range of possible outcomes;
- sufficiency and appropriateness of data used and relationships assumed in building the



- components of the Group's expected credit loss models;
- measuring the exposure at default for unused commitments on which an expected credit loss
- should be recognized and the applicable loss rate

For installment contract receivables from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contract receivables. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other trade receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group then calibrates the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of the customer's actual default in the future.

Refer to Note 11 for the carrying amount of receivables subject to ECL and the related allowance for credit losses as of December 31, 2021 and 2020.

c. Revenue and cost recognition from the real estate business

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the POC is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the years ended December 31, 2021, 2020 and 2019, the real estate sales recognized over time amounted to ₱5.2 billion, ₱11.7 billion and ₱8.7 billion, respectively, while the related cost of real estate sales amounted to ₱2.5 billion, ₱6.1 billion and ₱4.2 billion, respectively.

The Group also recognized revenue when control is passed on a certain point in time. The Group's revenue and cost of real estate sales were recognized upon transfer of control to the buyer. Real estate sales pertaining to this transaction amounted to ₱13.8 billion, ₱132.6 million and ₱320.9 million for the years ended December 31, 2021, 2020 and 2019, respectively. The related cost of sales amounted to ₱10.8 billion, ₱12.0 million and ₱85.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

d. Valuation of ROU assets and lease liabilities

The application of PFRS 16 requires the Group to make assumptions that affect the valuation of its ROU assets and lease liabilities. These include determining the length of the lease term and determining the interest rate to be used for discounting future cash flows.

Lease term. The lease term determined by the Group comprises non-cancellable period of lease contracts, 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. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

Discount 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 determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

As at December 31, 2021 and 2020, the carrying values of the Group's ROU assets and lease liabilities are disclosed in Note 42 to the consolidated financial statements.

e. Determination of the fair value of intangible assets and property, plant and equipment acquired in a business combination

The Group measures the identifiable assets and liabilities acquired in a business combination at fair value at the date of acquisition.

The fair value of the intangible assets acquired in a business combination is determined based on the net sales forecast attributable to the intangible assets, growth rate estimates and royalty rates using comparable license agreements. Royalty rates are based on the estimated arm's length royalty rate that would be paid for the use of the intangible assets. Growth rate estimate includes long-term growth rate and terminal growth rate applied to future cash flows beyond the projection period.

The fair value of property, plant and equipment acquired in a business combination is determined based on comparable properties after adjustments for various factors such as location, size and shape of the property. Cost information and current prices of comparable equipment are also utilized to determine the fair value of equipment.

The Group's acquisitions are discussed in Note 19 to the consolidated financial statements.

f. Determination of NRV of inventories

The Group, in determining the NRV, considers any adjustment necessary for obsolescence which is generally providing a 100.0% write down for nonmoving items for more than one year. The Group adjusts the cost of inventory to the recoverable value at a level considered adequate to reflect any market decline in the value of the recorded inventories. The Group reviews the classification of the inventories and generally provides adjustments for recoverable values of new, actively sold and slow-moving inventories by reference to prevailing values of the same inventories in the market.

The amount and timing of recorded expenses for any period would differ if different judgments were made or different estimates were utilized. An increase in inventory obsolescence and market decline would increase recorded operating expenses and decrease current assets.

Inventory obsolescence and market decline included under 'Provision for impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 12 and 34 to the consolidated financial statements.



The carrying value of the Group's inventories, net of inventory obsolescence and market decline, is disclosed in Note 12 to the consolidated financial statements.

g. *Estimation of ARO*

The Group is contractually required under certain lease contracts to restore certain leased passenger aircraft to stipulated return condition or to bear a proportionate cost of restoration at the end of the contract period. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes certain overhaul, restoration, and redelivery costs at the end of the operating aircraft lease. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2021 and 2020, 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.

The carrying values of the Group's ARO (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated financial statements.

h. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*

The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these 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 above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

i. *Estimation of pension and other benefits costs*

The determination of the obligation and cost of pension 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 37). Actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Philippine government bonds with terms consistent with the expected employee benefit payout as of reporting date.



As of December 31, 2021 and 2020, the balance of the Group's present value of defined benefit obligations and other employee benefits is shown in Note 37 to the consolidated financial statements.

j. Assessment of impairment of nonfinancial assets excluding goodwill and intangible assets

The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint venture and biological assets carried at cost) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value-in-use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value-in-use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value-in-use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, a reversal of impairment loss has been recognized to adjust the carrying value of certain buildings of the Group to their estimated recoverable values, which is the higher of fair value less to sell and value-in-use, but not exceeding the depreciated historical cost that would have been if the impairment had not been recognized.

Provision for (reversal of) impairment losses on nonfinancial assets recognized in 2021, 2020 and 2019 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2021 and 2020, the balance of the Group's nonfinancial assets excluding goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss are shown in Notes 14, 15, and 16 to the consolidated financial statements.

k. Recognition of deferred tax assets

The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the 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. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.



The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period (see Note 38).

The Group's recognized and unrecognized deferred tax assets are disclosed in Note 38 to the consolidated financial statements.

4. Financial Risk Management Objectives and Policies

The Group's principal financial instruments comprise cash and cash equivalents, investment securities at amortized cost, financial assets at FVPL, financial assets at FVOCI, financial liabilities at FVPL and interest-bearing loans and borrowings. The main purpose of these financial instruments is to finance the Group's operations and related capital expenditures. The Group has various other financial assets and financial liabilities, such as receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

Risk Management Structure

The BOD of the Parent Company is ultimately responsible for oversight of the Parent Company's risk management process which involves 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.

The BOD has reconstituted its Audit Committee to integrate Audit, Related Party Transactions (RPT) and Risk Oversight Committee to spearhead the managing and monitoring of risks.

Audit, RPT and Risk Oversight Committee (AURROC)

The AURROC shall assist the Group's BOD in its fiduciary responsibility by providing oversight over the Group's financial reporting, Internal Control System, Internal and External Audit processes, and compliance with applicable laws and regulations. Furthermore, it is also the Committee's purpose to oversee the establishment of Enterprise Risk Management (ERM) framework that will effectively identify, monitor, assess and manage key business risks.

The Committee has the following functions:

- a. monitor and evaluate the adequacy and effectiveness of the Parent Company's internal control system, integrity of financial reporting, and security of physical and information assets;
- b. discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination and coverage of work;
- c. review the reports submitted by the Internal and External Auditors and review and monitor Management's responsiveness to findings and recommendations;



- d. review and approve the interim and Annual Financial Statements;
- e. review and approve the Parent Company's transactions with related parties within the set materiality threshold;
- f. evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness, as well as look for emerging risks;
- g. review the Parent Company's risk appetite levels and risk tolerance limits based on changes and developments in the business, the regulatory framework, the external economic and business environment;
- h. provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Parent Company ; and
- i. report to the BOD on a regular basis, or as deemed necessary, the Parent Company's risk, material risk exposures, the actions taken to reduce the risks.

Enterprise Risk Management

The role of ERM is to oversee that a sound ERM framework is in place to effectively identify, monitor, assess and manage key business risks. The risk management framework shall guide the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. A Chief Risk Officer or its equivalent position, is appointed by the BOD to oversee the entire ERM process and spearhead the development, implementation, maintenance and continuous improvement of ERM processes and documentation. The ERM Head reports functionally to the Committee and administratively to the CEO.

Enterprise Resource Management Framework

The ERM framework revolves around the following activities:

1. Risk Identification. It involves the identification of key business drivers that influence the operability and performance of the business units. Each business driver is assigned strategic and operational objectives which are owned by risk champions and risk owners. Each risk champion and owner conduct their risk identification process using different tools such as risk factor analysis, megatrends analysis, and systems dynamics analysis.
2. Risk Assessment. Each identified risk is assessed to determine which can pose significant impact to the business unit's ability to implement strategy and deliver business objectives. This process involves grouping similar risks into categories, such as Reputational Risk, Strategic Risk, Financial Risk, and Compliance Risk. For each risk category, a risk assessment scale is developed to provide objective definitions on what is considered insignificant, minor, moderate, major, or extreme impact to the business. The impact severity of the risk is rated based on their nature, regardless of the organization's circumstances and capability to manage them.
3. Risk Prioritization. This process enables the organization to focus the implementation of risk responses into certain high and medium severity risks based on the organization's risk profile, vulnerability, and contribution to the risk. Risk impact velocity and mitigation timeframe are also considered in prioritizing the organization's actions and urgency of response to risks.
4. Risk Response, Monitoring, and Evaluation. Appropriate risk responses are put in place for each priority risk, both at the level of the risk champions and risk owners and at the enterprise and Group level. Risk champions continually monitor and evaluate the effectiveness of the risk responses. Material residual risks are assessed for improvement of risk response and identification of recovery measures.
5. Risk Reporting. At the Group level, top risks are reviewed, updated and reported to the Committee twice a year.



Risk Management Policies

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

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group transacts only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group continuously provides credit notification and implements various credit actions, depending on assessed risks, to minimize credit exposure. Receivable balances of trade customers are being monitored on a regular basis and appropriate credit treatments are executed for overdue accounts. Likewise, other receivable balances are also being monitored and subjected to appropriate actions to manage credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets at FVPL, financial assets at FVOCI, investment securities at amortized cost and certain derivative investments, the Group's exposure to credit risk arises from default of the counterparty with a maximum exposure equal to the carrying amount of these instruments.

The Group has a counterparty credit risk management policy which allocates investment limits based on counterparty credit ratings and credit risk profile.

With respect to the Banking Segment, there are several credit risk mitigation practices in place, as follow:

- The Banking Segment offers a variety of loan products with substantial collateral values. The policy on collateral and other credit enhancements are discussed further below.
- Limits are set on the amount of credit risk that the Banking Segment is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
- The Banking Segment also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Banking Segment employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.



a. Credit risk exposure

The Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

| 2021 | | | | |
|----------------------------|------------------|--------------------------|--------------------------------|---------------------------------|
| | Carrying amount | Fair Value of Collateral | Financial Effect of Collateral | Maximum Exposure to Credit Risk |
| Interbank loans receivable | ₱14,881,826,705 | ₱117,595,804 | ₱117,595,804 | ₱14,764,230,901 |
| Loans and receivables: | | | | |
| Trade receivables | 37,749,156,043 | 2,696,923,856 | 2,696,923,856 | 35,052,232,187 |
| Finance receivables: | | | | |
| Commercial | 56,604,940,584 | 26,619,399,677 | 25,257,678,304 | 31,347,262,280 |
| Real estate | 28,954,272,875 | 12,285,410,220 | 11,706,069,921 | 17,248,202,954 |
| Consumption | 10,569,899,718 | 3,052,894,035 | 2,624,172,960 | 7,945,726,758 |
| Domestic bills purchased | 516,654,187 | 488,648,547 | 488,648,547 | 28,005,640 |
| Other receivables | 7,381,220,881 | 339,352,955 | 151,432,517 | 7,229,788,364 |
| Total credit risk exposure | ₱156,657,970,993 | ₱45,600,225,094 | ₱43,042,521,909 | ₱113,615,449,084 |

| 2020 | | | | |
|----------------------------|------------------|--------------------------|--------------------------------|---------------------------------|
| | Carrying amount | Fair Value of Collateral | Financial Effect of Collateral | Maximum Exposure to Credit Risk |
| Interbank loans receivable | ₱4,495,757,260 | ₱4,356,755,246 | ₱4,356,755,246 | ₱139,002,014 |
| Loans and receivables: | | | | |
| Trade receivables | 39,760,722,566 | 2,306,696,485 | 2,306,696,485 | 37,454,026,081 |
| Finance receivables: | | | | |
| Commercial | 50,667,442,539 | 20,609,092,071 | 20,254,834,500 | 30,412,608,039 |
| Real estate | 23,692,882,440 | 25,812,580,155 | 19,131,128,527 | 4,561,753,913 |
| Consumption | 9,856,971,533 | 9,377,871,442 | 6,448,470,383 | 3,408,501,150 |
| Domestic bills purchased | 480,028,717 | 447,884,707 | 447,884,707 | 32,144,010 |
| Other receivables | 6,474,044,662 | 197,231,123 | 52,290,582 | 6,421,754,080 |
| Total credit risk exposure | ₱135,427,849,717 | ₱63,108,111,229 | ₱52,998,060,430 | ₱82,429,789,287 |

Collateral and other credit enhancements

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.



b. 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.

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

i. Concentration by geographical location

The Group's credit risk exposures as of December 31, 2021 and 2020, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

| | December 31, 2021 | | | | | |
|--|-------------------|------------------------------------|------------------|--------------|--------------|------------------|
| | Philippines | Asia (excluding Philippines) | United States | Europe | Others* | Total |
| Cash and cash equivalents** | ₱53,994,268,811 | ₱23,217,147,948 | ₱— | ₱— | ₱23,831,577 | ₱77,235,248,336 |
| Financial assets at FVPL: | | | | | | |
| Held-for-trading: | | | | | | |
| Debt securities: | | | | | | |
| Government | 1,912,412 | — | — | — | — | 1,912,412 |
| Investment in convertible notes | — | 294,377,351 | 3,725,738,065 | — | — | 4,020,115,416 |
| | 1,912,412 | 294,377,351 | 3,725,738,065 | — | — | 4,022,027,828 |
| Financial assets at FVOCI | | | | | | |
| Debt securities: | | | | | | |
| Government | 15,227,318,059 | 318,204,527 | — | — | 167,856,751 | 15,713,379,337 |
| Private | 16,185,119,200 | 4,073,495,059 | 358,420,972 | 626,098,913 | 271,219,311 | 21,514,353,455 |
| | 31,412,437,259 | 4,391,699,586 | 358,420,972 | 626,098,913 | 439,076,062 | 37,227,732,792 |
| Investment securities at amortized cost: | | | | | | |
| Debt securities: | | | | | | |
| Government | 6,655,527,338 | — | — | — | — | 6,655,527,338 |
| Private | 1,819,331,441 | — | — | — | — | 1,819,331,441 |
| | 8,474,858,779 | — | — | — | — | 8,474,858,779 |
| Receivables: | | | | | | |
| Finance receivables | 98,918,972,005 | — | — | — | — | 98,918,972,005 |
| Trade receivables | 34,289,164,169 | 3,953,609,254 | — | 47,041,346 | 43,533,969 | 38,333,348,738 |
| Due from related parties | 4,156,699,936 | 61,663,764 | — | — | — | 4,218,363,700 |
| Interest receivable | 1,645,383,807 | 68,440,837 | 369,445 | 2,011,338 | 419,674 | 1,716,625,101 |
| Other receivables*** | 6,401,712,058 | 180,079,510 | — | 21,496,384 | 2,302,092 | 6,605,590,044 |
| | 145,411,931,975 | 4,263,793,365 | 369,445 | 70,549,068 | 46,255,735 | 149,792,899,588 |
| Refundable deposits**** | 1,966,017,754 | — | — | — | — | 1,966,017,754 |
| Restricted cash**** | 1,818,639,034 | — | — | — | — | 1,818,639,034 |
| | ₱243,080,066,024 | ₱32,167,018,250 | ₱4,084,528,482 | ₱696,647,981 | ₱509,163,374 | ₱280,537,424,111 |

* Others include South American countries (i.e., Argentina and Mexico)

** Excludes cash on hand amounting to ₱5,654,873,185

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742

**** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



| | December 31, 2020 | | | | | |
|---|-------------------|------------------------------------|------------------|----------------|----------------|------------------|
| | Philippines | Asia (excluding Philippines) | United States | Europe | Others* | Total |
| Cash and cash equivalents** | ₱66,171,018,714 | ₱9,865,803,531 | ₱— | ₱— | ₱2,448,831,586 | ₱78,485,653,831 |
| Financial assets at FVPL: | | | | | | |
| Held-for-trading: | | | | | | |
| Debt securities: | | | | | | |
| Government | 86,520,711 | — | — | — | — | 86,520,711 |
| Investment in convertible notes | — | 127,703,174 | 3,615,304,272 | — | — | 3,743,007,446 |
| Derivative assets | — | — | — | — | 556,022 | 556,022 |
| | 86,520,711 | 127,703,174 | 3,615,304,272 | — | 556,022 | 3,830,084,179 |
| Financial assets at FVOCI | | | | | | |
| Debt securities: | | | | | | |
| Government | 9,188,953,838 | 415,766,043 | — | — | 77,187,170 | 9,681,907,051 |
| Private | 15,327,767,754 | 4,291,238,360 | 341,227,427 | 911,334,464 | 453,646,675 | 21,325,214,680 |
| | 24,516,721,592 | 4,707,004,403 | 341,227,427 | 911,334,464 | 530,833,845 | 31,007,121,731 |
| Investment securities at amortized cost: | | | | | | |
| Debt securities: | | | | | | |
| Government | 6,251,706,056 | — | — | — | — | 6,251,706,056 |
| Private | 1,800,257,800 | — | — | — | — | 1,800,257,800 |
| | 8,051,963,856 | — | — | — | — | 8,051,963,856 |
| Receivables: | | | | | | |
| Finance receivables | 86,382,308,879 | — | — | — | — | 86,382,308,879 |
| Trade receivables | 37,029,026,584 | 3,053,277,276 | — | 81,689,168 | 94,709,155 | 40,258,702,183 |
| Due from related parties | 2,483,583,930 | 68,826,811 | — | — | — | 2,552,410,741 |
| Interest receivable | 1,586,398,705 | 87,174,889 | 762,355 | 13,682,781 | 42,201,201 | 1,730,219,931 |
| Other receivables*** | 6,559,957,496 | 40,443,883 | — | — | — | 6,600,401,379 |
| | 134,041,275,594 | 3,249,722,859 | 762,355 | 95,371,949 | 136,910,356 | 137,524,043,113 |
| Refundable deposits**** | 856,057,644 | — | — | — | — | 856,057,644 |
| Restricted cash**** | 5,019,269,617 | — | — | — | — | 5,019,269,617 |
| | ₱238,742,827,728 | ₱17,950,233,967 | ₱3,957,294,054 | ₱1,006,706,413 | ₱3,117,131,809 | ₱264,774,193,971 |

* Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia

** Excludes cash on hand amounting to ₱3,005,758,937

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630

**** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



ii Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2021 and 2020, before taking into account any collateral held or other credit enhancements.

| | 2021 | | | | | | | | | | |
|---|-----------------|---|----------------------------------|-----------------------------|---|--|-------------------------------|----------------|----------------------------|-----------------|------------------|
| | Manufacturing | Real Estate, Renting and Related Business Activities | Wholesale and Retail Trade | Financial Intermediaries | Transportation, Storage and Communication | Agricultural, Hunting and Forestry | Electricity, Gas and Water | Construction | Government Institutions | Others* | Total |
| Cash and cash equivalents** | P= | P= | P= | ₱77,235,248,336 | P= | P= | P= | P= | P= | P= | ₱77,235,248,336 |
| Financial assets at FVPL: | | | | | | | | | | | |
| Held-for-trading: | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | - | - | - | - | - | - | - | - | 1,912,412 | - | 1,912,412 |
| Investment in convertible notes | 2,148,960,778 | 142,323,656 | - | 489,736,019 | 516,110,949 | - | 165,327,412 | - | - | 557,656,602 | 4,020,115,416 |
| | 2,148,960,778 | 142,323,656 | - | 489,736,019 | 516,110,949 | - | 165,327,412 | - | 1,912,412 | 557,656,602 | 4,022,027,828 |
| Financial assets at FVOCI | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | - | - | - | 137,105,712 | - | - | - | - | 15,090,212,355 | 486,061,270 | 15,713,379,337 |
| Private | 35,688,590 | 1,525,222,707 | 1,964,573,161 | 14,381,925,122 | 2,020,707,036 | - | 1,172,428,404 | 14,269,520 | - | 399,538,915 | 21,514,353,455 |
| | 35,688,590 | 1,525,222,707 | 1,964,573,161 | 14,519,030,834 | 2,020,707,036 | - | 1,172,428,404 | 14,269,520 | 15,090,212,355 | 885,600,185 | 37,227,732,792 |
| Investment securities at amortized cost | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | - | - | - | - | - | - | - | - | 6,655,527,338 | - | 6,655,527,338 |
| Private | - | - | - | 1,819,331,441 | - | - | - | - | - | - | 1,819,331,441 |
| | - | - | - | 1,819,331,441 | - | - | - | - | 6,655,527,338 | - | 8,474,858,779 |
| Receivables: | | | | | | | | | | | |
| Finance receivables | 13,368,817,009 | 35,414,782,558 | 12,298,694,601 | 2,469,746,231 | 8,157,656,053 | 632,579,289 | 5,867,157,713 | 3,217,567,419 | - | 17,491,971,132 | 98,918,972,005 |
| Trade receivables | 15,781,447,951 | 19,593,777,925 | - | 291,755,188 | 1,461,123,195 | - | - | - | - | 1,205,244,479 | 38,333,348,738 |
| Due from related parties | 52,682,966 | 2,894,605,655 | 4,137,721 | 23,384,792 | 60,690,275 | - | - | - | - | 1,182,862,291 | 4,218,363,700 |
| Interest receivable | 527,004 | 49,499,378 | 140,591,592 | 1,483,190,820 | 14,533,108 | - | 8,972,559 | 1,502,294 | - | 17,808,346 | 1,716,625,101 |
| Other receivables*** | 1,875,438,234 | 1,002,757,918 | 16,409,156 | 1,086,696,666 | 19,556 | - | - | - | - | 2,624,268,514 | 6,605,590,044 |
| | 31,078,913,164 | 58,955,423,434 | 12,459,833,070 | 5,354,773,697 | 9,694,022,187 | 632,579,289 | 5,876,130,272 | 3,219,069,713 | - | 22,522,154,762 | 149,792,899,588 |
| Refundable security deposits **** | - | 71,920,404 | - | - | - | - | - | - | - | 1,894,097,350 | 1,966,017,754 |
| Restricted cash**** | - | 378,034,904 | - | - | 1,440,604,130 | - | - | - | - | - | 1,818,639,034 |
| | ₱33,263,562,532 | ₱61,072,925,105 | ₱14,424,406,231 | ₱99,418,120,327 | ₱13,671,444,302 | ₱632,579,289 | ₱7,213,886,088 | ₱3,233,339,233 | ₱21,747,652,105 | ₱25,859,508,899 | ₱280,537,424,111 |

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to ₱5,654,873,185

*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742

**** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



| | 2020 | | | | | | | | | | |
|---|-----------------|---|----------------------------------|-----------------------------|---|--|-------------------------------|----------------|----------------------------|-----------------|------------------|
| | Manufacturing | Real Estate, Renting and Related Business Activities | Wholesale and Retail Trade | Financial Intermediaries | Transportation, Storage and Communication | Agricultural, Hunting and Forestry | Electricity, Gas and Water | Construction | Government Institutions | Others* | Total |
| Cash and cash equivalents** | P= | P= | P= | P78,485,653,831 | P= | P= | P= | P= | P= | P= | P78,485,653,831 |
| Financial assets at FVPL: | | | | | | | | | | | |
| Held-for-trading: | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | — | — | — | — | — | — | — | — | 86,520,711 | — | 86,520,711 |
| Investment in convertible notes | 3,615,304,272 | 75,390,662 | — | — | — | — | — | — | — | 52,312,512 | 3,743,007,446 |
| Derivative financial assets: | — | — | 556,022 | — | — | — | — | — | — | — | 556,022 |
| | 3,615,304,272 | 75,390,662 | 556,022 | — | — | — | — | — | 86,520,711 | 52,312,512 | 3,830,084,179 |
| Financial assets at FVOCI | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | — | — | — | 133,849,706 | — | — | — | — | 9,055,104,132 | 492,953,213 | 9,681,907,051 |
| Private | 525,512,471 | 1,715,060,766 | 1,154,604,887 | 12,244,136,695 | 2,378,713,117 | — | 1,609,552,651 | 99,638,120 | — | 1,597,995,973 | 21,325,214,680 |
| | 525,512,471 | 1,715,060,766 | 1,154,604,887 | 12,377,986,401 | 2,378,713,117 | — | 1,609,552,651 | 99,638,120 | 9,055,104,132 | 2,090,949,186 | 31,007,121,731 |
| Investment securities at amortized cost | | | | | | | | | | | |
| Debt securities: | | | | | | | | | | | |
| Government | — | — | — | — | — | — | — | — | 6,251,706,056 | — | 6,251,706,056 |
| Private | — | — | — | 1,800,257,800 | — | — | — | — | — | — | 1,800,257,800 |
| | — | — | — | 1,800,257,800 | — | — | — | — | 6,251,706,056 | — | 8,051,963,856 |
| Receivables: | | | | | | | | | | | |
| Finance receivables | 7,421,032,602 | 26,955,339,711 | 9,505,695,108 | 4,731,217,800 | 3,184,693,822 | 6,988,120,232 | 6,911,769,831 | 3,093,265,976 | 63,721,392 | 17,527,452,405 | 86,382,308,879 |
| Trade receivables | 16,828,073,728 | 20,498,080,026 | — | 329,983,689 | 1,632,909,592 | — | — | — | — | 969,655,148 | 40,258,702,183 |
| Due from related parties | 214,744,158 | — | — | 28,728,789 | — | — | — | — | — | 2,308,937,794 | 2,552,410,741 |
| Interest receivable | 11,310,630 | 46,198,320 | 5,318,075 | 1,483,001,580 | 24,765,701 | — | 19,867,131 | 2,068,014 | — | 137,690,480 | 1,730,219,931 |
| Other receivables*** | 1,343,724,555 | 962,457,538 | 16,409,156 | 457,027,257 | 19,556 | — | — | — | — | 3,820,763,317 | 6,600,401,379 |
| | 25,818,885,673 | 48,462,075,595 | 9,527,422,339 | 7,029,959,115 | 4,842,388,671 | 6,988,120,232 | 6,931,636,962 | 3,095,333,990 | 63,721,392 | 24,764,499,144 | 137,524,043,113 |
| Refundable security deposits **** | — | 67,694,161 | — | — | — | — | — | — | — | 788,363,483 | 856,057,644 |
| Restricted cash**** | — | 4,006,791,007 | — | — | 1,012,478,610 | — | — | — | — | — | 5,019,269,617 |
| | P29,959,702,416 | P54,327,012,191 | P10,682,583,248 | P99,693,857,147 | P8,233,580,398 | P6,988,120,232 | P8,541,189,613 | P3,194,972,110 | P15,457,052,291 | P27,696,124,325 | P264,774,193,971 |

* Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.

** Excludes cash on hand amounting to P3,005,758,937

*** Excludes claims receivable of JGSPC and JGSOC amounting to P304,301,630

**** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



c. Credit quality per class of financial assets

The table below shows the maximum exposure to credit risk for the Group's financial assets not measured at fair value by credit rating grades:

| | 2021 (in millions) | | | | |
|--|--------------------|---------|---------|---------------------|----------|
| | General Approach | | | Simplified Approach | Total |
| | Stage 1 | Stage 2 | Stage 3 | | |
| Cash and cash equivalents | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | ₱41,505 | ₱– | ₱– | ₱– | ₱41,505 |
| Standard | 35,730 | – | – | – | 35,730 |
| Financial Assets at FVPL | | | | | |
| Debt securities | | | | | |
| High Grade | 2 | – | – | – | 2 |
| Investment in convertible note | | | | | |
| Unrated | 4,020 | – | – | – | 4,020 |
| Financial Assets at FVOCI | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 26,319 | – | – | – | 26,319 |
| Standard | 10,909 | – | – | – | 10,909 |
| Investment securities at Amortized Cost | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| Standard | 8,475 | – | – | – | 8,475 |
| Receivables: | | | | | |
| Finance receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 16,890 | 2,273 | – | – | 19,163 |
| Standard | 19,034 | 10,304 | – | – | 29,338 |
| Substandard | 2,712 | 7,576 | – | – | 10,288 |
| Unrated | 33,462 | 145 | 3 | – | 33,610 |
| Past Due but not Individually Impaired | | 2,033 | 2,214 | – | 4,247 |
| Individually Impaired | | | 2,273 | – | 2,273 |
| Trade receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | – | – | – | 30,131 | 30,131 |
| Standard | – | – | – | 2,071 | 2,071 |
| Past Due but not Individually Impaired | – | – | – | 5,518 | 5,518 |
| Individually Impaired | – | – | – | 613 | 613 |
| Due from related parties | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | – | – | – | 4,202 | 4,202 |
| Standard | – | – | – | 16 | 16 |
| Interest receivable | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,582 | – | – | – | 1,582 |
| Standard | 6 | – | – | – | 6 |
| Past Due but not Individually Impaired | 129 | – | – | – | 129 |
| Other receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,087 | – | – | – | 1,087 |
| Standard | 4,240 | – | – | – | 4,240 |
| Past Due but not Individually Impaired | 880 | – | – | – | 880 |
| Individually Impaired | – | – | 398 | – | 398 |
| Refundable deposits*** | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,966 | – | – | – | 1,966 |
| Restricted cash*** | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,819 | – | – | – | 1,819 |
| | ₱210,767 | ₱22,331 | ₱4,888 | ₱42,551 | ₱280,537 |

* Excludes cash on hand amounting to ₱5,654,873,185

** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,202,710,742

***Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



| | 2020 (in millions) | | | | |
|--|--------------------|---------|---------|---------------------|----------|
| | General Approach | | | Simplified Approach | Total |
| | Stage 1 | Stage 2 | Stage 3 | | |
| Cash and cash equivalents | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | ₱49,631 | ₱— | ₱— | ₱— | ₱49,631 |
| Standard | 28,855 | — | — | — | 28,855 |
| Financial Assets at FVPL | | | | | |
| Debt securities | | | | | |
| High Grade | 87 | — | — | — | 87 |
| Investment in convertible note | | | | | |
| Unrated | 3,743 | — | — | — | 3,743 |
| Derivative assets | | | | | |
| High Grade | 1 | — | — | — | 1 |
| Financial Assets at FVOCI | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 19,103 | — | — | — | 19,103 |
| Standard | 11,904 | — | — | — | 11,904 |
| Investment securities at Amortized Cost | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| Standard | 8,052 | — | — | — | 8,052 |
| Receivables: | | | | | |
| Finance receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 20,264 | 2,590 | 1 | — | 22,855 |
| Standard | 20,688 | 3,277 | 24 | — | 23,989 |
| Substandard | 2,222 | 1,837 | — | — | 4,059 |
| Unrated | 29,026 | 744 | 233 | — | 30,003 |
| Past Due but not Individually Impaired | — | 1,772 | 2,019 | — | 3,791 |
| Individually Impaired | — | — | 1,685 | — | 1,685 |
| Trade receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | — | — | — | 35,296 | 35,296 |
| Standard | — | — | — | 682 | 682 |
| Past Due but not Individually Impaired | — | — | — | 3,783 | 3,783 |
| Individually Impaired | — | — | — | 498 | 498 |
| Due from related parties | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | — | — | — | 2,537 | 2,537 |
| Standard | — | — | — | 15 | 15 |
| Interest receivable | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,555 | — | — | — | 1,555 |
| Standard | 4 | — | — | — | 4 |
| Past Due but not Individually Impaired | 171 | — | — | — | 171 |
| Other receivables | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 1,468 | — | — | — | 1,468 |
| Standard | 3,828 | — | — | — | 3,828 |
| Past Due but not Individually Impaired | 873 | — | — | — | 873 |
| Individually Impaired | 330 | 11 | 90 | — | 431 |
| Refundable deposits*** | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 856 | — | — | — | 856 |
| Restricted cash*** | | | | | |
| Neither Past Due nor Individually Impaired | | | | | |
| High Grade | 5,019 | — | — | — | 5,019 |
| | ₱207,680 | ₱10,231 | ₱4,052 | ₱42,811 | ₱264,774 |

* Excludes cash on hand amounting to ₱3,005,758,937

** Excludes claims receivable of JGSPC and JGSOC amounting to ₱304,301,630

***Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position



Classification of Financial Assets by Class used by the Group except for the Banking Segment

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 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

Classification of Financial Assets by Class used by the Banking Segment

For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2017 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2016 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

| Grades | Categories | Description |
|----------------------|-------------------|--|
| High grade | | |
| <i>Risk rating 1</i> | Excellent | Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events. |
| <i>Risk rating 2</i> | Super Prime | Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events. |
| <i>Risk rating 3</i> | Prime | Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions. |
| <i>Risk rating 4</i> | Very Good | Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity. |
| <i>Risk rating 5</i> | Good | More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes. |



| Grades | Categories | Description |
|-----------------------|-------------------|--|
| Standard | | |
| <i>Risk rating 6</i> | Satisfactory | Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition. |
| <i>Risk rating 7</i> | Average | Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels. |
| <i>Risk rating 8</i> | Fair | Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels. |
| Sub-standard grade | | |
| <i>Risk rating 9</i> | Marginal | Elevated level of probability of default, with limited margin; repayment source is adequate to marginal. |
| <i>Risk rating 10</i> | Watch list | Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn. |
| <i>Risk rating 11</i> | Special mention | Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition. |
| <i>Risk rating 12</i> | Substandard | Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud. |
| Past due and impaired | | |
| <i>Risk rating 13</i> | Doubtful | Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable. |
| <i>Risk rating 14</i> | Loss | Uncollectible or worthless. |

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk. Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.



Below is the staging parameters adopted by the Banking Segment.

| Staging Parameter | Stage | Description |
|---|-------|--|
| Staging by Days Past Due | | <i>Applicable to all loan products.</i> |
| | 1 | Accounts with 0 – 30 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 1 accounts is 0 – 6 days). |
| | 2 | Accounts with 31 – 90 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 2 accounts is 7 – 10 days). |
| Staging by Status | 3 | Accounts with days past due of 91 days and above (applicable for all loan products except for microfinancing loans wherein days past due for Stage 3 accounts is 11 days and above). |
| | | <i>Applicable to all loan products except for Microfinance.</i> |
| | 1 | Accounts tagged as Current in its Status are classified under Stage 1. |
| Staging by Origination Rating vs Current Rating | 2 | Accounts tagged as Past due performing in its Status are classified under Stage 2. |
| | 3 | Accounts tagged as ITL and NPL in its Status are classified under Stage 3. |
| | | <i>Applicable to Commercial Loans (Large Scale and Medium Scale) only</i> |
| | 1 | If no movement in the ratings from origination rating against the latest rating, the staging will be based on the current ICRRS rating. If the account's current rating is either Excellent, Super Prime, Prime, Very Good, Good, Satisfactory, Average, Fair, the account will be tagged under Stage 1. |
| | 2 | If the account's current rating/equivalent Risk Level deteriorates by 2 notches from its origination rating/equivalent Risk Level, the account is tagged under Stage 2. If no movement in the ratings from origination rating against the latest rating, the staging will be based on the latest ICRRS rating. If the account's latest Rating is either Marginal, Watchlist or Especially Mentioned, account will be tagged under Stage 2. |
| Staging by Maturity Date vs Cut-off Date | | <i>Applicable to all loan products</i> |
| | 1 | If maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if maturity date of the account is after the cut-off |



| Staging Parameter | Stage | Description |
|-------------------|-------|---|
| | 3 | date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is less than 10 days, the account is tagged under Stage 1). If maturity date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3). |

External ratings

In ensuring a quality investment portfolio, the Group monitors credit risk from investments using credit ratings based on Standard and Poor (S&P). Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Group assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

| Credit Quality | Fitch | Moody's | S&P | Stage* |
|-----------------------|-------------|-------------|-------------|--------|
| High Grade | AAA to A- | Aaa to A3 | AAA to A- | 1 |
| Standard Grade | BBB+ to BB- | Baa1 to Ba3 | BBB+ to BB- | 1 |
| Substandard Grade | B+ to C- | B1 to Ca | B+ to C | 2 |
| Past due and impaired | D | C | D | 3 |

*Applicable to Banking Segment only.

d. Aging analysis of receivables by class

The aging analysis of the Group's Past Due but Not Impaired receivables as of December 31, 2021 and 2020 follow:

| | 2021 (in millions) | | | | Total |
|---------------------|--------------------|---------------|---------------|--------------|---------|
| | Less than 30 Days | 30 to 60 Days | 61 to 90 Days | Over 90 Days | |
| Finance receivables | ₱223 | ₱1,451 | ₱617 | ₱1,956 | ₱4,247 |
| Trade receivables | 4,045 | 816 | 304 | 353 | 5,518 |
| Interest receivable | 2 | 33 | 18 | 76 | 129 |
| Others | 112 | 59 | 51 | 658 | 880 |
| | ₱4,382 | ₱2,359 | ₱990 | ₱3,043 | ₱10,774 |

| | 2020 (in millions) | | | | Total |
|---------------------|--------------------|---------------|---------------|--------------|--------|
| | Less than 30 Days | 30 to 60 Days | 61 to 90 Days | Over 90 Days | |
| Finance receivables | ₱2,429 | ₱303 | ₱223 | ₱836 | ₱3,791 |
| Trade receivables | 3,143 | 393 | 103 | 144 | 3,783 |
| Interest receivable | 63 | 20 | 17 | 71 | 171 |
| Others | 28 | 80 | 116 | 649 | 873 |
| | ₱5,663 | ₱796 | ₱459 | ₱1,700 | ₱8,618 |



Liquidity risk

Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. 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 its 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 capital market issues both onshore and offshore.

With respect to the Banking Segment, liquidity risk is considered in assets and liabilities management. The Banking Segment seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. The Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Banking Segment also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Banking Segment.

The Banking Segment also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Banking Segment, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Banking Segment's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Banking Segment. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one year.

The tables below summarize the maturity profile of the Group's financial assets and liabilities based on the applicable undiscounted contractual payments as of December 31, 2021 and 2020:

| | 2021 | | | | | Total |
|--------------------------------|-----------------|-----------------|----------------|----------------|-------------------|-----------------|
| | On Demand | Up to 3 Months | 3 to 12 Months | 1 to 5 Years | More Than 5 Years | |
| Financial Assets | | | | | | |
| Cash and cash equivalents* | P34,550,142,438 | P42,734,893,835 | P2,696,861 | P- | P- | P77,287,733,134 |
| Financial assets at FVPL: | | | | | | |
| Held-for-trading: | | | | | | |
| Debt securities: | | | | | | |
| Government | - | 1,912,412 | - | - | - | 1,912,412 |
| Equity securities: | | | | | | |
| Quoted | 667,582,694 | - | 1,771,405,641 | - | - | 2,438,988,335 |
| Investment in convertible note | - | - | - | 4,020,115,416 | - | 4,020,115,416 |
| | 667,582,694 | 1,912,412 | 1,771,405,641 | 4,020,115,416 | - | 6,461,016,163 |
| Financial assets at FVOCI: | | | | | | |
| Debt securities: | | | | | | |
| Private | - | 387,626,193 | 10,483,602,332 | 12,724,210,490 | - | 23,595,439,015 |
| Government | - | - | 623,166,981 | 15,580,809,224 | 2,588,849,663 | 18,792,825,868 |
| | - | 387,626,193 | 11,106,769,313 | 28,305,019,714 | 2,588,849,663 | 42,388,264,883 |

(Forward)



| 2021 | | | | | | |
|--|-----------------|-----------------|-----------------|------------------|-------------------|------------------|
| | On Demand | Up to 3 Months | 3 to 12 Months | 1 to 5 Years | More Than 5 Years | Total |
| Equity securities: | | | | | | |
| Quoted | P- | P- | P210,408,089 | P44,506,905,999 | P- | P44,717,314,088 |
| Unquoted | - | - | 1,820,169,420 | - | - | 1,820,169,420 |
| | - | - | 2,030,577,509 | 44,506,905,999 | - | 46,537,483,508 |
| | - | 387,626,193 | 13,137,346,822 | 72,811,925,713 | 2,588,849,663 | 88,925,748,391 |
| Investment securities at amortized cost: | - | 866,870,003 | 408,663,678 | 6,037,296,023 | 2,588,849,663 | 9,901,679,367 |
| Receivables: | | | | | | |
| Trade receivables | 22,231,445,352 | 2,510,776,309 | 10,937,182,370 | 5,041,607,830 | 434,241,096 | 41,155,252,957 |
| Finance receivables | - | 18,976,782,055 | 15,771,670,242 | 30,422,554,266 | 39,704,405,565 | 104,875,412,128 |
| Due from related parties | 1,396,459,481 | - | - | 2,821,904,219 | - | 4,218,363,700 |
| Interest receivable | 13,371,070 | 1,441,325,054 | 261,928,977 | - | - | 1,716,625,101 |
| Other receivables | 3,347,365,533 | 1,242,285,055 | 2,015,939,456 | - | - | 6,605,590,044 |
| | 26,988,641,436 | 24,171,168,473 | 28,986,721,045 | 38,286,066,315 | 40,138,646,661 | 158,571,243,930 |
| Refundable security deposits*** | 10,751,750 | 75,000 | 2,004,000 | 616,518,416 | 1,345,068,338 | 1,974,417,504 |
| Restricted cash*** | 1,818,639,034 | - | - | - | - | 1,818,639,034 |
| | P64,035,757,352 | P68,162,545,916 | P44,308,838,047 | P121,771,921,883 | P46,661,414,325 | P344,940,477,523 |

* Excludes cash on hand amounting to P5,654,873,185

**Excludes claims receivable of JGSPC and JGSOC amounting to P1,202,710,742

***Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.

| 2020 | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|-------------------|------------------|
| | On Demand | Up to 3 Months | 3 to 12 Months | 1 to 5 Years | More Than 5 Years | Total |
| Financial Assets | | | | | | |
| Cash and cash equivalents* | P37,166,361,025 | P41,406,969,859 | P- | P- | P- | P78,573,330,884 |
| Financial assets at FVPL: | | | | | | |
| Held-for-trading: | | | | | | |
| Debt securities: | | | | | | |
| Government | - | 87,076,733 | - | - | - | 87,076,733 |
| Equity securities: | | | | | | |
| Quoted | 639,008,134 | - | 1,095,924,671 | - | - | 1,734,932,805 |
| Investment in convertible note | - | - | 3,743,007,446 | - | - | 3,743,007,446 |
| Derivative financial assets designated as accounting hedges | - | 556,022 | - | - | - | 556,022 |
| | 639,008,134 | 87,632,755 | 4,838,932,117 | - | - | 5,565,573,006 |
| Financial assets at FVOCI: | | | | | | |
| Debt securities: | | | | | | |
| Private | - | 7,151,226,095 | 12,347,191,134 | 4,511,669,014 | - | 24,010,086,243 |
| Government | - | - | 626,802,919 | 1,282,139,746 | 10,384,000,000 | 12,292,942,665 |
| | - | 7,151,226,095 | 12,973,994,053 | 5,793,808,760 | 10,384,000,000 | 36,303,028,908 |
| Equity securities: | | | | | | |
| Quoted | - | - | 225,509,061 | 32,847,478,716 | - | 33,072,987,777 |
| Unquoted | - | - | 661,523,310 | - | - | 661,523,310 |
| | - | - | 887,032,371 | 32,847,478,716 | - | 33,734,511,087 |
| | - | 7,151,226,095 | 13,861,026,424 | 38,641,287,476 | 10,384,000,000 | 70,037,539,995 |
| Investment securities at amortized cost: | - | 189,998,044 | 613,993,681 | 5,636,941,982 | 3,260,966,437 | 9,701,900,144 |
| Receivables: | | | | | | |
| Trade receivables | 8,749,389,152 | 13,878,889,080 | 10,768,993,091 | 5,675,489,844 | 1,185,941,016 | 40,258,702,183 |
| Finance receivables | 187,479,392 | 16,548,718,259 | 10,164,332,652 | 20,575,320,247 | 38,906,458,329 | 86,382,308,879 |
| Due from related parties | 1,552,410,741 | - | - | 1,000,000,000 | - | 2,552,410,741 |
| Interest receivable | 15,613,421 | 1,456,596,411 | 258,010,099 | - | - | 1,730,219,931 |
| Other receivables | 2,937,523,557 | 2,312,923,575 | 1,349,954,246 | - | - | 6,600,401,378 |
| | 13,442,416,263 | 34,197,127,325 | 22,541,290,088 | 27,250,810,091 | 40,092,399,345 | 137,524,043,112 |
| Refundable security deposits*** | 76,413,292 | - | 2,004,000 | 514,748,450 | 262,891,902 | 856,057,644 |
| Restricted cash*** | 5,019,269,617 | - | - | - | - | 5,019,269,617 |
| | P56,343,468,331 | P83,032,954,078 | P41,857,246,310 | P72,043,787,999 | P54,000,257,684 | P307,277,714,402 |

* Excludes cash on hand amounting to P3,005,758,937

**Excludes claims receivable of JGSPC and JGSOC amounting to P304,301,630

***Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position.



| | 2021 | | | | | |
|---|------------------|------------------|-----------------|------------------|-------------------|------------------|
| | On Demand | Up to 3 Months | 3 to 12 Months | 1 to 5 Years | More Than 5 Years | Total |
| Financial Liabilities | | | | | | |
| Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties') | ₱28,064,156,617 | ₱14,670,378,634 | ₱14,145,083,925 | ₱5,472,698,006 | ₱631,686,333 | ₱62,984,003,515 |
| Short-term debt | — | 65,938,250,559 | 82,726,400 | — | — | 66,020,976,959 |
| Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position) | 93,118,442,232 | 43,496,330,836 | 10,704,785,647 | 8,759,603,445 | 4,779,817 | 156,083,941,977 |
| Due to related parties (included under 'Accounts payable and accrued expense' in the consolidated statement of financial position) | 169,068,971 | — | — | — | — | 169,068,971 |
| Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position) | — | 1,492,271,667 | 1,554,790,422 | 1,809,072,846 | 2,066,652,915 | 6,922,787,850 |
| Long-term debt (including current portion) | — | 14,129,463,966 | 13,416,794,650 | 165,041,979,015 | 54,367,879,981 | 246,956,117,612 |
| Lease liabilities (including current portion) | — | 1,759,287,037 | 4,202,203,160 | 19,737,865,664 | 16,460,709,877 | 42,160,065,738 |
| Bonds payable | — | — | 573,738,750 | 2,294,955,000 | 13,036,619,375 | 15,905,313,125 |
| Derivative liabilities | — | 1,730,960,768 | 1,366,788 | — | — | 1,732,327,556 |
| | ₱121,351,667,820 | ₱143,216,943,467 | ₱44,681,489,742 | ₱203,116,173,976 | ₱86,568,328,298 | ₱598,934,603,303 |
| | | | | | | |
| | 2020 | | | | | |
| | On Demand | Up to 3 Months | 3 to 12 Months | 1 to 5 Years | More Than 5 Years | Total |
| Financial Liabilities | | | | | | |
| Accounts payable and accrued expenses (including noncurrent portion booked under 'Other noncurrent liabilities' in the consolidated statement of financial position but excluding 'Deposit liabilities' and 'Due to related parties') | ₱27,752,764,330 | ₱15,220,109,765 | ₱9,478,357,941 | ₱4,055,625,815 | ₱2,236,589,802 | ₱58,743,447,653 |
| Short-term debt | — | 44,472,288,532 | — | — | — | 44,472,288,532 |
| Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position) | 95,635,547,107 | 47,905,917,842 | 8,214,052,168 | 10,315,999,044 | 955,474,565 | 163,026,990,726 |
| Due to related parties (included under 'Accounts payable and accrued expense' in the consolidated statement of financial position) | 143,059,245 | — | — | — | — | 143,059,245 |
| Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position) | — | 1,428,487,668 | 1,556,490,880 | 1,749,043,359 | 1,546,956,716 | 6,280,978,623 |
| Long-term debt (including current portion) | — | 7,566,551,276 | 28,705,604,081 | 205,958,639,296 | 52,324,494,732 | 294,555,289,385 |
| Lease liabilities (including current portion) | 691,743,306 | 1,470,819,426 | 4,822,499,832 | 11,345,918,128 | 13,621,966,050 | 31,952,946,742 |
| Derivative liabilities | — | — | 245,940,423 | — | — | 245,940,423 |
| | ₱124,223,113,988 | ₱118,064,174,509 | ₱53,022,945,325 | ₱233,425,225,642 | ₱70,685,481,865 | ₱599,420,941,329 |

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

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. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2021, 2020 and 2019,



approximately 26.0%, 21.0% and 27.4%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 34.5% and 28.6% of total debt are denominated in US Dollar as of December 31, 2021 and 2020, respectively. The Group's capital expenditures are likewise substantially denominated in US Dollar.

The tables below summarize the Group's exposure to foreign currency risk as of December 31, 2021 and 2020:

| | 2021 | | Total |
|--|--------------------------|-----------------------|--------------------------|
| | US Dollar | Other Currencies* | |
| Assets | | | |
| Cash and cash equivalents | ₱20,054,493,868 | ₱7,115,774,654 | ₱27,170,268,522 |
| Financial assets at FVPL | 4,496,931,846 | 1,232,610,032 | 5,729,541,878 |
| Financial assets at FVOCI | 10,908,513,721 | 996,129,033 | 11,904,642,754 |
| Receivables | 1,832,663,302 | 493,105,106 | 2,325,768,408 |
| Other current assets | 2,632,259,204 | 668,507 | 2,632,927,711 |
| | 39,924,861,941 | 9,838,287,332 | 49,763,149,273 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 19,517,250,203 | 854,192,977 | 20,371,443,180 |
| Financial liabilities at FVPL | 1,730,960,768 | — | 1,730,960,768 |
| Short-term debt | 8,470,601,845 | 1,567,331,946 | 10,037,933,791 |
| Long-term debt (including current portion) | 82,010,153,555 | 6,681,792,918 | 88,691,946,473 |
| | 111,728,966,371 | 9,103,317,841 | 120,832,284,212 |
| Net Foreign Currency-Denominated Assets (Liabilities) | (₱71,804,104,430) | (₱734,969,491) | (₱71,069,134,939) |

* Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro

| | 2020 | | Total |
|--|--------------------------|-----------------------|--------------------------|
| | US Dollar | Other Currencies* | |
| Assets | | | |
| Cash and cash equivalents | ₱20,828,526,472 | ₱12,437,944,085 | ₱33,266,470,557 |
| Financial assets at FVPL | 4,280,667,629 | 1,434,105,577 | 5,714,773,206 |
| Financial assets at FVOCI | 11,903,833,912 | — | 11,903,833,912 |
| Receivables | 13,792,457,236 | 158,983,933 | 13,951,441,169 |
| Other current assets | 116,734,897 | — | 116,734,897 |
| | 50,922,220,146 | 14,031,033,595 | 64,953,253,741 |
| Liabilities | | | |
| Accounts payable and accrued expenses | 10,405,525,500 | 1,024,934,564 | 11,430,460,064 |
| Financial liabilities at FVPL | 769,321,983 | 320,238,126 | 1,089,560,109 |
| Short-term debt | 12,057,556,671 | — | 12,057,556,671 |
| Long-term debt (including current portion) | 84,002,606,117 | 7,727,531,814 | 91,730,137,931 |
| | 107,235,010,271 | 9,072,704,504 | 116,307,714,775 |
| Net Foreign Currency-Denominated Assets (Liabilities) | (₱56,312,790,125) | ₱4,958,329,091 | (₱51,354,461,034) |

* Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2021 and 2020 follow:

| | 2021 | 2020 |
|---|------------------------|------------------------|
| US dollar-Philippine peso exchange rate | ₱50.999 to US\$1.00 | ₱48.023 to US\$1.00 |



The following table sets forth the impact of the range of reasonably possible changes in the US Dollar-Philippine peso exchange rate on the Group's income before income tax (due to the revaluation of monetary assets and liabilities) for the years ended December 31, 2021 and 2020:

| Reasonably Possible Changes in Exchange rates | Change in Income Before Income Tax | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| ₱2.0 | (₱2,815,902,446) | (₱2,345,242,493) |
| (2.0) | ₱2,815,902,446 | ₱2,345,242,493 |

Other than the potential impact on the Group's pre-tax income, the Group does not expect any other material effect on equity.

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

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as a result of changes in the levels of equity indices and the value of individual stocks.

In 2021 and 2020, changes in fair value of equity instruments held as financial assets at FVOCI due to a reasonably possible change in equity indices, with all other variables held constant, will increase equity by ₱398.3 million and ₱352.8 million if equity prices will increase by 1.5%. In 2021, 2020 and 2019, changes in fair value of equity instruments held as financial assets at FVPL due to a reasonably possible change in equity indices, with all other variables held constant, will increase profit by ₱6.5 million, ₱6.0 million and ₱6.1 million, respectively, if equity prices will increase by 1.5%. An equal change in the opposite direction would have decreased equity and profit by the same amount.

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Parent Company's and its subsidiaries' long-term debt obligations which are subject to floating rate. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group makes use of derivative financial instruments, such as interest rate swaps, to hedge the variability in cash flows arising from fluctuation in benchmark interest rates.



The following tables show information about the Group's long-term debt with floating interest rate presented by maturity profile:

| | 2021 | | | | | | Total (In Original Currency) | Total (in Philippine Peso) | Debt Issuance Costs | Carrying Value (in Philippine Peso) | Fair Value |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------------------------|----------------------------------|------------------------|---|-----------------|
| | <1 year | >1-<2 years | >2-<3 years | >3-<4 years | >4-<5 years | >5 years | | | | | |
| Long-term debt | | | | | | | | | | | |
| Philippine peso | | | | | | | | | | | |
| Floating rate | | | | | | | | | | | |
| Commercial loans from banks | | | | | | | | | | | |
| Interest rate 5.0%-7.0% (PDST-R2 and BVAL) | ₱— | ₱1,279,551,165 | ₱5,403,111,290 | ₱4,374,354,865 | ₱3,303,561,565 | ₱1,929,657,318 | ₱16,290,236,203 | ₱16,290,236,203 | ₱— | ₱16,290,236,203 | ₱16,420,341,225 |
| Term loan | | | | | | | | | | | |
| Interest rate (Prevailing market rate + GRT) | 375,000,000 | 10,156,250,000 | — | — | — | — | 10,531,250,000 | 10,000,000,000 | 23,042,456 | 9,976,957,544 | 10,178,850,753 |
| Term loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.5%) | 308,070,515 | 5,159,718,900 | — | — | — | — | 5,467,789,415 | 5,000,000,000 | 11,654,003 | 4,988,345,997 | 4,963,016,616 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 285,600,000 | 285,600,000 | 7,214,395,616 | — | — | — | 7,785,595,616 | 7,000,000,000 | 29,134,482 | 6,970,865,518 | 6,781,420,252 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 546,811,200 | 547,013,392 | 14,783,894,073 | — | — | — | 15,877,718,665 | 14,508,000,000 | — | 14,508,000,000 | 15,621,252,000 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 139,600,000 | 139,600,000 | 4,139,982,466 | — | — | — | 4,419,182,466 | 4,000,000,000 | — | 4,000,000,000 | 4,391,696,177 |
| Foreign currencies: | | | | | | | | | | | |
| Floating rate | | | | | | | | | | | |
| US Dollar loans | | | | | | | | | | | |
| JPY Commercial loans | | | | | | | | | | | |
| Less than 1.0% (JPY LIBOR) | ¥1,560,736,932 | ¥1,568,936,150 | ¥1,577,004,749 | ¥1,585,465,365 | ¥1,593,796,773 | ¥7,255,217,787 | ¥15,141,157,756 | 6,681,792,919 | — | 6,681,792,919 | 6,784,260,119 |
| USD Commercial loans | | | | | | | | | | | |
| Interest rate 1.0%-8.0% (USD LIBOR) | US\$ 35,948,795 | US\$ 33,247,555 | US\$ 33,513,360 | US\$ 34,542,373 | US\$ 95,175,603 | US\$ 168,119,676 | US\$ 400,547,362 | 20,427,514,938 | — | 20,427,514,938 | 22,178,011,872 |
| | | | | | | | | ₱83,907,544,060 | ₱63,830,941 | ₱83,843,713,119 | ₱87,318,849,014 |



| | 2020 | | | | | | Total (In Original Currency) | Total (in Philippine Peso) | Debt Issuance Costs | Carrying Value (in Philippine Peso) | Fair Value |
|---|-----------------|----------------|-----------------|----------------|----------------|-----------------|------------------------------------|----------------------------------|------------------------|---|-------------------------|
| | <1 year | >1-<2 years | >2-<3 years | >3-<4 years | >4-<5 years | >5 years | | | | | |
| Long-term debt | | | | | | | | | | | |
| Philippine peso | | | | | | | | | | | |
| Floating rate | | | | | | | | | | | |
| Commercial loans from banks | | | | | | | | | | | |
| Interest rate 5.0%-7.0% (PDST-R2 and BVAL) | P- | P- | P1,279,551,165 | P5,403,111,290 | P4,374,354,865 | P5,233,218,883 | P16,290,236,203 | P16,290,236,203 | P- | P16,290,236,203 | P19,151,866,091 |
| Term loan | | | | | | | | | | | |
| Interest rate (Prevailing market rate + GRT) | 375,000,000 | 375,000,000 | 10,155,136,986 | - | - | - | 10,905,136,986 | 10,000,000,000 | 38,283,218 | 9,961,716,782 | 10,342,148,835 |
| Term loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.5%) | 189,575,000 | 189,575,000 | 5,094,527,808 | - | - | - | 5,473,677,808 | 5,000,000,000 | 19,322,399 | 4,980,677,601 | 4,959,418,878 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 285,600,000 | 285,600,000 | 285,600,000 | 7,190,400,000 | - | - | 8,047,200,000 | 7,000,000,000 | 39,323,497 | 6,960,676,503 | 6,901,859,603 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 691,188,200 | 691,188,200 | 691,188,200 | 14,921,394,765 | - | - | 16,994,959,365 | 14,508,000,000 | - | 14,508,000,000 | 15,942,294,497 |
| Term Loan | | | | | | | | | | | |
| Interest rate (BVAL + 0.75%) | 122,800,000 | 120,396,334 | 120,467,944 | 4,120,867,729 | - | - | 4,484,532,007 | 4,000,000,000 | - | 4,000,000,000 | 4,491,126,624 |
| Foreign currencies: | | | | | | | | | | | |
| Floating rate | | | | | | | | | | | |
| US Dollar loans | | | | | | | | | | | |
| JPY Commercial loans | | | | | | | | | | | |
| Less than 1.0% (JPY LIBOR) | ¥1,552,581,304 | ¥1,560,736,932 | ¥1,568,936,150 | ¥1,577,004,749 | ¥1,585,465,365 | ¥8,849,014,560 | ¥16,693,739,060 | 7,727,531,810 | - | 7,727,531,810 | 7,834,358,952 |
| USD Commercial loans | | | | | | | | | | | |
| Interest rate 3.0%-5.0% (USD LIBOR) | US\$58,056,478 | US\$61,687,707 | US\$55,937,634 | US\$48,045,784 | US\$40,500,961 | US\$263,295,279 | US\$527,523,843 | 25,333,277,532 | - | 25,333,277,532 | 29,224,128,671 |
| New Zealand Dollar loans | | | | | | | | | | | |
| Interest rate (NZ BKBM+1.10%) | NZ\$5,622,167 | NZ\$5,606,806 | NZ\$400,560,722 | - | - | - | NZ\$411,789,695 | 13,625,258,770 | 126,604,870 | 13,498,653,900 | 13,568,528,873 |
| Australian Dollar loans | | | | | | | | | | | |
| Interest rate (BBSY BID+1.25%) | AU\$488,118,042 | - | - | - | - | - | AU\$488,118,042 | 17,888,983,093 | 50,085,857 | 17,838,897,236 | 17,931,239,219 |
| | | | | | | | | <u>P121,373,287,408</u> | <u>P273,619,841</u> | <u>P121,099,667,567</u> | <u>P130,346,970,243</u> |



The following table sets forth the impact of the range of reasonably possible changes in the interest rates on the Group's income from floating debt obligations before income tax:

| Reasonably Possible Changes in Interest Rates | Change in Income Before Income Tax | |
|--|---------------------------------------|------------------|
| | 2021 | 2020 |
| +150.0 basis points (bps) | (₱1,886,020,992) | (₱2,468,301,430) |
| -150.0 bps | 1,886,020,992 | 2,468,301,430 |

Price interest rate risk

The Group is exposed to the risks of changes in the value/future cash flows of its financial instruments due to its market risk exposures. The Group's exposure to interest rate risk relates primarily to the Group's financial assets at FVPL and financial assets at FVOCI investments.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the table below shows the impact on income before income tax of the estimated future yield of the related market indices of the Group's FVPL and FVOCI investments using a sensitivity approach.

| Reasonably Possible Changes in Interest Rates | Change in Income Before Income Tax | |
|--|---------------------------------------|--------------|
| | 2021 | 2020 |
| +150.0 basis points (bps) | ₱18,615,218 | ₱92,136,733 |
| -150.0 bps | (17,687,428) | (87,776,261) |

| Reasonably Possible Changes in Interest Rates | Change in Other Comprehensive Income | |
|--|---|---------------|
| | 2021 | 2020 |
| +150.0 basis points (bps) | ₱172,432,608 | ₱149,003,990 |
| -150.0 bps | (172,432,608) | (149,003,990) |

Commodity price risk

The Group 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\$10.0 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱576.2 million and ₱758.5 million for the years December 31, 2021 and 2020, 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.

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.



Banking Segment's Market Risk

Market risk is defined as the possibility of loss due to adverse movements in market factors such as rates and prices. Market risk is present in both trading and non-trading activities. These are the risk to earnings or capital arising from changes in the value of traded portfolios of financial instruments. The risk arises from market-making, dealing and position-taking in quoted debt securities and foreign exchange.

RBC observes market risk limits, which are approved by the BOD and reviewed at least annually. Limits are set in such a way as to ensure that risks taken are based on RBC's existing capital adequacy framework, and corresponding monitoring reports are prepared regularly by an independent risk management unit.

When limits are breached, approval is sought from successive levels of authority depending on the amount of the excess. Limit breaches are periodically presented to the BOD.

Value-at-Risk (VaR) is computed to estimate potential losses arising from market movements. RBC calculates and monitors VaR and profit or loss on a daily basis.

VaR objectives and methodology

VaR is used by RBC to measure market risk exposure from its trading and investment activities. VaR is an estimate of the maximum decline in value on a given position over a specified holding period in a normal market environment, with a given probability of occurrence. RBC uses the historical simulation method in estimating VaR. The historical simulation method is a non-parametric approach to VaR calculation, in which asset returns are not subject to any functional distribution assumption. VaR is estimated directly from historical data without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 500 historical data (approximately 2 years). The Parent Company updates its dataset on a daily basis per RBC's policy, VaR is based on a 1-day holding period and a confidence level of 99%.

VaR methodology limitations and assumptions

Discussed below are the limitations and assumptions applied by RBC on its VaR methodology:

- a. VaR is a statistical estimate; thus, it does not give the precise amount of loss RBC may incur in the future;
- b. VaR is not designed to give the probability of bank failure, but only attempts to quantify losses that may arise from a RBC's exposure to market risk;
- c. Since VaR is computed from end-of-day positions and market factors, VaR does not capture intraday market risk.
- d. VaR systems depend on historical data. It attempts to forecast likely future losses using past data. As such, this assumes that past relationships will continue to hold in the future. Therefore, market shifts (i.e., an unexpected collapse of the market) will not be captured and may inflict losses larger than VaR; and
- e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaR with daily stress testing reported to the RMC, ALCO and the concerned risk-takers.

VaR back testing is the process by which financial institutions periodically compare ex-post profit or loss with the ex-ante VaR figures to gauge the robustness of the VaR model. RBC performs quarterly back testing.



RBC's VaR figures are as follows (in millions):

| | 2021 | | | |
|------------------------|---------------|------------|------------|-------------|
| | Average Daily | Highest | Lowest | December 31 |
| Local interest rates | (₱0.0470) | (₱1.3386) | (₱0.0006) | ₱- |
| Foreign interest rates | (\$0.0011) | (\$0.0274) | (\$0.0004) | (\$0.0004) |

| | 2020 | | | |
|------------------------|---------------|----------|----------|-------------|
| | Average Daily | Highest | Lowest | December 31 |
| Local interest rates | ₱1.2249 | ₱12.5745 | ₱0.0103 | ₱0.9802 |
| Foreign interest rates | \$0.0041 | \$0.0294 | \$0.0004 | \$0.0047 |

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

RBC's ALCO surveys the interest rate environment, adjusts the interest rates for RBC's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses EaR as a tool for measuring and managing interest rate risk in the banking book.

EaR objectives and methodology

EaR is a statistical measure of the likely impact of changes in interest rates to the RBC's net interest income (NII). To do this, repricing gaps (difference between interest rate-sensitive assets and liabilities) are classified according to time to repricing and multiplied with applicable historical interest rate volatility, although available contractual repricing dates are generally used for putting instruments into time bands, contractual maturity dates (e.g., for fixed rate instruments) or expected liquidation periods often based on historical data are used alternatively. The repricing gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive repricing gap implies that RBC's net interest income could decline if interest rates decrease upon repricing. A negative repricing gap implies that RBC's net interest income could decline if interest rates increase upon repricing. Although such gaps are a normal part of the business, a significant change may bring significant interest rate risk.

To help control interest rate risk arising from repricing gaps, maximum repricing gap and EaR/NII targets are set for time bands up to one year. EaR is prepared and reported to the Risk Management Committee quarterly.

RBC's EaR figures are as follows (in PHP millions):

| | 2021 | | | |
|---|---------|---------|---------|-------------|
| | Average | High | Low | December 31 |
| Instruments sensitive to local interest rates | ₱311.64 | ₱520.74 | ₱101.98 | ₱ 355.16 |
| Instruments sensitive to foreign interest rates | \$2.45 | \$2.09 | \$2.12 | \$ 2.99 |

| | 2020 | | | |
|---|---------|---------|---------|-------------|
| | Average | High | Low | December 31 |
| Instruments sensitive to local interest rates | ₱292.75 | ₱450.47 | ₱197.00 | ₱450.47 |
| Instruments sensitive to foreign interest rates | \$1.32 | \$2.16 | \$0.17 | \$2.16 |



Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The BOD has set limits on positions by currency. In accordance with the RBC's policy, positions are monitored on a daily basis and are used to ensure positions are maintained within established limits.

| December 31, 2021 | | Statement of Income |
|---|----------------------------------|------------------------------------|
| +10.0% USD appreciation | USD | ₱33,990,798 |
| | Other Foreign Currencies* | 3,846,934 |
| -10.0% USD depreciation | USD | (33,990,798) |
| | Other Foreign Currencies* | (3,846,934) |
| December 31, 2020 | | Statement of Income |
| +10.0% USD appreciation | USD | ₱33,301,868 |
| | Other Foreign Currencies* | 3,481,676 |
| -10.0% USD depreciation | USD | (33,301,868) |
| | Other Foreign Currencies* | (3,481,676) |
| <i>*Significant position held in EUR, GBP and AUD</i> | | |

5. Fair Value Measurement

The following methods and assumptions were used to estimate the fair value of each asset and liability for which it is practicable to estimate such value:

Cash and cash equivalents, receivables (except for finance receivables and installment contract receivables), accounts payable and accrued expenses and short-term debt

Carrying amounts approximate their fair values due to the relatively short-term maturities of these instruments.

Finance receivables

Fair values of loans are estimated using the discounted cash flow methodology, using RBC's current incremental lending rates for similar types of loans. Where the instruments are repriced on a quarterly basis or have a relatively short-term maturity, the carrying amounts approximate fair values.

Installment contract receivables

Fair values of installment contract receivables are based on the discounted value of future cash flows using the applicable rates for similar types of receivables. The discount rates used range from 1.9% to 4.4% in 2021 and from 1.9% to 2.7% in 2020.

Debt securities

Fair values of debt securities are generally based on quoted market prices. If the fair value of financial assets cannot be derived from active markets, these are determined using internal valuation techniques using generally accepted market valuation models using inputs from observable markets subject to a degree of judgment.

Quoted equity securities

Fair values are based on quoted prices published in markets.



Unquoted equity securities

Investment in unquoted equity security classified as FVOCI include interest in unlisted preference shares of stock of a fintech company. The adjusted net asset value approach was used in estimating the fair value of the equity security where assets and liabilities are restated to current fair values.

Due from and due to related parties

Carrying amounts of due from and due to related parties approximate their fair values because these are collectible/payable on demand, except for certain due from related parties amounting to ₱2.8 billion and ₱1.0 billion, as of December 31, 2021 and 2020, respectively, which will mature in April 2023 and 2022, respectively. Due from related parties are unsecured.

Noninterest-bearing refundable security deposits

The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note

The fair value of the convertible notes are determined using HP Binomial Pyramid model and comparable companies' market data.

Biological assets

Biological assets are measured at their fair values less costs to sell. The fair values of Level 2 biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit while Level 3 are determined based on adjusted commercial farmgate prices. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties.

The Group has determined that the highest and best use of the sucklings and weanlings is finishers while for other biological assets is their current use.

Derivative financial instruments

The fair values of the interest rate swaps and commodity swaps and options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third-party provider.

Investment properties

Fair value of investment properties is based on market data (or direct sales comparison) approach. This approach relies on the comparison of recent sale transactions or offerings of similar properties which have occurred and/or offered with close proximity to the subject property.

The fair values of the Group's investment properties have been determined by appraisers, including independent external appraisers, in the basis of the recent sales of similar properties in the same areas as the investment properties and taking into account the economic conditions prevailing at the time of the valuations are made.

The Group has determined that the highest and best use of the property used for the land and building is its current use.

Time deposits

Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.



Long-term negotiable certificates of deposit (LTNCD)

Fair values of LTNCD are estimated using quoted market rates for the instrument.

Deposits from lessees

The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date. The discount rates used range from 1.9% to 4.4% in 2021 and from 1.9% to 2.7% in 2020.

Long-term debt

The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 1.9% to 4.7% in 2021 and from 1.9% to 2.7% in 2020.

Fair Value Hierarchy Assets and Liabilities

Assets and liabilities carried at fair value are those whose fair values are required to be disclosed.

- (a) Level 1: quoted (unadjusted) prices in an active market for identical assets or liabilities;
- (b) Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- (c) Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the Group's assets and liabilities carried at fair value:

| | December 31, 2021 | | | | |
|--|-------------------|-----------------|-----------------|------------------|------------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair value |
| <i>Assets measured at fair value</i> | | | | | |
| Financial assets at FVPL: | | | | | |
| Held-for-trading: | | | | | |
| Debt securities: | | | | | |
| Government | ₱1,912,412 | ₱– | ₱1,912,412 | ₱– | ₱1,912,412 |
| Equity securities: | | | | | |
| Quoted | 2,438,988,335 | 2,438,988,335 | – | – | 2,438,988,335 |
| Investment in convertible notes | 4,020,115,416 | – | 4,020,115,416 | – | 4,020,115,416 |
| | 6,461,016,163 | 2,438,988,335 | 4,022,027,828 | – | 6,461,016,163 |
| Financial assets at FVOCI | | | | | |
| Debt securities: | | | | | |
| Government | 15,713,379,337 | 3,216,384,440 | 12,496,994,897 | – | 15,713,379,337 |
| Private | 21,514,353,455 | 18,257,471,468 | 3,256,881,987 | – | 21,514,353,455 |
| | 37,227,732,792 | 21,473,855,908 | 15,753,876,884 | – | 37,227,732,792 |
| Equity securities: | | | | | |
| Quoted | 44,684,355,999 | 44,526,652,618 | 157,703,381 | – | 44,684,355,999 |
| Unquoted | 1,853,127,508 | – | 1,820,169,419 | 32,958,089 | 1,853,127,508 |
| | 46,537,483,507 | 44,526,652,618 | 1,977,872,800 | 32,958,089 | 46,537,483,507 |
| | 83,765,216,299 | 66,000,508,526 | 17,731,749,684 | 32,958,089 | 83,765,216,299 |
| Biological assets | 298,250,510 | – | 16,364,135 | 281,886,375 | 298,250,510 |
| | ₱90,524,482,972 | ₱68,439,496,861 | ₱21,770,141,647 | ₱314,844,464 | ₱90,524,482,972 |
| <i>Assets for which fair values are disclosed</i> | | | | | |
| Investment securities at amortized cost | ₱8,474,858,779 | ₱3,771,254,829 | ₱4,562,093,154 | ₱– | ₱8,333,347,983 |
| Receivables: | | | | | |
| Trade receivables | 37,749,156,043 | – | – | 37,211,561,996 | 37,211,561,996 |
| Finance receivables | 96,645,767,364 | – | – | 98,130,783,298 | 98,130,783,298 |
| Other receivables | 7,381,220,881 | – | – | 7,376,540,165 | 7,376,540,165 |
| Refundable deposits | 1,966,017,754 | – | – | 1,881,639,976 | 1,881,639,976 |
| Investment properties | 117,761,485,499 | – | – | 346,331,112,789 | 346,331,112,789 |
| | ₱269,978,506,320 | ₱3,771,254,829 | ₱4,562,093,154 | ₱490,931,638,224 | ₱499,264,986,207 |
| <i>Liabilities for which fair values are disclosed</i> | | | | | |
| Deposit liabilities | ₱127,575,152,492 | ₱– | ₱– | ₱123,013,763,427 | ₱123,013,763,427 |
| Derivative liabilities | 1,732,327,557 | – | 1,732,327,557 | – | 1,732,327,557 |
| Deposits from lessees | 6,922,787,850 | – | – | 6,251,534,818 | 6,251,534,818 |
| Bonds payable | 12,184,836,126 | – | – | 12,184,836,126 | 12,184,836,126 |
| Long-term debt (including current portion) | 220,332,192,883 | – | – | 224,161,906,522 | 224,161,906,522 |
| | ₱368,747,296,908 | ₱– | ₱1,732,327,557 | ₱365,612,040,893 | ₱367,344,368,450 |



| | December 31, 2020 | | | | |
|--|-------------------|-----------------|----------------|------------------|------------------|
| | Carrying Value | Level 1 | Level 2 | Level 3 | Total Fair value |
| <i>Assets measured at fair value</i> | | | | | |
| <i>Financial assets at FVPL:</i> | | | | | |
| Held-for-trading: | | | | | |
| Debt securities: | | | | | |
| Government | P86,520,711 | P86,520,711 | P— | P— | P86,520,711 |
| Equity securities: | | | | | |
| Quoted | 1,734,932,805 | 1,734,932,805 | — | — | 1,734,932,805 |
| Investment in convertible notes | 3,743,007,446 | — | 3,743,007,446 | — | 3,743,007,446 |
| Derivative assets | 556,022 | — | 556,022 | — | 556,022 |
| | 5,565,016,984 | 1,821,453,516 | 3,743,563,468 | — | 5,565,016,984 |
| <i>Financial assets at FVOCI</i> | | | | | |
| Debt securities: | | | | | |
| Government | 9,681,907,051 | 8,833,121,582 | 848,785,469 | — | 9,681,907,051 |
| Private | 21,325,214,680 | 19,616,749,471 | 1,708,465,209 | — | 21,325,214,680 |
| | 31,007,121,731 | 28,449,871,053 | 2,557,250,678 | — | 31,007,121,731 |
| Equity securities: | | | | | |
| Quoted | 33,072,987,777 | 32,997,587,777 | 75,400,000 | — | 33,072,987,777 |
| Unquoted | 661,523,310 | — | 661,523,310 | — | 661,523,310 |
| | 33,734,511,087 | 32,997,587,777 | 736,923,310 | — | 33,734,511,087 |
| | 64,741,632,818 | 61,447,458,830 | 3,294,173,988 | — | 64,741,632,818 |
| Biological assets | 234,251,397 | — | 8,146,945 | 226,104,452 | 234,251,397 |
| | P70,540,901,199 | P63,268,912,346 | P7,045,884,401 | P226,104,452 | P70,540,901,199 |
| <i>Assets for which fair values are disclosed</i> | | | | | |
| Investment securities at amortized cost | P8,049,365,423 | P3,315,813,283 | P4,734,104,150 | P— | P8,049,917,433 |
| Receivables: | | | | | |
| Trade receivables | 39,760,722,566 | — | — | 37,745,119,499 | 37,745,119,499 |
| Finance receivables | 84,697,325,229 | — | — | 76,049,104,924 | 76,049,104,924 |
| Other receivables | 6,474,044,662 | — | — | 6,470,552,438 | 6,470,552,438 |
| Refundable deposits | 856,057,644 | — | — | 1,148,472,883 | 1,148,472,883 |
| Investment properties | 104,675,085,905 | — | — | 287,711,868,671 | 287,711,868,671 |
| | P244,512,601,429 | P3,315,813,283 | P4,734,104,150 | P409,125,118,415 | P417,175,035,848 |
| <i>Liabilities for which fair values are disclosed</i> | | | | | |
| Deposit liabilities | P122,324,413,205 | P— | P— | P122,808,748,920 | P122,808,748,920 |
| Derivative liabilities | 245,940,423 | — | 245,940,423 | — | 245,940,423 |
| Deposits from lessees | 6,280,367,371 | — | — | 5,916,713,775 | 5,916,713,775 |
| Long-term debt (including current portion) | 272,341,886,341 | — | — | 274,690,959,987 | 274,690,959,987 |
| | P401,192,607,340 | P— | P245,940,423 | P403,416,422,682 | P403,662,363,105 |

In 2021 and 2020, there were no transfers between Level 1 and Level 2 fair value measurements. Non-financial asset determined under Level 3 includes investment properties. No transfers between any levels of the fair value hierarchy took place in the equivalent comparative period. There were also no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

Description of significant unobservable inputs to valuation:

| Account | Valuation Technique | Significant Unobservable Inputs |
|-----------------------|--|--|
| Loans and receivables | Discounted cash flow method | 4.0% - 42.0% discount rate |
| Biological assets | Adjusted commercial farmgate prices | Commercial farmgate prices |
| Investment properties | Market data approach and Cost approach | Price/cost per square meter, size, shape, location, time element, discount, replacement cost and depreciation for improvements |
| | | Discount rate, capitalization rate, growth rate, occupancy rate |
| Refundable deposits | Discounted cash flow method | 1.0% - 8.0% discount rate |
| Reposessed chattels | Discounted cash flow method | Price per unit, size, shape, location, time element and discount |
| | Market data approach | |
| Time deposits | Discounted cash flow method | 0.3% - 3.9% discount rate |
| Long-term debt | Discounted cash flow method | 1.9% - 2.7% discount rate |

Significant increases (decreases) in reasonable profit margin applied would result in a significantly higher (lower) fair value of the biological assets, considering all other variables are held constant.



Significant Unobservable Inputs

| | |
|-------------------------------------|---|
| Size | Size of lot in terms of area. Evaluate if the lot size of property or comparable conforms to the average cut of the lots in the area and estimate the impact of the lot size differences on land value. |
| Shape | Particular form or configuration of the lot. A highly irregular shape limits the usable area whereas an ideal lot configuration maximizes the usable area of the lot which is associated in designing an improvement which conforms with the highest and best use of the property. |
| Location | Location of comparative properties whether on a main road, or secondary road. Road width could also be a consideration if data is available. As a rule, properties located along a main road are superior to properties located along a secondary road. |
| Time Element | An adjustment for market conditions is made if general property values have appreciated or depreciated since the transaction dates due to inflation or deflation or a change in investor's perceptions of the market over time. In which case, the current data is superior to historic data. |
| Discount | Generally, asking prices in ads posted for sale are negotiable. Discount is the amount the seller or developer is willing to deduct from the posted selling price if the transaction will be in cash or equivalent. |
| Risk premium | The return in excess of the risk-free rate of return that an investment is expected to yield. |
| Reasonable profit margin | Mark up of biological assets at different stages of development. |
| Adjusted commercial farmgate prices | Fair value based on commercial farmgate prices, adjusted by considering the age, breed and genetic merit |

6. Segment Information

Operating Segments

The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.
- Air transportation - air transport services, both domestic and international, for passengers and cargoes.
- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed-use developments including high rise residential condominiums; and development of land into



residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.

- Petrochemicals - manufacturer of polyethylene (PE), polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline, pyrolysis fuel oil, aromatics, butadiene and liquefied petroleum gas (LPG).
- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.
- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2021, 2020 and 2019. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).



The Group's operating segment information follows:

| | December 31, 2021 | | | | | | | |
|--|--|--------------------------|---------------------------|-------------------------|-----------------------|--------------------------------------|------------------------------------|------------------------|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | TOTAL OPERATIONS |
| Revenue | | | | | | | | |
| Sale of goods and services: | | | | | | | | |
| External customers | ₱116,954,788,444 | ₱15,740,756,855 | ₱35,561,985,340 | ₱40,323,467,713 | ₱9,285,942,362 | ₱860,222,110 | ₱- | ₱218,727,162,824 |
| Intersegment revenues | - | - | 554,401,657 | 1,482,671,886 | - | - | (2,037,073,543) | - |
| Dividend income (Note 28) | 116,954,788,444 | 15,740,756,855 | 36,116,386,997 | 41,806,139,599 | 9,285,942,362 | 860,222,110 | (2,037,073,543) | 218,727,162,824 |
| Equity in net earnings of associates and joint ventures (Note 14) | 32,302,870 | - | - | - | 13,038,094 | 2,094,517,684 | - | 2,139,858,648 |
| | (91,077,671) | (174,431,012) | 3,104,377,547 | - | - | 6,669,090,395 | 177,352,880 | 9,685,312,139 |
| Total revenue | 116,896,013,643 | 15,566,325,843 | 39,220,764,544 | 41,806,139,599 | 9,298,980,456 | 9,623,830,189 | (1,859,720,663) | 230,552,333,611 |
| Cost of sales and services (Note 30) | 83,489,333,409 | 19,065,731,725 | 23,378,006,275 | 40,325,606,872 | 1,747,658,085 | 230,207,848 | (2,353,501,261) | 165,883,042,953 |
| Gross income | ₱33,406,680,234 | (₱3,499,405,882) | ₱15,842,758,269 | ₱1,480,532,727 | ₱7,551,322,371 | ₱9,393,622,341 | ₱493,780,598 | 64,669,290,658 |
| General and administrative expenses (Note 31) | | | | | | | | 51,235,705,424 |
| Provision for impairment losses and others (Note 34) | | | | | | | | 2,018,025,657 |
| Operating income | | | | | | | | 11,415,559,577 |
| Financing cost and other charges (Note 35) | | | | | | | | (9,111,084,606) |
| Finance income (Note 27) | | | | | | | | 1,094,584,901 |
| Other operating income (Note 29) | | | | | | | | 568,113,153 |
| Core earnings | | | | | | | | 3,967,173,025 |
| Market valuation losses on financial assets | | | | | | | | (1,094,513,349) |
| Foreign exchange losses | | | | | | | | (3,056,849,332) |
| Loss before income tax | | | | | | | | (184,189,656) |
| Provision for income tax (Note 38) | | | | | | | | 362,357,776 |
| Net loss from Continuing Operations | | | | | | | | (546,547,432) |
| Net income from Discontinued Operations (Note 44) | | | | | | | | 11,280,571,602 |
| Net income | | | | | | | | ₱10,734,024,170 |
| Net income attributable to equity holders of the Parent Company | ₱12,888,039,529 | (₱17,150,436,805) | ₱7,600,091,719 | (₱2,139,245,570) | ₱745,220,353 | ₱3,584,083,849 | (₱419,523,304) | ₱5,108,229,771 |
| EBIT | ₱12,716,395,019 | (₱23,157,858,622) | ₱9,713,808,554 | (₱113,840,195) | ₱1,519,297,734 | ₱11,021,798,590 | (₱284,041,503) | ₱11,415,559,577 |
| Depreciation and amortization (Notes 15, 16, 18 and 33) | 5,762,875,646 | 14,355,454,086 | 5,246,968,024 | 3,198,808,608 | 644,943,852 | 356,857,641 | (435,409,768) | 29,130,498,089 |
| Impairment losses on property, plant and equipment | - | - | - | - | - | 432,631,271 | - | 432,631,271 |
| EBITDA | ₱18,479,270,665 | (₱8,802,404,536) | ₱14,960,776,578 | ₱3,084,968,413 | ₱2,164,241,586 | ₱11,811,287,502 | (₱719,451,271) | ₱40,978,688,937 |
| Other information | | | | | | | | |
| Non-cash expenses other than depreciation and amortization (Note 34): | | | | | | | | |
| Impairment losses on receivables (Note 11) | ₱30,419,962 | ₱104,625,855 | ₱- | ₱- | ₱1,304,169,768 | ₱- | ₱- | ₱1,439,215,585 |
| Inventories | 109,167,827 | - | - | - | - | - | - | 109,167,827 |
| Property, plant and equipment | - | - | - | - | - | 432,631,271 | - | 432,631,271 |
| Other assets | - | 36,915,814 | - | - | 95,160 | - | - | 37,010,974 |
| | ₱139,587,789 | ₱141,541,669 | ₱- | ₱- | ₱1,304,264,928 | ₱432,631,271 | ₱- | ₱2,018,025,657 |



| | December 31, 2020 | | | | | | | |
|--|--|-----------------------|---------------------------|------------------|----------------|--------------------------------------|------------------------------------|---------------------|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | TOTAL OPERATIONS |
| Revenue | | | | | | | | |
| Sale of goods and services: | | | | | | | | |
| External customers | ₱113,161,785,302 | ₱22,617,967,165 | ₱27,518,406,639 | ₱21,275,283,602 | ₱9,174,583,626 | ₱907,768,085 | ₱— | ₱194,655,794,419 |
| Intersegment revenues | — | — | 352,791,286 | 746,044,686 | — | — | (1,098,835,972) | — |
| Dividend income (Note 28) | 113,161,785,302 | 22,617,967,165 | 27,871,197,925 | 22,021,328,288 | 9,174,583,626 | 907,768,085 | (1,098,835,972) | 194,655,794,419 |
| Equity in net earnings of associates and joint ventures (Note 14) | 64,605,739 | — | — | — | 14,890,056 | 1,931,625,044 | — | 2,011,120,839 |
| | (61,973,951) | (316,115,081) | 2,647,283,834 | — | — | 5,122,116,552 | 193,323,054 | 7,584,634,408 |
| Total revenue | 113,164,417,090 | 22,301,852,084 | 30,518,481,759 | 22,021,328,288 | 9,189,473,682 | 7,961,509,681 | (905,512,918) | 204,251,549,666 |
| Cost of sales and services (Note 30) | 78,573,438,418 | 21,277,642,920 | 15,943,948,736 | 22,693,576,725 | 2,255,332,241 | 189,672,908 | (968,971,939) | 139,964,640,009 |
| Gross income | ₱34,590,978,672 | ₱1,024,209,164 | ₱14,574,533,023 | (₱672,248,437) | ₱6,934,141,441 | ₱7,771,836,773 | ₱63,459,021 | 64,286,909,657 |
| General and administrative expenses (Note 31) | | | | | | | | 52,947,982,752 |
| Provision for (reversal of) impairment losses and others (Note 34) | | | | | | | | 1,420,479,998 |
| Operating income | | | | | | | | 9,918,446,907 |
| Financing cost and other charges (Note 35) | | | | | | | | (8,913,379,991) |
| Finance income (Note 27) | | | | | | | | 1,213,910,835 |
| Other operating income (Note 29) | | | | | | | | (470,478,828) |
| Core earnings | | | | | | | | 1,748,498,923 |
| Market valuation losses on financial assets | | | | | | | | (2,332,944,398) |
| Foreign exchange gains | | | | | | | | 2,566,753,557 |
| Income before income tax | | | | | | | | 1,982,308,082 |
| Provision for income tax (Note 38) | | | | | | | | 2,705,574,458 |
| Net loss from Continuing Operations | | | | | | | | (723,266,376) |
| Net income from Discontinued Operations (Note 44) | | | | | | | | 1,120,472,735 |
| Net income | | | | | | | | ₱397,206,359 |
| Net income attributable to equity holders of the Parent | | | | | | | | |
| Company | ₱5,937,767,259 | (₱15,091,628,081) | ₱5,701,662,067 | (₱1,978,617,551) | ₱560,752,150 | ₱4,147,299,277 | ₱254,605,351 | (₱468,159,528) |
| EBIT | ₱13,896,446,993 | (₱20,769,259,127) | ₱8,493,865,051 | (2,059,718,932) | ₱905,208,132 | ₱9,451,904,790 | ₱— | ₱9,918,446,907 |
| Depreciation and amortization (Notes 15, 16, 18 and 33) | 6,157,195,635 | 16,074,455,052 | 5,184,698,880 | 2,608,155,788 | 610,301,346 | 197,072,356 | (432,614,388) | 30,399,264,669 |
| EBITDA | ₱20,053,642,628 | (₱4,694,804,075) | ₱13,678,563,931 | ₱548,436,856 | ₱1,515,509,478 | ₱9,648,977,146 | (₱432,614,388) | ₱40,317,711,576 |
| Other information | | | | | | | | |
| Non-cash expenses other than depreciation and amortization (Note 34): | | | | | | | | |
| Impairment losses on receivables (Note 11) | ₱32,583,003 | ₱102,043,756 | ₱180,022,673 | ₱— | ₱1,098,049,322 | ₱— | ₱— | ₱1,412,698,754 |
| Other assets | — | — | — | — | 4,005,198 | 3,776,046 | — | 7,781,244 |
| | ₱32,583,003 | ₱102,043,756 | ₱180,022,673 | 0 | ₱1,102,054,520 | ₱3,776,046 | ₱— | ₱1,420,479,998 |



| | December 31, 2019 | | | | | | | |
|--|--|-----------------------|---------------------------|------------------|----------------|--------------------------------------|------------------------------------|---------------------|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | TOTAL OPERATIONS |
| Revenue | | | | | | | | |
| Sale of goods and services: | | | | | | | | |
| External customers | ₱114,403,217,219 | ₱84,806,810,363 | ₱33,491,747,783 | ₱29,053,982,086 | ₱8,121,662,955 | ₱749,175,892 | ₱— | ₱270,626,596,298 |
| Intersegment revenues | — | — | 305,342,362 | 1,021,253,450 | — | — | (1,326,595,812) | — |
| Dividend income (Note 28) | 114,403,217,219 | 84,806,810,363 | 33,797,090,145 | 30,075,235,536 | 8,121,662,955 | 749,175,892 | (1,326,595,812) | 270,626,596,298 |
| Equity in net earnings of associates and joint ventures (Note 14) | 16,151,435 | — | — | — | 10,178,075 | 1,323,581,816 | (1,199,410) | 1,348,711,916 |
| | (178,444,726) | 66,959,384 | 6,105,626,129 | — | — | 7,291,201,995 | 52,326,143 | 13,337,668,925 |
| Total revenue | 114,240,923,928 | 84,873,769,747 | 39,902,716,274 | 30,075,235,536 | 8,131,841,030 | 9,363,959,703 | (1,275,469,079) | 285,312,977,139 |
| Cost of sales and services (Note 30) | 80,639,110,369 | 49,518,018,515 | 17,485,706,873 | 30,232,850,986 | 3,194,709,177 | — | (1,230,153,493) | 179,840,242,427 |
| Gross income | ₱33,601,813,559 | ₱35,355,751,232 | ₱22,417,009,401 | (₱157,615,450) | ₱4,937,131,853 | ₱9,363,959,703 | (₱45,315,586) | 105,472,734,712 |
| General and administrative expenses (Note 31) | | | | | | | | 53,703,458,101 |
| Provision for (reversal of) impairment losses and others (Note 34) | | | | | | | | (2,144,968,452) |
| Operating income | | | | | | | | 53,914,245,063 |
| Financing cost and other charges (Note 35) | | | | | | | | (9,942,735,096) |
| Finance income (Note 27) | | | | | | | | 2,054,451,319 |
| Other operating income (Note 29) | | | | | | | | (54,316,681) |
| Core earnings | | | | | | | | 45,971,644,605 |
| Market valuation gains on financial assets | | | | | | | | 640,533,460 |
| Foreign exchange gains | | | | | | | | 899,389,898 |
| Income before income tax | | | | | | | | 47,511,567,963 |
| Provision for income tax (Note 38) | | | | | | | | 5,210,568,871 |
| Net income from Continuing Operations | | | | | | | | 42,300,999,092 |
| Net income from Discontinued Operations (Note 44) | | | | | | | | 364,512,757 |
| Net income | | | | | | | | ₱42,665,511,849 |
| Net income attributable to equity holders of the Parent Company | ₱5,399,282,651 | ₱6,185,199,432 | ₱11,333,531,130 | ₱970,642,663 | ₱431,655,905 | ₱6,920,739,669 | ₱44,194,882 | ₱31,285,246,332 |
| EBIT | ₱12,743,109,451 | ₱12,621,017,504 | ₱12,282,895,865 | ₱910,182,517 | ₱781,026,480 | ₱14,576,013,246 | ₱— | ₱53,914,245,063 |
| Depreciation and amortization (Notes 15, 16, 18 and 33) | 6,107,908,856 | 15,399,075,784 | 4,966,545,415 | 1,954,567,251 | 579,139,834 | 173,478,564 | (369,867,669) | 28,810,848,035 |
| Reversal of impairment losses on property, plant and equipment | — | — | — | (2,274,795,253) | — | — | — | (2,274,795,253) |
| EBITDA | ₱18,851,018,307 | ₱28,020,093,288 | ₱17,249,441,280 | ₱589,954,515 | ₱1,360,166,314 | ₱14,749,491,810 | (₱369,867,669) | ₱80,450,297,845 |
| Other information | | | | | | | | |
| Non-cash expenses other than depreciation and amortization (Note 34): | | | | | | | | |
| Impairment losses on receivables (Note 11) | ₱2,208,724 | ₱3,427 | ₱— | ₱— | ₱131,435,597 | ₱— | ₱— | ₱133,647,748 |
| Inventory obsolescence and market decline (Note 12) | 2,678 | — | — | — | — | — | — | 2,678 |
| Property, plant and equipment (Note 16) | — | — | — | (2,274,795,253) | — | — | — | (2,274,795,253) |
| Impairment losses on other assets | — | — | — | — | (3,823,625) | — | — | (3,823,625) |
| | ₱2,211,402 | ₱3,427 | ₱— | (₱2,274,795,253) | ₱127,611,972 | ₱— | ₱— | (₱2,144,968,452) |



Other information on the Group's operating segments follow:

| December 31, 2021 | | | | | | | | |
|--|--|-----------------------|---------------------------|------------------|------------------|--------------------------------------|---------------------------------|--------------------|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | Consolidated |
| Investments in associates and joint ventures (Note 14) | P55,228,221 | P143,169,241 | P60,625,797,118 | P- | P- | P85,149,045,162 | P60,879,714 | P146,034,119,456 |
| Segment assets | P152,820,591,289 | P137,410,223,820 | P228,081,491,760 | P164,145,750,794 | P179,660,289,603 | P309,478,815,107 | (P148,856,022,924) | P1,022,741,139,449 |
| Short-term debt (Note 23) | P15,914,691,530 | P- | P- | P50,080,891,952 | P- | P- | P- | P65,995,583,482 |
| Long-term debt (Note 23) | P- | P58,139,935,742 | P47,042,864,144 | P30,000,000,000 | P- | P97,334,229,123 | P- | P232,517,029,009 |
| Segment liabilities | P43,052,857,454 | P138,076,956,315 | P97,599,974,998 | P112,640,010,246 | P161,332,655,675 | P113,029,076,421 | (P86,617,512,869) | P579,114,018,240 |
| Capital expenditures (Notes 15 and 16) | P13,199,692,100 | P5,506,681,705 | P17,999,501,395 | P12,290,417,538 | P184,988,682 | P48,905,420 | (P3,494,160,000) | P45,736,026,840 |
| December 31, 2020 | | | | | | | | |
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | Consolidated |
| Investments in associates and joint ventures (Note 14) | P386,494,519 | P354,516,067 | P58,399,603,679 | P- | P- | P80,318,664,883 | (P126,443,676) | P139,332,835,472 |
| Segment assets | P176,194,930,275 | P128,584,821,478 | P215,210,687,766 | P134,022,507,590 | P151,215,387,210 | P299,035,519,441 | (P104,655,331,436) | P999,608,522,324 |
| Short-term debt (Note 23) | P10,122,879,567 | P- | P- | P34,166,510,354 | P- | P128,702,264 | P- | P44,418,092,185 |
| Long-term debt (Note 23) | P31,337,551,136 | P53,239,934,436 | P53,603,778,783 | P30,000,000,000 | P- | P104,160,621,986 | P- | P272,341,886,341 |
| Segment liabilities | P78,410,768,338 | P107,377,637,489 | P112,492,656,131 | P79,965,944,455 | P132,889,772,851 | P118,687,894,638 | (P38,326,507,936) | P591,498,165,966 |
| Capital expenditures (Notes 15 and 16) | P6,690,489,884 | P4,044,960,019 | P11,154,452,396 | P15,129,963,318 | P248,236,782 | P80,783,148 | P- | P37,348,885,547 |
| December 31, 2019 | | | | | | | | |
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | Consolidated |
| Investments in associates and joint ventures (Note 14) | P421,625,100 | P1,221,452,018 | P56,653,592,667 | P- | P- | P93,658,009,900 | (P263,107,097) | P151,691,572,588 |
| Segment assets | P168,652,989,873 | P157,977,016,711 | P189,651,209,761 | P115,700,303,303 | P131,141,546,214 | P187,953,903,640 | (P22,767,450,825) | P928,309,518,677 |
| Short-term debt (Note 23) | P12,595,841,120 | P- | P8,491,700,000 | P21,524,562,580 | P- | P11,435,306,304 | P- | P54,047,410,004 |
| Long-term debt (Note 23) | P30,386,077,608 | P57,144,521,276 | P34,715,272,176 | P22,000,000,000 | P- | P74,689,663,647 | P- | P218,935,534,707 |
| Segment liabilities | P73,468,487,679 | P114,441,734,821 | P89,573,539,283 | P59,620,821,793 | P114,081,071,846 | P99,227,402,926 | (P30,750,682,538) | P519,662,375,810 |
| Capital expenditures (Notes 15 and 16) | P8,988,692,239 | P25,570,098,817 | P11,500,261,557 | P25,199,924,879 | P222,320,890 | P667,120,902 | P- | P72,148,419,284 |



Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

| | 2021 | 2020 | 2019 |
|--|------------------------|------------------------|------------------------|
| Income (loss) before income tax | (P184,189,654) | P1,982,308,082 | P47,511,567,963 |
| Finance income | (1,094,584,901) | (1,213,910,835) | (2,054,451,319) |
| Financing cost and other charges | 9,111,084,606 | 8,913,379,991 | 9,942,735,096 |
| Other operating income (losses) | (568,113,153) | 470,478,828 | 54,316,681 |
| Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments | 1,094,513,349 | 2,332,944,398 | (640,533,460) |
| Foreign exchange (gains) losses | 3,056,849,330 | (2,566,753,557) | (899,389,898) |
| EBIT | 11,415,559,577 | 9,918,446,907 | 53,914,245,063 |
| Depreciation and amortization | 29,130,498,089 | 30,399,264,669 | 28,810,848,035 |
| Provision for (reversal of) impairment losses | 432,631,271 | – | (2,274,795,253) |
| EBITDA | P40,978,688,937 | P40,317,711,576 | P80,450,297,845 |
| Income (loss) before income tax | (P184,189,654) | P1,982,308,082 | P47,511,567,963 |
| Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments | 1,094,513,349 | 2,332,944,398 | (640,533,460) |
| Foreign exchange (gains) losses | 3,056,849,330 | (2,566,753,557) | (899,389,898) |
| Core earnings | P3,967,173,025 | P1,748,498,923 | P45,971,644,605 |



The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

| | December 31, 2021 | | | | December 31, 2020 | | | |
|---|-------------------------|-------------------------|--------------------------|---------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | Non-banks | Banks | Elimination* | Consolidated | Non-banks | Banks | Elimination* | Consolidated |
| ASSETS | | | | | | | | |
| Current Assets | | | | | | | | |
| Cash and cash equivalents | ₱69,702,780,365 | ₱39,664,799,543 | (₱26,477,458,387) | ₱82,890,121,521 | ₱56,087,730,858 | ₱31,630,913,339 | (₱6,227,231,429) | ₱81,491,412,768 |
| Financial assets at fair value through profit and loss | 6,459,103,751 | 1,912,412 | — | 6,461,016,163 | 5,477,940,251 | 87,076,733 | — | 5,565,016,984 |
| Financial assets at fair value through other comprehensive income | 12,728,683,142 | 26,529,627,158 | — | 39,258,310,300 | 12,578,348,139 | 19,315,805,963 | — | 31,894,154,102 |
| Receivables - net | 40,949,990,701 | 31,273,661,946 | — | 72,223,652,647 | 40,385,785,079 | 27,982,699,969 | — | 68,368,485,048 |
| Inventories - net | 81,611,906,817 | — | — | 81,611,906,817 | 75,777,125,084 | — | — | 75,777,125,084 |
| Biological assets - net | 132,144,916 | — | — | 132,144,916 | 99,919,468 | — | — | 99,919,468 |
| Assets held for sale | — | — | — | — | 11,101,305,051 | — | — | 11,101,305,051 |
| Other current assets | 22,861,361,464 | 828,599,148 | — | 23,689,960,612 | 26,365,792,030 | 625,358,409 | — | 26,991,150,439 |
| Total current assets | 234,445,971,156 | 98,298,600,207 | (26,477,458,387) | 306,267,112,976 | 227,873,945,960 | 79,641,854,413 | (6,227,231,429) | 301,288,568,944 |
| Noncurrent Assets | | | | | | | | |
| Financial assets at fair value through other comprehensive income | 44,506,905,999 | — | — | 44,506,905,999 | 32,847,478,716 | — | — | 32,847,478,716 |
| Receivables - noncurrent | 7,549,521,416 | 67,937,959,026 | — | 75,487,480,442 | 7,861,430,860 | 58,984,807,221 | — | 66,846,238,081 |
| Investments at amortized cost | — | 8,474,858,779 | — | 8,474,858,779 | — | 8,049,365,423 | — | 8,049,365,423 |
| Investments in associates and JVs - net | 145,822,109,563 | 212,009,893 | — | 146,034,119,456 | 139,332,835,472 | — | — | 139,332,835,472 |
| Investments properties - net | 116,975,431,334 | 786,054,165 | — | 117,761,485,499 | 104,210,195,008 | 464,890,897 | — | 104,675,085,905 |
| Property, plant and equipment - net | 249,045,908,180 | 502,762,777 | — | 249,548,670,957 | 259,870,423,147 | 545,316,558 | — | 260,415,739,705 |
| Right-of-use assets | 31,449,724,690 | 830,589,916 | — | 32,280,314,606 | 22,236,389,037 | 812,346,008 | — | 23,048,735,045 |
| Biological assets - bearer | 166,105,594 | — | — | 166,105,594 | 134,331,929 | — | — | 134,331,929 |
| Goodwill - net | 21,993,372,200 | 244,327,006 | — | 22,237,699,206 | 31,916,144,787 | 244,327,006 | — | 32,160,471,793 |
| Intangibles - net | 2,975,606,163 | 1,377,089,563 | — | 4,352,695,726 | 12,841,509,107 | 1,313,392,088 | — | 14,154,901,195 |
| Other noncurrent assets | 14,496,099,199 | 1,131,452,361 | — | 15,627,551,560 | 15,495,682,520 | 1,159,087,596 | — | 16,654,770,116 |
| Total Noncurrent Assets | 634,980,784,338 | 81,497,103,486 | — | 716,477,887,824 | 626,746,420,583 | 71,573,532,797 | — | 698,319,953,380 |
| | ₱869,426,755,494 | ₱179,795,703,693 | (₱26,477,458,387) | ₱1,022,745,000,800 | ₱854,620,366,543 | ₱151,215,387,210 | (₱6,227,231,429) | ₱999,608,522,324 |

*Elimination of intercompany balances between banking and non-banking components



| | December 31, 2021 | | | | December 31, 2020 | | | |
|---|-------------------|------------------|-------------------|--------------------|-------------------|------------------|------------------|------------------|
| | Non-banks | Banks | Elimination* | Consolidated | Non-banks | Banks | Elimination* | Consolidated |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | |
| Current liabilities | | | | | | | | |
| Accounts payable and accrued expenses | ₱59,613,317,305 | ₱148,551,704,689 | (₱26,477,458,387) | ₱181,687,563,607 | ₱57,846,148,952 | ₱121,104,837,984 | (₱6,227,231,429) | ₱172,723,755,507 |
| Short-term debt | 65,995,583,482 | — | — | 65,995,583,482 | 44,418,092,185 | — | — | 44,418,092,185 |
| Current portion of long-term debt | 19,501,714,468 | — | — | 19,501,714,468 | 34,413,387,739 | — | — | 34,413,387,739 |
| Derivative liabilities | 1,732,327,557 | — | — | 1,732,327,557 | 245,940,423 | — | — | 245,940,423 |
| Income tax payable | 332,634,821 | 766,092 | — | 333,400,913 | 531,260,647 | 1,548,361 | — | 532,809,008 |
| Other current liabilities | 30,958,781,863 | 390,750 | — | 30,959,172,613 | 43,347,790,462 | 386,800 | — | 43,348,177,262 |
| Total current liabilities | 178,134,359,496 | 148,552,861,531 | (26,477,458,387) | 300,209,762,640 | 180,802,620,408 | 121,106,773,145 | (6,227,231,429) | 295,578,993,653 |
| Noncurrent liabilities | | | | | | | | |
| Long-term debt - net of current portion | 200,830,478,415 | — | — | 200,830,478,415 | 237,928,498,602 | — | — | 237,928,498,602 |
| Bonds payable | 12,184,836,126 | — | — | 12,184,836,126 | — | — | — | — |
| Deferred tax liabilities - net | 4,548,347,515 | — | — | 4,548,347,515 | 8,661,143,952 | — | — | 8,661,143,952 |
| Other noncurrent liabilities | 48,560,799,400 | 12,779,794,144 | — | 61,340,593,544 | 37,546,530,053 | 11,782,999,706 | — | 49,329,529,759 |
| Total noncurrent liabilities | 266,124,461,456 | 12,779,794,144 | — | 278,904,255,600 | 284,136,172,607 | 11,782,999,706 | — | 295,919,172,313 |
| Total Liabilities | 444,258,820,952 | 161,332,655,675 | (26,477,458,387) | 579,114,018,240 | 464,835,624,544 | 132,889,772,851 | (6,227,231,429) | 591,498,165,966 |
| Stockholders' equity | 324,095,994,827 | 11,212,896,388 | — | 335,308,891,215 | 297,190,870,163 | 11,130,436,193 | — | 308,321,306,356 |
| Minority interest in consolidated subsidiaries | 101,071,939,715 | 7,250,151,630 | — | 108,322,091,345 | 92,593,871,836 | 7,195,178,166 | — | 99,789,050,002 |
| | ₱869,426,755,494 | ₱179,795,703,693 | (₱26,477,458,387) | ₱1,022,745,000,800 | ₱854,620,366,543 | ₱151,215,387,210 | (₱6,227,231,429) | ₱999,608,522,324 |

*Elimination of intercompany balances between banking and non-banking components



Intersegment Revenues

Intersegment revenues are eliminated at the consolidation level.

Segment Results

Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization

In 2021, 2020 and 2019, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets

Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year-end.

Segment Liabilities

Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures

The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information

The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam and Myanmar.

The following table shows the distribution of the Group's consolidated revenues to external customers by geographical market, regardless of where the goods were produced:

| | 2021 | 2020 | 2019 |
|----------|-------------------------|------------------|------------------|
| Domestic | ₱170,594,134,890 | ₱161,310,903,670 | ₱207,150,591,256 |
| Foreign | 59,958,198,721 | 42,940,645,996 | 78,162,385,883 |
| | ₱230,552,333,611 | ₱204,251,549,666 | ₱285,312,977,139 |

The Group has no significant customer which contributes 10.0% or more of the consolidated revenues of the Group.



The table below shows the Group's carrying amounts of noncurrent assets per geographic location excluding noncurrent financial assets, deferred tax assets and pension assets:

| | 2021 | 2020 |
|----------|-------------------------|------------------|
| Domestic | ₱488,529,018,937 | ₱462,693,963,514 |
| Foreign | 92,907,135,619 | 122,662,724,858 |
| | ₱581,436,154,556 | ₱585,356,688,372 |

7. Cash and Cash Equivalents

This account consists of:

| | 2021 | 2020 |
|----------------------------|------------------------|-----------------|
| Cash on hand | ₱5,654,873,185 | ₱3,005,758,937 |
| Cash in banks (Note 40) | 34,550,142,438 | 38,893,100,714 |
| Cash equivalents (Note 40) | 42,685,105,898 | 39,592,553,117 |
| | ₱82,890,121,521 | ₱81,491,412,768 |

Cash in banks earns interest at the respective bank deposit rates. Cash equivalents represent money market placements made for varying periods depending on the immediate cash requirements of the Group, and earn annual interest ranging from 0.125% to 5.3%, from 1.0% to 3.5%, and from 0.05% to 7.5% in 2021, 2020 and 2019, respectively.

Interest earned on cash and cash equivalents amounted to ₱825 million, ₱976 million and ₱1.6 billion for the years ended December 31, 2021, 2020 and 2019, respectively (Note 27).

8. Derivative Financial Instruments

The tables below show the fair values of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2021 and 2020. The notional amount is the basis upon which changes in the value of derivatives are measured.

| | December 31, 2021 | | |
|---|---------------------|----------------------------------|--|
| | Notional Amounts | Derivative Assets (Note 9) | Derivative Liabilities (Note 22) |
| Derivatives Not Designated as Accounting Hedges | | | |
| Derivatives at FVPL: | | | |
| Conversion option arising from convertible bonds (Note 23) | — | ₱— | ₱1,730,960,769 |
| Derivatives at FVOCI: | | | |
| Addition from acquisition of subsidiaries (Note 19) | — | — | 1,366,788 |
| | | ₱— | ₱1,732,327,557 |



| December 31, 2020 | | | | |
|---|--------------------------------|-----------|--------------------|--------------------------|
| | Notional Amounts (in Millions) | | Derivative | Derivative |
| | Japanese Yen | Dollar | Assets (Note 9) | Liabilities (Note 22) |
| Derivatives Not Designated as Accounting Hedges | | | | |
| Freestanding: | | | | |
| Call option | — | — | P— | P169,449,156 |
| Foreign currency swaps | JPY9.65 | — | 556,022 | — |
| | | | P556,022 | P169,449,156 |
| Derivatives Designated as Accounting Hedges | | | | |
| Zero cost collars* | — | US\$7.46 | P— | P32,214,937 |
| Currency options | — | NZ\$28.20 | — | 44,276,330 |
| | | | P— | P76,491,267 |
| Presented in the consolidated statements of financial position as: | | | | |
| Current | | | P556,022 | P245,940,423 |
| Noncurrent | | | P— | P— |

*Notional quantity amounted to 120,000 US barrels as of December 31, 2020

Conversion Option Arising from Convertible Bonds

On May 10, 2021, CAI 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 (Note 23). The bonds bear an interest rate of 4.5% payable semi-annually in arrears on May 10 and November 10 of each year.

The conversion option entitles the CB holders to convert its outstanding bonds for CAI’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 conversion option is an embedded derivative that is required to be bifurcated.

As of December 31, 2021, the conversion option has a negative fair value of P1.7 billion. Net market valuation losses recognized by CAI in the 2021 consolidated statement of comprehensive income amounted to P1.3 billion.

Derivatives not designated as accounting hedges

The Group’s derivatives not designated as accounting hedges include transactions to take positions for risk management purpose.

- Zero cost collars and commodity swap

On March 16, 2020, CAI discontinued, for the first time, the application of hedge accounting on some of its fuel hedges following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19.

Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI’s commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the newly available information, management reassessed its hedging portfolio requiring discontinuation of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to



₱2.2 billion were immediately recycled from equity to profit or loss for the year ended December 31, 2020.

As of December 31, 2021 and 2020, CAI has no outstanding fuel derivatives treated as economic hedges.

- Foreign currency forwards

On March 16, 2020, CAI likewise discontinued, for the first time, the hedge accounting application on some FX forwards because of reduced forecasted fuel purchase following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19 and due to unforeseen drop in oil prices.

Following the Philippine Government announcing the easing of community quarantine after March 31, 2020, CAI's commercial flights during the next six months were either suspended or significantly reduced leading to lower forecasted fuel and USD-denominated purchases. With the newly available information, Management reassessed its hedging portfolio requiring discontinuation of hedge accounting for certain fuel and FX derivatives designated as cash flow hedges as corresponding hedged items were no longer highly probable and not expected to occur. Consequently, the related effective portion of the fair value losses recognized in OCI amounting to ₱124.6 million were immediately recycled from equity to profit or loss for the year ended December 31, 2020.

As of December 31, 2021 and 2020, CAI has no outstanding FX derivatives treated as economic hedges.

- Foreign currency swaps

RBC entered into foreign currency swap transactions with positive fair values of nil and ₱0.6 million as of December 31, 2021 and 2020, respectively. In 2021, 2020 and 2019, RBC recognized net changes in fair value of derivatives amounting to nil, ₱17.0 million gain and ₱45.0 million gain, respectively.

- Call option

As part of change in ownership of URC Oceania Group, Intersnack was also given an option to acquire an additional 9.0% equity share in UHC. The call option has a fair value of ₱169.4 million as of December 31, 2020. In October 2021, Intersnack exercised the call option to acquire an additional equity share in UHC (see Note 44).

Derivatives designated as accounting hedges

As part of its asset and liability management, the Group uses derivatives, particularly interest rate swaps and currency options, as cash flow hedges in order to reduce its exposure to market risks that is achieved by hedging portfolios of floating rate financial instruments.

The accounting treatment explained in Note 2 to the consolidated financial statements, *Hedge Accounting*, varies according to the nature of the hedged item and compliance with the hedge criteria. Hedges entered into by the Group which provide economic hedges but do not meet the hedge accounting criteria are included under derivatives not designated as accounting hedges.

- Currency options

URC entered into currency options with a total notional amount of NZ\$28.2 million and initial fair value of ₱7.5 million. URC recognized unrealized loss in other comprehensive income under 'Net gains (losses) from cash flow hedges' amounting to ₱19.1 million and ₱4.6 million for the years ended December 31, 2020 and 2019. URC made a settlement of ₱4.6 million in 2019 for the related



derivatives. URC's currency options have negative fair value of ₱44.3 million as of December 31, 2020. In October 2021, the option was transferred to Intersnack upon divestment (see Note 44).

- Zero cost collars and commodity swaps
CAI enters into zero cost collars and commodity swaps 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 swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. Hedge accounting under PFRS 9 were applied on instruments with various maturity dates through 2020 until 2021 starting September 1, 2019.

CAI has designated for hedge accounting derivatives with net liability position amounting to nil and ₱32.2 million as of December 31, 2021 and 2020, respectively.

- Foreign currency forwards
CAI enters into foreign currency forwards to manage its exposures to foreign currency-denominated transactions given its global operations. These forwards have various maturity dates through 2020 where hedge accounting under PFRS 9 were also applied beginning September 1, 2019.

As of December 31, 2021 and 2020, CAI has no outstanding FX derivatives designated for hedge accounting.

Fair Value Changes in Derivatives

Fair value changes of derivatives designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

| | 2021 | 2020 |
|--|---------------|----------------------|
| Beginning balance | (₱76,491,267) | (₱126,312,502) |
| Net changes shown in other comprehensive income (Note 36): | | |
| Net changes in fair value of derivatives taken to other comprehensive income | 51,509,875 | (230,922,782) |
| Fair value of settled instruments | 24,981,392 | 280,744,017 |
| | ₱— | (₱76,491,267) |

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.



Fair value changes of derivatives not designated as accounting hedges

The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

| | 2021 | 2020 |
|--|----------------------|-----------------|
| Balance at beginning of year: | | |
| Derivative assets | ₱556,022 | ₱992,618 |
| Derivative liabilities | 169,449,156 | 306,298,308 |
| | (168,893,134) | (305,305,690) |
| Net losses from changes in fair value of derivatives taken to profit or loss | – | (2,008,251,915) |
| Fair value of acquired/settled instruments | 167,526,346 | 2,144,664,471 |
| | (₱1,366,788) | (₱168,893,134) |
| Balance at end of year: | | |
| Derivative assets (Note 9) | ₱– | ₱556,022 |
| Derivative liabilities (Note 8) | 1,366,788 | 169,449,156 |

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under 'Trading and securities gains' (see Note 26).

Refer to Note 23 for the changes in fair value of derivative financial instruments at fair value through profit or loss.

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

| | 2021 | 2020 |
|---------------------------------|-----------------------|----------------|
| Debt securities: | | |
| Government | ₱1,912,412 | ₱86,520,711 |
| Equity securities: | | |
| Quoted | 2,438,988,335 | 1,734,932,805 |
| Investment in convertible notes | 4,020,115,416 | 3,743,007,446 |
| Derivatives (Note 8) | – | 556,022 |
| | ₱6,461,016,163 | ₱5,565,016,984 |

Sea Limited

In 2019, the note from Sea Limited was converted into 1,834,188 ordinary shares which was then sold for a total price of US\$43.7 million, resulting in realized market valuation gain of US\$10.9 million (₱566.6 million).

Oriente

On December 14, 2018, JGDEV acquired 6,627,087 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of \$1.975 million from ORT Philippines Holdings Pte Ltd. in exchange for all its shares, including deposit for future subscription, in Oriente Techsystem Philippines Corporation and Paloo Financing, Inc.



On December 5, 2019, the convertible note was converted to 819,541 Series B-1 preferred shares. As of December 31, 2021 and 2020, Series A-2 and Series B-1 preferred shares are classified under financial assets at FVOCI (see Note 10).

JUUL Labs, Inc

In August 2019, JGSPL invested in USD50.0 million Convertible Notes of JUUL Labs, Inc. (“JUUL Labs”). JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes. In January 2020, JGSPL made additional investment amounting to USD25.0 million.

The Convertible Notes have the following features:

1. Repayable after 5 years;
2. 7.0% p.a. coupon accruing and compounding quarterly paid in kind thru increase in the outstanding principal (“Accreted principal”);
3. Conversion into class of shares (or mix thereof) as specified in paragraph 1.12 of the Note Purchase Agreement;
4. Conversion can be:
 - a. Automatic in the event of any of the following qualified financing events (e.g., qualified private financing, qualified IPO and qualified direct listing), with conversion price determined as the higher of the valuation floor and lower of valuation cap and discounted valuation in the financing event; or
 - b. Optional (i) in the event of financing events whereby conditions for qualification were not met, and in that case the conversion price is determined using the basis in (a) above; (ii) upon JUUL Labs’ direct listing or starting on the 24th month anniversary, and in such cases the conversion price is the valuation cap; and (iii) when exercised on maturity date and the conversion price is USD30.4 million; and
5. Early redemption at the option of JUUL Labs but subject to the consent of majority investors or one (1) owner provided the Issuer offered the same terms to other investors. The redemption price should not be less than the accreted principal as of the redemption date.

Snapcart Group (HK) Limited

On March 5, 2019, JGDEV entered into a Deed of Adherence with Snapcart Group (HK) Limited pursuant to the Convertible Loan Agreement entered into on February 20, 2019. The consideration is for a loan amount of \$1.0 million at a rate of 3.0% interest per annum. The convertible loan was set to mature on December 20, 2019 but subsequently amended to extend maturity to March 31, 2020. The convertible note was classified under financial assets at FVPL.

On March 31, 2020, convertible loan from Snapcart Group (HK) Limited matured and was converted into 102,402 shares of Series B amounting to \$1.03 million.

Zuzu Hospitality Solutions Pte. Ltd.

On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. (Zuzu Hospitality) to invest in a Convertible Note amounting to SGD1 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

As of December 31, 2021, 2020 and 2019, unrealized loss on debt securities recognized amounted to ₱109.7 million, ₱25.3 million and ₱9.2 million, respectively.

As of December 31, 2021, 2020 and 2019, unrealized gain (loss) on equity securities recognized amounted to ₱333.3 million, (₱282.3 million) and ₱713.1 million, respectively.



In 2021, 2020 and 2019, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to ₱223.6 million, (₱307.6 million) and ₱703.9 million, respectively, included under 'Market valuation gains (losses) on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

Interest income on financial assets at FVPL consists of (see Note 27):

| | 2021 | 2020 | 2019 |
|------------------|---------------------|------------|---------------------|
| Debt securities: | | | |
| Government | ₱252,927,020 | ₱7,424,489 | ₱13,181,655 |
| Private | — | — | 87,690,303 |
| | ₱252,927,020 | ₱7,424,489 | ₱100,871,958 |

10. Investment Securities

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

| | 2021 | 2020 |
|--------------------|------------------------|------------------------|
| Debt securities: | | |
| Government | ₱15,713,379,337 | ₱9,681,907,051 |
| Private | 21,514,353,455 | 21,325,214,680 |
| | 37,227,732,792 | 31,007,121,731 |
| Equity securities: | | |
| Quoted | 44,717,314,088 | 33,072,987,777 |
| Unquoted | 1,820,169,419 | 661,523,310 |
| | 46,537,483,507 | 33,734,511,087 |
| | ₱83,765,216,299 | ₱64,741,632,818 |

Breakdown of financial assets at FVOCI as shown in the consolidated statements of financial position follows:

| | 2021 | 2020 |
|--------------------|------------------------|------------------------|
| Current portion | ₱39,258,310,300 | ₱31,894,154,102 |
| Noncurrent portion | 44,506,905,999 | 32,847,478,716 |
| | ₱83,765,216,299 | ₱64,741,632,818 |

The Group classified its 24.3 million PLDT shares representing 11.3% ownership interest as financial assets at FVOCI, which have carrying values of ₱44.1 billion and ₱32.6 billion as of December 31, 2021 and 2020, respectively.

Interest income on debt financial assets at FVOCI follows (Note 27):

| | 2021 | 2020 | 2019 |
|------------------|-----------------------|----------------|-----------------------|
| Debt securities: | | | |
| Private | ₱976,528,666 | ₱888,193,462 | ₱664,109,167 |
| Government | 221,851,580 | 212,212,623 | 363,288,259 |
| | ₱1,198,380,246 | ₱1,100,406,085 | ₱1,027,397,426 |



The range of the Group's effective interest rates on government securities are as follows:

| | 2021 | 2020 | 2019 |
|---|--------------------|-------------|-------------|
| Peso-denominated securities | 2.63%-8.13% | 1.89%-5.09% | 5.75%-8.00% |
| Foreign currency-denominated securities | 2.75%-6.75% | 2.86%-6.47% | 4.75%-7.75% |

The range of the Group's effective interest rates on the private bonds are as follows:

| | 2021 | 2020 | 2019 |
|---|--------------------|-------------|-------------|
| Peso-denominated securities | 3.63%-6.49% | 3.82%-6.49% | 4.20%-6.49% |
| Foreign currency-denominated securities | 3.30%-7.25% | 3.90%-7.25% | 4.38%-7.38% |

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

| | 2021 | | |
|--|--------------------------|---------------------------|--------------------------|
| | Parent Company | Non-controlling Interests | Total |
| Balance at beginning of year | (P14,794,597,877) | P324,400,037 | (P14,470,197,840) |
| Net changes shown in other comprehensive income (Note 36): | | | |
| Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries | 10,729,323,198 | (442,045,521) | 10,287,277,677 |
| Realized gain on sale of financial assets at FVOCI (Note 29) | (8,569,740) | — | (8,569,740) |
| | (4,073,844,419) | (117,645,484) | (4,191,489,903) |
| Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14) | 34,483,923 | — | 34,483,923 |
| Balance at end of year | (P4,039,360,496) | (P117,645,484) | (P4,157,005,980) |

| | 2020 | | |
|--|--------------------------|---------------------------|--------------------------|
| | Parent Company | Non-controlling Interests | Total |
| Balance at beginning of year | (P23,832,621,540) | P249,569,240 | (P23,583,052,300) |
| Net changes shown in other comprehensive income (Note 36): | | | |
| Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries | 9,007,575,421 | 74,830,797 | 9,082,406,218 |
| Realized gain on sale of financial assets at FVOCI (Note 29) | (23,850,313) | — | (23,850,313) |
| Provision for impairment loss | (1,364,730) | — | (1,364,730) |
| | (14,850,261,162) | 324,400,037 | (14,525,861,125) |
| Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14) | 55,663,285 | — | 55,663,285 |
| Balance at end of year | (P14,794,597,877) | P324,400,037 | (P14,470,197,840) |



| | 2019 | | |
|--|-------------------|---------------------------|-------------------|
| | Parent Company | Non-controlling Interests | Total |
| Balance at beginning of year | (P22,647,670,192) | (P204,920,170) | (P22,852,590,362) |
| Net changes shown in other comprehensive income (Note 36): | | | |
| Fair value changes during the period on financial assets at FVOCI of the Parent Company and its subsidiaries | (1,081,326,798) | 454,489,410 | (626,837,388) |
| Realized gain on sale of financial assets at FVOCI (Note 29) | (277,810,114) | — | (277,810,114) |
| Provision for impairment loss | (2,070,586) | — | (2,070,586) |
| | (24,008,877,690) | 249,569,240 | (23,759,308,450) |
| Share in net changes in fair value of financial assets at FVOCI of an associate (Note 14) | 176,256,150 | — | 176,256,150 |
| Balance at end of year | (P23,832,621,540) | P249,569,240 | (P23,583,052,300) |

Investment Securities at Amortized Cost

The investment securities at amortized cost of the Group consist of the following:

| | 2021 | 2020 |
|--------------------------------------|-----------------------|----------------|
| Government securities | P6,655,527,338 | P6,251,706,056 |
| Private bonds | 1,820,142,305 | 1,800,257,800 |
| | 8,475,669,643 | 8,051,963,856 |
| Less allowance for impairment losses | 810,864 | 2,598,433 |
| | P8,474,858,779 | P8,049,365,423 |

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 3.25% to 8.13%, from 3.82% to 8.13% and from 3.25% to 8.13% in 2021, 2020 and 2019, respectively. The effective interest rates for foreign currency-denominated investment securities at amortized cost of the Group range from 2.75% to 7.25% in 2021, 2.62 to 5.31% in 2019 and 2.75% in 2019.

In 2020, the RBC disposed ‘Investment Securities at Amortized Cost’ with carrying value of P3.35 billion resulting in a gain on disposal amounting to P190.9 million. Prior to the disposal, RBC noted significant withdrawals from depositors because of the imposition of the community quarantine protocols. RBC anticipated further pressures to liquidity because of the implementation of the Republic Act No. 11468 or the “Bayanihan to Heal as One Act” which grants a moratorium on all loan payments falling due within the period of enhanced community quarantine for a minimum of thirty (30) days without incurring interests, penalties, fees, or other charges. The remaining HTC securities of RBC will remain to be under a HTC business model. Furthermore, LSB also disposed peso-currency denominated securities under the HTC portfolio with carrying value of P180.98 million, resulting in a gain on disposal amounting to P2.93 million in 2020. The sale was due to a change in intention to hold and collect principal and interest from the securities. The remaining HTC securities of RBC will remain to be under a HTC business model.

Interest income on investment securities at amortized cost amounted to P305.2 million, P356.6 million and P477.8 million in 2021, 2020 and 2019, respectively (see Note 27).



11. Receivables

This account consists of:

| | 2021 | 2020 |
|--------------------------------------|-------------------------|------------------|
| Finance receivables | ₱98,918,972,005 | ₱86,382,308,879 |
| Trade receivables | 38,333,348,738 | 40,258,702,183 |
| Due from related parties (Note 40) | 4,218,363,700 | 2,552,410,741 |
| Interest receivable | 1,716,625,101 | 1,730,219,931 |
| Other receivables | 7,808,300,786 | 6,904,703,009 |
| | 150,995,610,330 | 137,828,344,743 |
| Less allowance for impairment losses | 3,284,477,241 | 2,613,621,614 |
| | ₱147,711,133,089 | ₱135,214,723,129 |

Total receivables shown in the consolidated statements of financial position follow:

| | 2021 | 2020 |
|--------------------|-------------------------|------------------|
| Current portion | ₱72,223,652,647 | ₱68,368,485,048 |
| Noncurrent portion | 75,487,480,442 | 66,846,238,081 |
| | ₱147,711,133,089 | ₱135,214,723,129 |

Noncurrent receivables consist of:

| | 2021 | 2020 |
|--------------------------|------------------------|-----------------|
| Finance receivables | ₱67,937,959,026 | ₱58,984,807,221 |
| Trade receivables | 4,727,617,197 | 6,861,430,860 |
| Due from related parties | 2,821,904,219 | 1,000,000,000 |
| | ₱75,487,480,442 | ₱66,846,238,081 |

Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

| | 2021 | 2020 |
|--------------------------------------|------------------------|-----------------|
| Receivables from customers: | | |
| Commercial | ₱57,879,055,931 | ₱51,507,822,886 |
| Real estate | 29,718,350,075 | 24,157,056,273 |
| Consumption | 11,098,264,008 | 10,608,170,674 |
| Domestic bills purchased | 516,654,187 | 480,028,717 |
| | 99,212,324,201 | 86,753,078,550 |
| Less unearned interest and discounts | 293,352,196 | 370,769,671 |
| | ₱98,918,972,005 | ₱86,382,308,879 |



Interest income on finance receivables included under 'Banking revenue' in profit or loss in the consolidated statements of comprehensive income, consists of (see Notes 26 and 27):

| | 2021 | 2020 | 2019 |
|-----------------------------|-----------------------|----------------|----------------|
| Receivables from customers: | | | |
| Commercial | ₱3,192,316,847 | ₱3,237,021,544 | ₱3,173,161,721 |
| Consumption | 1,745,640,627 | 2,004,957,885 | 1,806,095,578 |
| Real estate | 1,882,384,449 | 1,364,197,120 | 1,076,020,078 |
| Domestic bills purchased | 113,598 | 73,149 | 459,690 |
| Others | 5,286,868 | 4,399,035 | 6,703,541 |
| | ₱6,825,742,389 | ₱6,610,648,733 | ₱6,062,440,608 |

Others consist of sales contract receivables and lease receivables.

Restructured receivables which do not meet the BSP requirements to be treated as performing receivables shall be considered as nonperforming loans. Restructured receivables as of December 31, 2021 and 2020 amounted to ₱281.4 million and ₱61.1 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱13.6 billion and ₱14.9 billion as of December 31, 2021 and 2020. These are collectible in monthly installments over a period of one year to ten years. These are carried at amortized cost, except for receivables from lease-to-own arrangements which are carried at fair value through OCI. The title of the real estate property, which is the subject of the installment contract receivable, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earnings from installment contract receivables amounting to ₱0.7 billion, ₱0.8 billion and ₱0.3 billion in 2021, 2020 and 2019, respectively, and is recorded under 'Sale of goods and service' on the consolidated statements of comprehensive income.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.

Others

Other receivables include claims receivables, advances to brokers and other non-trade receivables. As of December 31, 2021 and 2020 claims receivables amounted to ₱2.3 billion.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

| | 2021 | | | |
|---|---------------------|-----------------------|---------------------|-----------------------|
| | Trade Receivables | Finance Receivables | Other Receivables | Total |
| Balance at beginning, as adjusted | ₱497,979,617 | ₱1,684,983,650 | ₱430,658,347 | ₱2,613,621,614 |
| Provision for impairment losses (Note 34) | 135,045,012 | 1,277,021,353 | 27,149,220 | 1,439,215,585 |
| Write-offs, net of recoveries | (13,884,633) | (695,712,201) | — | (709,596,834) |
| Unrealized foreign exchange gains | 81,266 | — | 3,332,594 | 3,413,860 |
| Reclassification/Others | (35,028,567) | 6,911,839 | (34,060,256) | (62,176,984) |
| Balance at end of year | ₱584,192,695 | ₱2,273,204,641 | ₱427,079,905 | ₱3,284,477,241 |



| | 2020 | | | |
|---|----------------------|------------------------|----------------------|----------------|
| | Trade Receivables | Finance Receivables | Other Receivables | Total |
| Balance at beginning, as adjusted | ₱198,721,234 | ₱1,014,700,667 | ₱476,413,871 | ₱1,689,835,772 |
| Provision for impairment losses (Note 34) | 314,649,432 | 1,062,890,752 | 35,158,570 | 1,412,698,754 |
| Written-off | (14,771,574) | (392,607,769) | (81,569,388) | (488,948,731) |
| Unrealized foreign exchange gains | (71,326) | — | (2,051,964) | (2,123,290) |
| Reclassification/Others | (548,149) | — | 2,707,258 | 2,159,109 |
| Balance at end of year | ₱497,979,617 | ₱1,684,983,650 | ₱430,658,347 | ₱2,613,621,614 |

Provision for impairment losses on receivables for the years ended December 31, 2021, 2020 and 2019 amounted to ₱1.4 billion, ₱1.4 billion and ₱133.6 million, respectively.

Allowance for credit losses on other receivables includes credit losses on non-trade receivables, advances to officers and employees and other receivables. Allowance for credit losses on advances to officers and employees amounted to ₱19.6 million as of December 31, 2021 and 2020.

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to commercial loans follow:

| | 2021 | | | |
|---|------------------|-----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2021 | ₱43,318,187,940 | ₱7,781,258,930 | ₱408,376,016 | ₱51,507,822,886 |
| New assets originated or purchased | 98,256,197,176 | — | — | 98,256,197,176 |
| Assets derecognized or repaid (excluding write offs) | (88,574,404,176) | (3,165,703,874) | 188,598,403 | (91,551,509,647) |
| Transfers to Stage 1 | 39,677,046 | (38,360,269) | (1,316,777) | — |
| Transfers to Stage 2 | (15,805,664,806) | 15,805,664,806 | — | — |
| Transfers to Stage 3 | (562,404,829) | (309,394) | 562,714,223 | — |
| Amounts written off | — | — | (333,454,484) | (333,454,484) |
| | ₱36,671,588,351 | ₱20,382,550,199 | ₱824,917,381 | ₱57,879,055,931 |
| ECL allowance as at January 1, 2021 | ₱231,853,564 | ₱314,078,570 | ₱249,436,018 | ₱795,368,152 |
| Provisions for (recovery of) credit losses* | 777,359,958 | (156,392,671) | 133,519,257 | 754,486,544 |
| Transfers to Stage 1 | 11,591 | (11,591) | — | — |
| Transfers to Stage 2 | (332,622,762) | 332,622,762 | — | — |
| Transfers to Stage 3 | (443,034,019) | (101,247) | 443,135,266 | — |
| Amounts written off/reversals/others | — | — | (281,548,128) | (281,548,128) |
| | ₱233,568,332 | ₱490,195,823 | ₱544,542,413 | ₱1,268,306,568 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

| | 2020 | | | |
|---|------------------|-----------------|---------------|------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2020 | ₱45,227,258,622 | ₱3,860,868,821 | ₱426,708,034 | ₱49,514,835,477 |
| New assets originated or purchased | 50,428,244,448 | — | — | 50,428,244,448 |
| Assets derecognized or repaid (excluding write offs) | (47,012,473,601) | (1,203,710,763) | (20,295,308) | (48,236,479,672) |
| Transfers to Stage 1 | 2,624,185,861 | (2,624,185,861) | — | — |
| Transfers to Stage 2 | (7,767,057,149) | 7,767,480,660 | (423,511) | — |
| Transfers to Stage 3 | (167,362,533) | (19,193,927) | 186,556,460 | — |
| Amounts written off | (14,607,708) | — | (184,169,659) | (198,777,367) |
| | ₱43,318,187,940 | ₱7,781,258,930 | ₱408,376,016 | ₱51,507,822,886 |
| ECL allowance as at January 1, 2020 | ₱147,083,052 | ₱73,137,283 | ₱196,172,277 | ₱416,392,612 |
| Provisions for (recovery of) credit losses* | 452,904,775 | (70,836,854) | 13,923,311 | 395,991,232 |
| Transfers to Stage 1 | 2,415,898 | (2,415,898) | — | — |
| Transfers to Stage 2 | (317,630,379) | 317,630,379 | — | — |
| Transfers to Stage 3 | (46,386,054) | (3,436,340) | 49,822,394 | — |
| Amounts written off/reversals/others | (6,533,728) | — | (10,481,964) | (17,015,692) |
| | ₱231,853,564 | ₱314,078,570 | ₱249,436,018 | ₱795,368,152 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses



An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to real estate follow:

| | 2021 | | | |
|---|-----------------|----------------|----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2021 | ₱21,044,591,782 | ₱1,756,970,164 | ₱1,355,494,327 | ₱24,157,056,273 |
| New assets originated or purchased | 10,755,288,309 | — | — | 10,755,288,309 |
| Assets derecognized or repaid (excluding write offs) | (3,307,611,463) | (435,729,085) | (474,408,766) | (4,217,749,314) |
| Transfers to Stage 1 | 1,049,290,114 | (868,697,195) | (180,592,919) | — |
| Transfers to Stage 2 | (1,044,341,286) | 1,080,464,630 | (36,123,344) | — |
| Transfers to Stage 3 | (843,001,362) | (209,013,377) | 1,052,014,739 | — |
| Amounts written off | (874,588,525) | (9,680,506) | (91,976,162) | (976,245,193) |
| | ₱26,779,627,569 | ₱1,314,314,631 | ₱1,624,407,875 | ₱29,718,350,075 |
| ECL allowance as at January 1, 2021 | ₱33,273,185 | ₱7,996,559 | ₱153,248,056 | ₱194,517,800 |
| Provisions for (recovery of) credit losses* | 172,153,934 | 23,069,432 | (60,794,566) | 134,428,800 |
| Transfers to Stage 1 | 4,622,623 | (3,890,182) | (732,441) | — |
| Transfers to Stage 2 | (13,719,571) | 14,274,019 | (554,448) | — |
| Transfers to Stage 3 | (97,242,050) | (23,867,324) | 121,109,374 | — |
| Amounts written off/reversals/others | — | — | (7,984,424) | (7,984,424) |
| | ₱99,088,121 | ₱17,582,504 | ₱204,291,551 | ₱320,962,176 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

| | 2020 | | | |
|---|-----------------|----------------|----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2020 | ₱18,037,358,388 | ₱1,035,203,454 | ₱255,873,169 | ₱19,328,435,011 |
| New assets originated or purchased | 6,990,949,236 | — | — | 6,990,949,236 |
| Assets derecognized or repaid (excluding write offs) | (1,920,528,775) | (175,031,342) | (26,482,162) | (2,122,042,279) |
| Transfers to Stage 1 | 395,613,018 | (382,623,933) | (12,989,085) | — |
| Transfers to Stage 2 | (1,565,599,074) | 1,578,168,014 | (12,568,940) | — |
| Transfers to Stage 3 | (881,913,959) | (285,875,230) | 1,167,789,189 | — |
| Amounts written off | (11,287,052) | (12,870,799) | (16,127,844) | (40,285,695) |
| | ₱21,044,591,782 | ₱1,756,970,164 | ₱1,355,494,327 | ₱24,157,056,273 |
| ECL allowance as at January 1, 2020 | ₱11,981,916 | ₱1,382,175 | ₱6,653,654 | ₱20,017,745 |
| Provisions for (recovery of) credit losses* | 127,577,169 | 32,421,611 | 16,511,828 | 176,510,608 |
| Transfers to Stage 1 | 493,931 | (488,257) | (5,674) | — |
| Transfers to Stage 2 | (7,595,069) | 7,645,728 | (50,659) | — |
| Transfers to Stage 3 | (98,661,356) | (32,042,438) | 130,703,794 | — |
| Amounts written off/reversals/others | (523,406) | (922,260) | (564,887) | (2,010,553) |
| | ₱33,273,185 | ₱7,996,559 | ₱153,248,056 | ₱194,517,800 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to consumer loans follow:

| | 2021 | | | |
|---|-----------------|---------------|-----------------|-----------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2021 | ₱8,903,154,518 | ₱738,094,168 | ₱966,921,988 | ₱10,608,170,674 |
| New assets originated or purchased | 9,609,070,680 | — | — | 9,609,070,680 |
| Assets derecognized or repaid (excluding write offs) | (7,847,911,762) | (477,968,459) | 415,447,803 | (7,910,432,418) |
| Transfers to Stage 1 | 125,900,115 | (103,854,022) | (22,046,093) | — |
| Transfers to Stage 2 | (572,818,462) | 581,666,150 | (8,847,688) | — |
| Transfers to Stage 3 | (329,489,569) | (108,041,435) | 437,531,004 | — |
| Amounts written off | (165,094,679) | (4,808,305) | (1,038,641,944) | (1,208,544,928) |
| | ₱9,722,810,841 | ₱625,088,097 | ₱750,365,070 | ₱11,098,264,008 |

(Forward)



| | 2021 | | | |
|---|----------------------|---------------------|----------------------|----------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| ECL allowance as at January 1, 2021 | ₱118,912,861 | ₱52,892,814 | ₱523,292,023 | ₱695,097,698 |
| Provisions for (recovery of) credit losses* | 213,364,618 | (5,631,594) | 180,372,985 | 388,106,009 |
| Transfers to Stage 1 | 1,695,364 | (1,439,810) | (255,554) | — |
| Transfers to Stage 2 | (53,119,473) | 53,580,651 | (461,178) | — |
| Transfers to Stage 3 | (152,174,486) | (41,857,427) | 194,031,913 | — |
| Amounts written off/reversals/others | 11,371,121 | — | (410,638,931) | (399,267,810) |
| | ₱140,050,005 | ₱57,544,634 | ₱486,341,258 | ₱683,935,897 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

| | 2020 | | | |
|--|------------------------|----------------------|----------------------|------------------------|
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross carrying amount as at January 1, 2019 | ₱9,614,890,909 | ₱598,101,501 | ₱614,279,098 | 10,827,271,508 |
| New assets originated or purchased | 8,576,790,434 | — | — | 8,576,790,434 |
| Assets derecognized or repaid (excluding write offs) | (7,472,730,546) | (227,678,134) | (59,027,655) | (7,759,436,335) |
| Transfers to Stage 1 | 61,224,550 | (58,752,436) | (2,472,114) | — |
| Transfers to Stage 2 | (690,964,174) | 693,693,376 | (2,729,202) | — |
| Transfers to Stage 3 | (593,942,478) | (140,740,777) | 734,683,255 | — |
| Amounts written off | (592,114,177) | (126,529,362) | (317,811,394) | (1,036,454,933) |
| | ₱8,903,154,518 | ₱738,094,168 | ₱966,921,988 | ₱10,608,170,674 |
| ECL allowance as at January 1, 2019 | ₱97,478,442 | ₱7,575,959 | ₱473,235,909 | ₱578,290,310 |
| Provisions for (recovery of) credit losses* | 345,279,451 | 65,394,102 | 79,715,359 | 490,388,912 |
| Transfers to Stage 1 | 1,026,939 | (942,948) | (83,991) | — |
| Transfers to Stage 2 | (50,146,488) | 50,296,590 | (150,102) | — |
| Transfers to Stage 3 | (222,447,738) | (51,642,611) | 274,090,349 | — |
| Amounts written off/reversals/others | (52,277,745) | (17,788,278) | (303,515,501) | (373,581,524) |
| | ₱118,912,861 | ₱52,892,814 | ₱523,292,023 | ₱695,097,698 |

*The net effect on allowance of transfers between Stage 1 to 3 are reflected in provision for (recovery of) credit losses

On March 25, 2020, Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act (“Bayanihan 1 Act”) was enacted. Bayanihan 1 Act provides that all covered institutions shall implement a 30-day grace period for all loans with principal and/or interest and lease amortization falling due within the ECQ Period without incurring interest on interest, penalties, fees and other charges. Subsequently, on September 11, 2020, Republic Act No. 11494, otherwise known as the Bayanihan to Recover as One Act (“Bayanihan 2 Act”), was enacted. Under Bayanihan 2 Act, a one-time sixty (60)-day grace period is granted for the payment of all existing, current and outstanding loans falling due, or any part thereof, on or before December 31, 2020, without incurring interest on interests, penalties, fees, or other charges and thereby extending the maturity of the said loans. Furthermore, a minimum 30-day grace period shall also be granted by covered institutions to all payments due within the period of community quarantine on rent and utility-related expenditures without incurring penalties, interest and other charges.

In 2020, RBC, in addition to the reliefs provided under Bayanihan 1 Act and Bayanihan 2 Act, has offered financial reliefs to its borrowers/counterparties as a response to the effect of the COVID-19 pandemic. These relief measures included the following:

- Restructuring of existing receivables including extension of payment terms
- Relief for principal and interest repayments

Based on the Group’s assessment, the modifications in the contractual cash flows as a result of the above reliefs are not substantial and therefore do not result in the derecognition of the affected financial assets. Total modification losses recognized in the statement of comprehensive income under miscellaneous expense amounted to ₱273.5 million (see Note 29). The effect of the modifications on the measurement of ECL is not significant to the Group.



12. Inventories

This account consists of inventories at cost held as follows:

| | 2021 | 2020 |
|--|------------------------|-----------------|
| Subdivision land, condominium and residential units for sale | ₱37,679,441,733 | ₱41,251,901,420 |
| Raw materials | 17,729,203,316 | 12,015,292,878 |
| Spare parts, packaging materials and other supplies | 13,977,307,633 | 12,519,994,035 |
| Finished goods | 10,696,679,943 | 8,389,220,485 |
| Work-in-process | 1,529,274,192 | 1,600,716,266 |
| | ₱81,611,906,817 | ₱75,777,125,084 |

Summary of the movements in real estate inventory follows:

| | 2021 | 2020 |
|---|-------------------------|-----------------|
| Balance at beginning of year | ₱41,251,901,420 | ₱36,062,897,387 |
| Construction and development costs incurred | 9,314,493,631 | 9,171,932,407 |
| Land acquisition | 339,455,204 | 1,341,648,000 |
| Costs of real estate sales (Note 30) | (13,344,164,863) | (6,161,235,541) |
| Transfers from investment properties, property and equipment and unrealized land cost (Notes 15 and 16) | 117,756,341 | 836,659,167 |
| Balance at end of year | ₱37,679,441,733 | ₱41,251,901,420 |

Borrowing cost capitalized amounted to nil and ₱304.0 million in 2021 and 2020, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2021 and 2020 is nil and 4.54%, respectively. This amount was included in the construction and development costs incurred.

The amount of subdivision land, condominium and residential units for sale recognized as cost of real estate sales in the consolidated statements of comprehensive income amounted to ₱13.3 billion, ₱6.2 billion and ₱4.2 billion for the years ended December 31, 2021, 2020 and 2019, respectively.

No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2021.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱8.1 billion and ₱7.5 billion as of December 31, 2021 and 2020, respectively, certain inventories which approximate the trust receipts payable, have been released to the Group under trust receipt agreement with the banks (see Note 23). The Group is accountable to the banks for the value of the trustee inventories or their sales proceeds.

The Group recognized impairment losses on its inventories included under 'Provision for (reversal of) impairment losses and others' amounting to ₱109.2 million, nil and ₱2,678 in 2021, 2020 and 2019, respectively (see Note 34).

On October 20, 2015, the Chinese government awarded the Contract for Assignment of the Rights to the Use of State-Owned Land (the Contract) to the Group. In May 2016, the Masterplan had been completed and was submitted for approval to the Chinese government in the same month. The Chinese government approved the Masterplan in the first quarter of 2017 and construction activities have



commenced (recognized as land use right and development cost included in ‘Subdivision land, condominium and residential units for sale’).

Under the Contract, the Group is entitled to transfer, lease, mortgage all or part of the state-owned construction land use right to a third party. Upon receipt of the Certificate of State-owned Land Use Right Assignment, the land title will be subdivided into Individual Property Titles which will be issued to unit owners one year after completion of the development and turn-over of the units to the buyers. When all or part of the state-owned construction land use right is transferred, through sale of commercial units and high-rise condominium units to buyers, the rights and obligations specified in the Contract and in the land registration documents shall be transferred accordingly to the buyer. The use term will be the remaining years as of the date of transfer based on the original use term specified in the Contract.

When the use term under the Contract expires (residential: 70 years and commercial: 40 years) and the land user continues using the assigned land under the Contract, an application for renewal shall be submitted to the Chinese government not less than one (1) year prior to the expiration of the use term.

No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2021 and 2020.

13. Other Current Assets

This account consists of:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| Input value-added tax (VAT) | ¥10,249,021,023 | ¥11,432,179,257 |
| Advances to suppliers | 5,191,796,358 | 4,175,244,931 |
| Prepaid expenses | 3,169,873,355 | 3,275,215,633 |
| Creditable withholding tax | 3,070,804,237 | 2,693,702,525 |
| Restricted cash | 1,818,639,034 | 5,019,269,617 |
| Advances to lot owners and joint operations | 25,734,743 | 331,941,593 |
| Utility deposits | – | 8,719,131 |
| Others | 164,091,862 | 54,877,752 |
| | ¥23,689,960,612 | ¥26,991,150,439 |

Input VAT

Input tax pertains to VAT from purchases of goods and services, which will be claimed as credit against output tax liabilities in a manner prescribed by pertinent revenue regulations. The Group believes that the amount of input VAT is fully realizable in the future.

Restricted Cash

RLC has restricted cash that includes the deposits in local banks for the purchase of land and deposits of buyers of Chengdu Xin Yao which will mainly be used for construction of real estate inventories.

In 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Advances to Suppliers

Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. This also includes prepayments for the construction of residential projects.



Prepaid Expenses

This account consists of prepayments on rent, insurance, taxes, and office supplies.

Advances to Lot Owners and Joint Operations

Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

14. Investments in Associates and Joint Ventures

Details of this account follow:

| | 2021 | 2020 |
|---|------------------|------------------|
| Acquisition cost: | | |
| Balance at beginning of year | ₱107,272,930,100 | ₱119,256,844,701 |
| Additional investments | 655,599,541 | 412,556,393 |
| Reclassification to Investment in Subsidiary due to gain of control | (275,293,071) | — |
| Disposal of investment | — | (577,306,470) |
| Reclassification/transfer | — | (11,819,164,524) |
| Balance at end of year | 107,653,236,570 | 107,272,930,100 |
| Accumulated equity in net earnings: | | |
| Balance at beginning of year | 33,854,782,744 | 32,981,671,569 |
| Equity in net earnings from continuing operations | 9,685,312,139 | 7,584,634,408 |
| Dividends received | (4,985,370,666) | (7,227,674,931) |
| Elimination of unrealized gains on downstream sales | (404,888,166) | (198,216,371) |
| Reclassification to Investment in Subsidiary due to gain of control | (69,084,799) | — |
| Equity in net earnings from discontinued operations | — | 31,586,911 |
| Reclassification/transfer | — | 660,071,604 |
| Accumulated equity in net losses (earnings) of disposed investment | — | 22,709,554 |
| Balance at end of year | 38,080,751,252 | 33,854,782,744 |
| Share in unrealized gain (loss) on financial assets at FVOCI of associates: | | |
| Balance at beginning of year | 90,514,869 | 34,851,584 |
| Share in net changes in fair value of financial assets at FVOCI of associates | 34,483,923 | 55,663,285 |
| Balance at end of year | 124,998,792 | 90,514,869 |

(Forward)



| | 2021 | 2020 |
|---|------------------|------------------|
| Share in remeasurements of the net defined benefit liability of associates: | | |
| Balance at beginning of year | (P1,610,065,526) | (P584,449,410) |
| Share in net changes in remeasurements of the net defined benefit liability of associates | 1,918,720,561 | (1,083,403,985) |
| Reclassification/transfer | — | 57,787,869 |
| | 308,655,035 | (1,610,065,526) |
| Cumulative translation adjustment | 200,844,018 | 22,123,682 |
| | 146,368,485,667 | 139,630,285,869 |
| Less allowance for impairment losses | 334,366,211 | 297,450,397 |
| | P146,034,119,456 | P139,332,835,472 |

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of effective ownership interest are shown below:

| | Effective Ownership | | Carrying Value | |
|--|---------------------|-------|----------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | (In Million Pesos) | | | |
| Associates | | | | |
| Domestic: | | | | |
| Manila Electric Company (Meralco) | 29.56 | 29.56 | P83,185.1 | P78,681.0 |
| Oriental Petroleum and Mining Corporation (OPMC) | 19.40 | 19.40 | 776.6 | 748.7 |
| G2M Solutions Philippines Pte. Ltd (G2M) | 0.00 | 0.00 | 439.2 | 381.1 |
| Luzon International Premiere Airport Development Corp. (LIPAD) | 33.00 | 33.00 | 475.0 | 358.4 |
| Cebu Light Industrial Park, Inc. (CLIP) | 20.00 | 20.00 | 58.7 | 58.9 |
| DHL Summit Solutions, Inc. (DSSI) formerly Summit Supply Chain Solutions, Inc. | 50.00 | 50.00 | 30.3 | 1.2 |
| Global Business Power Corporation (GBPC)* | — | 30.00 | — | — |
| GoTyme Bank Corporation | 24.24 | — | 354.7 | — |
| Foreign: | | | | |
| Singapore Land Group Limited (formerly United Industrial Corp., Limited) (SLG) | 37.05 | 37.05 | 58,034.9 | 56,026.9 |
| Zyllem Pte. Ltd | 13.33 | 13.33 | 46.0 | 54.9 |
| Value Alliance Travel System Pte. Ltd. (formerly Air Block Box Asia Pacific Pte. Ltd.) | 10.18 | 10.15 | — | 43.7 |
| | | | 143,400.5 | 136,354.8 |
| Joint Ventures | | | | |
| Domestic: | | | | |
| RHK Land Corporation | 36.71 | 36.58 | 1,342.9 | 1,341.6 |
| Robinsons DoubleDragon Corporation | 40.21 | 40.07 | 672.6 | 673.7 |
| RLC DMCI Property Ventures, Inc | 30.59 | 30.49 | 375.4 | 357.5 |
| Philippine Academy for Aviation Training (PAAT) | 33.93 | 33.82 | 187.5 | 218.8 |
| 1Aviation Groundhandling Services Corp. | 27.15 | 27.05 | — | — |
| Shang Robinsons Properties, Inc. | 30.49 | 30.49 | — | — |
| Vitasoy-URC, Inc (VURCI) | 27.67 | 27.63 | — | — |
| Danone Universal Robina Beverages, Inc. (DURBI) | 27.67 | 27.63 | — | — |
| Foreign: | | | | |
| Proper Snack Foods Limited (PSFL) | 27.68 | 27.68 | — | 341.1 |
| Calbee – URC Malaysia Sdn. Bhd (CURM) | 27.63 | 27.63 | 55.2 | 45.4 |
| | | | 2,633.6 | 2,978.1 |
| | | | P146,034.1 | P139,332.9 |

*Carrying value amounting to P11.1 billion as of December 31, 2020 has been reclassified to 'Assets held for sale'



Material investees

Meralco

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.

OPMC

The Group accounts for its investment in OPMC as an associate although the Group holds less than 20.00% of the issued share capital, as the Group has the ability to exercise significant influence over the investment, due to the Group's voting power (both through its equity holding and its representation in key decision-making committees) and the nature of the commercial relationships with OPMC.

SLG

SLG, a company incorporated in Singapore, is engaged in residential property management. SLG follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of SLG below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

GBPC

On December 23, 2020, the Parent Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30% of the issued and outstanding shares of GBPC. The total consideration for the sale of the shares is around ₱11.4 billion which shall be paid in installments. The purchase price will be subject to adjustment based on the amount of dividends from GBPC that the Parent Company will be entitled to receive after the signing date. As of December 31, 2020, the carrying value is reclassified as 'Assets held for sale' in the consolidated statement of financial position.

The closing of the transaction was completed on March 31, 2021 with a consolidated net gain of ₱261.9 million. The Parent Company retained a beneficial interest over the carved-out land located in Iloilo, with an area of 286,771 sqm, on the sale of GBPC. As of December 31, 2021, the outstanding receivable related to the sale amounted ₱2.3 billion.

Fair value of investments in listed associates

As of December 31, 2021 and 2020, the Group's investments in the following listed investee companies have fair values of:

| | Exchange Listed | 2021 | 2020 |
|---------|----------------------------|------------------------|-----------------|
| Meralco | Philippine Stock Exchange | ₱98,357,509,994 | ₱97,291,303,924 |
| SLG | Singapore Exchange Limited | 52,144,810,151 | 44,917,170,226 |
| OPMC | Philippine Stock Exchange | 426,890,219 | 474,708,952 |

As of December 31, 2021 and 2020, the breakdown of the total fair market value of the Group's investment in OPMC follows:

| | 2021 | 2020 |
|----------------------|---------------------|--------------|
| Class A Common Stock | ₱99,115,847 | ₱117,136,910 |
| Class B Common Stock | 327,774,372 | 357,572,042 |
| | ₱426,890,219 | ₱474,708,952 |

The fair value is based on the quoted price prevailing as of the reporting date.



Summarized below is the financial information of the significant associates of the Group:

- Summarized statements of financial position of the Group's significant associates as of December 31, 2021 and 2020:

| | 2021 | | | | 2020 | | | |
|---|-------------------------|-----------|-------------------------|-----------------------|------------------|-----------------|------------------|----------------|
| | Meralco | GBPC | SLG | OPMC | Meralco | GBPC | SLG | OPMC |
| Current assets | ₱137,019,000,000 | ₱— | ₱13,437,007,918 | ₱911,115,444 | ₱128,382,000,000 | ₱18,645,218,822 | ₱14,009,378,256 | ₱878,847,676 |
| Noncurrent assets | 346,463,000,000 | — | 333,353,169,780 | 3,867,790,558 | 261,885,000,000 | 51,115,729,579 | 310,965,619,141 | 3,686,205,785 |
| Current liabilities | 161,570,000,000 | — | 14,341,909,379 | 27,778,288 | 142,600,000,000 | 15,351,679,468 | 21,097,792,531 | 21,275,297 |
| Noncurrent liabilities | 216,469,000,000 | — | 20,952,007,383 | 105,519,920 | 166,935,000,000 | 23,449,784,029 | 13,381,857,374 | 42,282,042 |
| Equity | ₱105,443,000,000 | ₱— | ₱311,496,260,936 | ₱4,645,607,794 | ₱80,732,000,000 | ₱30,959,484,904 | ₱290,495,347,492 | ₱4,501,496,122 |
| Group's carrying amount of the investment | ₱83,185,127,452 | ₱— | ₱58,034,949,807 | ₱776,626,121 | ₱78,680,964,375 | ₱11,101,305,051 | ₱56,026,898,785 | ₱748,668,457 |

As of December 31, 2021 and 2020, the Group's share in Meralco's net assets amounted to ₱31.2 billion and ₱23.9 billion, respectively. As of December 31, 2021 and 2020, the excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill and the difference between the fair value and carrying value of Meralco's net assets at the date of acquisition.

As of December 31, 2020, the Group's share in GBPC's net assets amounted to ₱9.3 billion. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets at the date of acquisition.

As of December 31, 2021 and 2020, the Group's share in SLG's net assets amounted to ₱115.4 billion and 107.6 billion, respectively. The excess of the Group's share in the carrying value of SLG's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of SLG's net assets at the date of acquisition.

As of December 31, 2021 and 2020, the Group's share in OPMC's net assets amounted to ₱901.2 million and ₱873.3 million, respectively. The excess of the Group's share in the carrying value of OPMC's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of OPMC's net assets at the date of acquisition.



- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2021, 2020 and 2019:

| | 2021 | | | | 2020 | | | |
|--|-------------------------|-----------|------------------------|---------------------|------------------|-----------------|-----------------|--------------|
| | Meralco | GBPC | SLG | OPMC | Meralco | GBPC | SLG | OPMC |
| Revenue | ₱318,547,000,000 | ₱— | ₱22,258,422,308 | ₱269,030,748 | ₱275,304,000,000 | ₱21,876,546,660 | ₱25,517,515,967 | ₱169,560,225 |
| Expenses | 289,208,000,000 | — | 16,788,448,048 | 184,386,035 | 254,313,000,000 | 15,538,527,602 | 16,677,920,134 | 134,808,203 |
| Finance costs (income) | (3,656,000,000) | — | (3,149,324,199) | 24,704,295 | (1,424,000,000) | 2,203,211,624 | 46,288,892 | (79,762,983) |
| Profit before tax | 32,995,000,000 | — | 8,619,298,459 | 59,940,418 | 22,415,000,000 | 4,134,807,434 | 8,793,306,941 | 114,515,005 |
| Income tax expense | 8,912,000,000 | — | 1,382,194,643 | — | 6,266,000,000 | 1,088,892,516 | 1,021,844,374 | — |
| Profit for the year | | | | | | | | |
| (continuing operations) | ₱24,083,000,000 | ₱— | ₱7,237,103,816 | ₱59,940,418 | ₱16,149,000,000 | ₱3,045,914,918 | ₱7,771,462,567 | ₱114,515,005 |
| Other comprehensive income (loss) for the year | 6,987,000,000 | — | — | — | (4,299,000,000) | — | — | — |
| Total comprehensive income for the year | | | | | | | | |
| (continuing operations) | ₱31,070,000,000 | ₱— | ₱7,237,103,816 | ₱59,940,418 | ₱11,850,000,000 | ₱3,045,914,918 | ₱7,771,462,567 | ₱114,515,005 |
| Group's share of profit for the year | ₱6,730,478,760 | ₱— | ₱2,681,346,964 | ₱13,430,956 | ₱4,607,335,920 | ₱541,296,119 | ₱2,492,264,217 | ₱28,644,075 |

| | 2019 | | | |
|---|------------------|-----------------|----------------|--------------|
| | Meralco | GBPC | SLG | OPMC |
| Revenue | ₱319,322,222,397 | ₱24,664,347,108 | ₱968,672,147 | ₱373,034,295 |
| Expenses | 289,069,727,910 | 17,390,229,780 | 467,453,130 | 299,805,689 |
| Finance costs | (1,662,088,758) | 2,264,670,273 | 2,930,980 | — |
| Profit before tax | 31,914,583,245 | 5,009,447,055 | 498,288,037 | 73,228,606 |
| Income tax expense | 8,543,046,152 | 1,102,612,239 | 41,642,037 | — |
| Profit for the year (continuing operations) | ₱23,371,537,093 | ₱3,906,834,816 | ₱456,646,000 | ₱73,228,606 |
| Total comprehensive income for the year (continuing operations) | (2,995,676,854) | — | — | — |
| Total comprehensive income for the year (continuing operations) | ₱20,375,860,239 | ₱3,906,834,816 | ₱456,646,000 | ₱73,228,606 |
| Group's share of profit for the year | ₱6,667,422,170 | ₱671,236,006 | ₱6,037,320,136 | ₱14,206,355 |



Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports. In December 2020, the Parent Company made additional investment amounting to ₱115.5 million equivalent to 115.5 million shares. In September 2021, the Company made additional investment amounting to ₱132.0 million equivalent to 132.0 million shares.

CLIPi

As of December 31, 2020 and 2019, the Group has deposit for future stock subscription in CLIPi amounting to ₱10.0 million. These represents 20.0% of CLIPi's proposed increase in authorized capital stock.

G2M

On September 16, 2020, the Parent Company entered into an assignment of agreement with JG Digital Capital Pte. Ltd (JGDCPL) to assign all its rights and obligations in the investment.

In June 2021 and December 2020, JGDCPL invested in G2M's convertible note amounting to \$0.7 million and \$1.5 million, respectively.

As of December 31, 2021, the convertible note has been converted into 231,120 preferred shares of series A2 and 34,668 preferred shares of series B, equivalent to the Group's 14.17% ownership in G2M. The Group has one representation in the BOD of G2M.

PAAT

Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

As of December 31, 2021 and 2020, CAI's investment in PAAT amounted to ₱187.4 million and ₱218.8 million, respectively.

DURBI

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2019, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common shares for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

On April 19, 2021, URC made additional subscriptions to unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱105.0 million.



PSFL

On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand-based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ\$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

Calbee-URC Malaysia

On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee-URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savory snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

Shang Robinsons Properties, Inc

On November 13, 2017, RLC's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through the JVC, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. The JVC also plans to pursue other development projects.

RHK Land Corporation

On February 5, 2018, RLC's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through the JVC, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. The JVC also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with the JVC. Repayment date falls on the fifth anniversary of the effective date.

Robinsons DoubleDragon Corporation (RDDC)

On December 26, 2019, Robinsons DoubleDragon Corp. (RDDC) was incorporated as the joint venture company (JVC) between RLC and DoubleDragon Corporation. The primary purpose is to engage in realty development.

RLC DMCI Property Ventures, Inc.

In October 2018, the Parent Company entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium situated in Las Piñas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.



On March 18, 2019, RLC DMCI Property Ventures, Inc. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

DHL Summit Solutions, Inc. (DSSI)

On December 18, 2019, the Parent Company invested in DSSI. DSSI was incorporated on October 1, 2019 and shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. DSSI started commercial operations in July 2020.

Zyllem Pte. Ltd.

In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10.00% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as investment in an associate since the Group has one representation on the BOD of Zyllem.

On November 13, 2020, JGDCPL invested in convertible note with face value of SGD0.3 million equivalent to ₱10.7 million.

Aviation Partnership (Philippines) Corporation (A-Plus) and SIA Engineering (Philippines) Corporation (SIAEP)

CAI's investment in APPC and SIAEP were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the country, as well as aircraft maintenance and repair organizations.

APPC was incorporated in the Philippines on May 24, 2005 and started commercial operations on July 1, 2005 while SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009.

On October 26, 2020, CAI signed a Share Sale and Purchase Agreement (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. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CAI.

On October 26, 2020, CAI also entered into an SPA with SIAEC to divest CAI's 35% shareholding in SIAEP which resulted in a gain on disposal of ₱34.5 million. This divestment is in line with CAI's strategy to streamline its fleet management and rationalize its aircraft base maintenance, repair and overhaul offerings to optimize its operational efficiency and further strengthen its core competencies. The consideration received was US\$7,740,000 via a one-time cash receipt. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of SIAEP. On November 3, 2020, CAI and SIAEC signed the Deed of Absolute Sale of Shares for this transaction, thus, CAI no longer has any equity interest in SIAEP.



GoTyme Bank Corporation

On February 18, 2021, RBC entered into a joint venture agreement with RLC, Robinsons Retail Holdings, Inc (RRHI) and Tyme Global Limited (TGL) to establish a joint venture company (JVC) which will operate a digital bank in the Philippines and have its own banking license and independent governance structure, subject to the approval of the Bangko Sentral ng Pilipinas (BSP). The initial funding and capital structure required RBC, RLC and RRHI, named as the founding shareholders, to contribute a pro rata portion up to ₱1.25 billion. The shareholder percentage of the RBC, RLC, RRHI and TGL upon incorporation shall be 20.00%, 20.00%, 20.00% and 40.00%, respectively of the share capital and voting rights of the JVC.

On August 24, 2021 RBC's equity investment of ₱250.00 million representing 20% ownership of the digital bank which was named GoTyme Bank Corporation (GoTyme) was approved by the BSP. After securing Certificate of Authority to Register from the Monetary Board, the SEC approved the Certificate of Incorporation of GoTyme on December 28, 2021.

Aggregate information of associates and joint ventures that are not individually material follows:

| | 2021 | | 2020 | |
|---|----------------|----------------|--------------|----------------|
| | Associates | Joint Venture | Associates | Joint Venture |
| Group's share of: | | | | |
| Profit (loss) for the year | (₱71,897,453) | (₱142,020,053) | ₱38,771,914 | ₱92,425,640 |
| Other comprehensive income for the year | 34,311,225 | (829,958) | — | — |
| Total comprehensive income for the year | (₱37,586,228) | (₱142,850,011) | ₱38,771,914 | ₱92,425,640 |
| Group's share of dividends for the year | ₱858,000 | ₱— | ₱1,000,000 | ₱— |
| Group's carrying amount of the investment | ₱1,591,340,544 | ₱2,446,075,532 | ₱898,261,334 | ₱2,978,042,521 |

Investment in Subsidiaries

Financial information of subsidiaries that have material non-controlling interest is provided below:

- Portion of equity interest held by non-controlling interest

| Name of Subsidiary | Country of Incorporation and Operation | December 31, 2021 | December 31, 2020 |
|------------------------------------|--|-------------------|-------------------|
| Universal Robina Corporation (URC) | Philippines | 44.67 | 44.75 |
| Robinsons Land Corporation (RLC) | Philippines | 38.81 | 39.03 |
| Cebu Air, Inc. (CAI) | Philippines | 33.44 | 32.20 |
| Robinsons Bank Corporation (RBC) | Philippines | 40.00 | 40.00 |

- Accumulated balances of material non-controlling interest:

| Name of Subsidiary | 2021 | 2020 |
|--------------------|-----------------|-----------------|
| URC | ₱49,223,254,071 | ₱46,809,364,089 |
| RLC | 53,256,706,275 | 40,628,491,243 |
| CAI | 3,547,418,178 | 7,291,166,799 |
| RBC | 7,385,219,207 | 7,330,245,744 |

- Profit allocated to material non-controlling interest:

| Name of Subsidiary | 2021 | 2020 |
|--------------------|-----------------|-----------------|
| URC | ₱11,357,840,269 | ₱5,686,835,451 |
| RLC | 3,581,897,568 | 2,049,886,134 |
| CAI | (8,224,937,882) | (7,145,696,887) |
| RBC | 496,813,569 | 373,834,767 |



The summarized financial information of subsidiaries with material non-controlling interest are provided below. This information is based on amounts before inter-company eliminations.

▪ Summarized statement of financial position as at December 31, 2021:

| | URC | RLC | CAI | RBC |
|------------------------|-----------------|-----------------|-----------------|------------------|
| Current assets | ₱67,334,803,230 | ₱76,576,928,084 | ₱26,326,925,128 | ₱174,711,418,012 |
| Noncurrent assets | 85,322,016,682 | 151,373,010,938 | 111,926,836,197 | 5,084,285,681 |
| Current liabilities | 39,028,100,222 | 48,312,930,753 | 35,406,169,941 | 160,305,042,168 |
| Noncurrent liabilities | 3,860,985,858 | 49,287,044,246 | 92,237,846,171 | 1,027,613,507 |

▪ Summarized statement of financial position as at December 31, 2020:

| | URC | RLC | CAI | RBC |
|------------------------|-----------------|-----------------|-----------------|------------------|
| Current assets | ₱65,562,838,524 | ₱78,953,290,052 | ₱12,138,683,588 | ₱146,676,027,057 |
| Noncurrent assets | 110,632,091,743 | 136,247,435,005 | 116,319,897,988 | 4,539,360,153 |
| Current liabilities | 53,667,829,890 | 52,974,616,397 | 33,790,839,089 | 131,975,249,476 |
| Noncurrent liabilities | 24,742,938,443 | 59,508,077,025 | 71,976,865,872 | 914,523,375 |

▪ Summarized statements of comprehensive income for 2021:

| | URC | RLC | CAI | RBC |
|---|------------------|-----------------|------------------|----------------|
| Revenue | ₱116,954,788,444 | ₱36,539,417,580 | ₱15,740,756,856 | ₱8,312,410,745 |
| Profit (loss) for the year from continuing operations | 12,965,308,196 | 8,500,642,323 | (24,898,602,887) | 1,216,105,043 |
| Total comprehensive income | 26,014,812,504 | 8,659,224,059 | (24,723,489,005) | 111,504,762 |
| Dividends paid to non-controlling interests | 3,688,507,837 | 731,965,538 | — | — |

▪ Summarized statements of comprehensive income for 2020:

| | URC | RLC | CAI | RBC |
|---|------------------|-----------------|------------------|----------------|
| Revenue | ₱133,140,081,384 | ₱25,404,826,534 | ₱22,617,967,165 | ₱8,401,849,879 |
| Profit (loss) for the year from continuing operations | 11,624,602,710 | 5,259,364,231 | (22,236,441,976) | 934,586,917 |
| Total comprehensive income | 9,882,497,384 | 4,923,206,500 | (22,165,338,382) | 1,265,139,991 |
| Dividends paid to non-controlling interests | 3,449,909,754 | 1,023,801,914 | — | — |

▪ Summarized statements of comprehensive income for 2019:

| | URC | RLC | CAI | RBC |
|--|------------------|-----------------|-----------------|----------------|
| Revenue | ₱134,174,527,579 | ₱30,583,835,565 | ₱84,806,810,363 | ₱8,121,662,955 |
| Profit for the year from continuing operations | 10,114,683,777 | 8,692,609,758 | 9,122,952,680 | 719,426,508 |
| Total comprehensive income | 11,004,041,325 | 8,763,698,639 | 9,125,843,406 | 1,712,920,576 |
| Dividends paid to non-controlling interests | 3,395,036,779 | 1,019,391,907 | 1,354,532,703 | — |

▪ Summarized statements of cash flows for 2021:

| | URC | RLC | CAI | RBC |
|---------------------------------|------------------|------------------|------------------|-----------------|
| Operating | ₱13,466,484,460 | ₱13,092,058,668 | (₱6,257,070,999) | ₱24,145,654,169 |
| Investing | (11,629,566,691) | (20,646,128,162) | 10,428,221,098 | (8,330,479,125) |
| Financing | (3,744,625,910) | 12,199,584,494 | 9,056,691,866 | (7,829,305,386) |
| Effect of exchange rate changes | — | — | 590,110,620 | 49,786,866 |
| Net cash flows | (₱1,907,708,141) | ₱4,645,515,000 | ₱13,817,952,585 | ₱8,035,656,524 |



▪ Summarized statements of cash flows for 2020:

| | URC | RLC | CAI | RBC |
|---------------------------------|------------------|------------------|-------------------|-----------------|
| Operating | ₱18,936,381,384 | ₱12,676,825,680 | (₱13,216,604,168) | ₱14,241,687,736 |
| Investing | (11,352,455,654) | (12,303,802,822) | 3,508,206,021 | (722,941,692) |
| Financing | (9,202,794,126) | 6,570,797,403 | (3,940,966,965) | (2,306,284,717) |
| Effect of exchange rate changes | — | — | (221,963,106) | 87,417,783 |
| Net cash flows | ₱9,733,587,258 | ₱6,943,820,261 | (₱13,871,328,218) | ₱11,299,879,110 |

▪ Summarized statements of cash flows for 2019:

| | URC | RLC | CAI | RBC |
|---------------------------------|-----------------|------------------|------------------|------------------|
| Operating | ₱15,610,917,681 | ₱18,130,230,953 | ₱29,244,053,595 | (₱9,356,844,870) |
| Investing | (1,753,099,045) | (15,658,603,768) | (20,812,478,783) | 1,867,570,934 |
| Financing | (6,396,659,690) | 2,044,970,511 | (6,601,315,417) | 4,164,929,253 |
| Effect of exchange rate changes | — | — | (527,534,227) | 9,141,111 |
| Net cash flows | ₱7,461,158,946 | ₱4,516,597,696 | ₱1,302,725,168 | (₱3,315,203,572) |

15. Investment Properties

Movements in this account follow:

| | 2021 | | | |
|--|----------------------------|----------------------------|--------------------------|------------------|
| | Land and Land Improvements | Buildings and Improvements | Construction In-Progress | Total |
| Cost | | | | |
| Balance at beginning of year | ₱33,952,364,096 | ₱98,612,692,755 | ₱12,871,420,252 | ₱145,436,477,103 |
| Additions | 1,063,610,548 | 2,036,027,808 | 10,354,187,044 | 13,453,825,400 |
| Disposals/transfers and other adjustments | 566,382,276 | 5,156,629,001 | (1,527,652,552) | 4,195,358,725 |
| Balance at end of year | 35,582,356,920 | 105,805,349,564 | 21,697,954,744 | 163,085,661,228 |
| Accumulated Depreciation and Amortization | | | | |
| Balance at beginning of year | 212,441,497 | 40,522,223,759 | — | 40,734,665,256 |
| Depreciation and amortization | 27,011,136 | 4,493,388,468 | — | 4,520,399,604 |
| Disposals/transfers and other adjustments | — | 54,850,069 | — | 54,850,069 |
| Balance at end of year | 239,452,633 | 45,070,462,296 | — | 45,309,914,929 |
| Allowance for Impairment Losses | | | | |
| Balance at beginning of year | 25,205,389 | 1,520,545 | — | 26,725,934 |
| Provision for impairment losses | (6,535) | 101,695 | — | 95,160 |
| Disposals/transfers and other adjustments | (11,306,787) | (1,253,507) | — | (12,560,294) |
| Balance at end of year | 13,892,067 | 368,733 | — | 14,260,800 |
| | ₱35,329,012,220 | ₱60,734,518,535 | ₱21,697,954,744 | ₱117,761,485,499 |

| | 2020 | | | |
|--|----------------------------|----------------------------|--------------------------|------------------|
| | Land and Land Improvements | Buildings and Improvements | Construction In-Progress | Total |
| Cost | | | | |
| Balance at beginning of year | ₱33,211,109,147 | ₱95,036,367,934 | ₱7,012,269,569 | ₱135,259,746,650 |
| Additions | 1,641,867,500 | 1,515,051,620 | 7,145,187,166 | 10,302,106,286 |
| Disposals/transfers and other adjustments | (900,612,551) | 2,061,273,201 | (1,286,036,483) | (125,375,833) |
| Balance at end of year | 33,952,364,096 | 98,612,692,755 | 12,871,420,252 | 145,436,477,103 |
| Accumulated Depreciation and Amortization | | | | |
| Balance at beginning of year | 184,401,753 | 36,047,768,445 | — | 36,232,170,198 |
| Depreciation and amortization | 28,039,744 | 4,308,960,652 | — | 4,337,000,396 |
| Disposals/transfers and other adjustments | — | 165,494,670 | — | 165,494,670 |
| Balance at end of year | 212,441,497 | 40,522,223,767 | — | 40,734,665,264 |
| Allowance for Impairment Losses | | | | |
| Balance at beginning of year | 25,930,193 | 1,400,223 | — | 27,330,416 |
| Provision for impairment losses | 8,679 | 144,448 | — | 153,127 |
| Reversal of impairment losses | (733,483) | (24,126) | — | (757,609) |
| Balance at end of year | 25,205,389 | 1,520,545 | — | 26,725,934 |
| | ₱33,714,717,210 | ₱58,088,948,443 | ₱12,871,420,252 | ₱104,675,085,905 |



Investment properties consist mainly of land held for appreciation, shopping malls or commercial centers, office buildings and warehouses that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosures. Most of the Group's properties are in prime locations across the Philippines.

Construction in progress amounting to ₱18.2 billion and ₱12.9 billion as of December 31, 2021 and 2020, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.76 billion and ₱0.43 billion in 2021 and 2020, respectively. These amounts were included in the consolidated statements of cash flows under additions to investment properties. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2021 and 2020 were 4.59% and 4.54%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively.

Property operations and maintenance costs included under 'Cost of services' arising from investment properties amounted to ₱701.0 million, ₱492.0 million and ₱680.0 million for the years ended December 31, 2021, 2020 and 2019, respectively.

There are no investment properties as of December 31, 2021 and 2020 that are pledged as security to liabilities. The Group has no restrictions on the realizability of its investment properties.

The total contractual commitments arising from awarded contracts for the acquisition, development and construction of investment properties amounted to ₱17,428 million and ₱15,155 million, as of December 31, 2021 and 2020, respectively.

Gain on sale or retirement and disposal of investment properties amounted to nil, ₱17.4 million and nil for the years ended December 31, 2021, 2020 and 2019, respectively.

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

| | 2021 | 2020 | 2019 |
|---|-----------------------|----------------|----------------|
| Depreciation and amortization expense included under: | | | |
| Cost of services (Note 33) | ₱4,472,397,346 | ₱4,295,854,563 | ₱4,023,366,050 |
| General and administrative expenses (Note 33) | 48,002,258 | 41,145,833 | 33,902,383 |
| | ₱4,520,399,604 | ₱4,337,000,396 | ₱4,057,268,433 |

Collaterals

As of December 31, 2021 and 2020, the Group has no investment properties that are pledged as collateral.



16. Property, Plant and Equipment

The composition of and movements in this account follow:

| | December 31, 2021 | | | | | | | |
|--|--------------------------|-------------------------------|----------------------------|--|---|-----------------------------|-------------------------|-------------------------|
| | Land and Improvements | Buildings and Improvements | Machinery and Equipment | Transportation, Furnishing and Other Equipment | Passenger Aircraft and Other Flight Equipment | Construction In-progress | Equipment In-transit | Total |
| Cost | | | | | | | | |
| Balance at beginning of year | ₱9,566,537,042 | ₱34,651,992,151 | ₱141,559,147,857 | ₱14,395,796,182 | ₱103,594,306,722 | ₱87,232,626,516 | ₱4,915,650,424 | ₱395,916,056,894 |
| Additions | 2,882,381,568 | 3,065,547,359 | 8,733,705,508 | 1,110,703,361 | 543,936,245 | 15,644,048,812 | 301,878,587 | 32,282,201,440 |
| Additions from acquisition of subsidiaries | 157,270,576 | 685,144,291 | 2,847,961,888 | 169,491,000 | — | 8,978,069 | — | 3,868,845,824 |
| Divestment of business | (1,617,151,577) | (4,099,446,242) | (10,457,586,250) | (734,302,119) | — | (3,296,678,447) | — | (20,205,164,635) |
| Transfers, disposals and other adjustments | (180,489,699) | (302,916,960) | 28,241,229,151 | (173,325,962) | (17,872,065,986) | (43,553,151,581) | 7,132,671,610 | (26,708,049,427) |
| Balance at end of year | 10,808,547,910 | 34,000,320,599 | 170,924,458,154 | 14,768,362,462 | 86,266,176,981 | 56,035,823,369 | 12,350,200,621 | 385,153,890,096 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| Balance at beginning of year | 1,877,079,448 | 16,640,451,460 | 75,346,485,197 | 11,843,405,682 | 29,760,620,218 | — | — | 135,468,042,005 |
| Depreciation and amortization | 212,489,880 | 1,768,250,464 | 7,541,450,765 | 1,126,235,095 | 7,374,618,073 | — | — | 18,023,044,277 |
| Additions from acquisition of subsidiaries | — | 154,184,417 | 1,545,514,228 | 122,226,991 | — | — | — | 1,821,925,636 |
| Divestment of business | (41,823,247) | (1,835,921,536) | (6,811,758,947) | (611,726,104) | — | — | — | (9,301,229,834) |
| Disposals, transfers and other adjustments | (27,171,327) | (158,288,313) | (1,082,340,135) | (128,740,591) | (9,474,929,034) | — | — | (10,871,469,400) |
| Balance at end of year | 2,020,574,754 | 16,568,676,492 | 76,539,351,108 | 12,351,401,073 | 27,660,309,257 | — | — | 135,140,312,684 |
| Allowance for Impairment Losses | | | | | | | | |
| Balance at beginning of year | 11,385,054 | 1,194,537 | 19,416,265 | 279,328 | — | — | — | 32,275,184 |
| Provision for (reversal of) impairment losses (Note 34) | — | 42,652,343 | 389,978,928 | — | — | — | — | 432,631,271 |
| Balance at end of year | 11,385,054 | 43,846,880 | 409,395,193 | 279,328 | — | — | — | 464,906,455 |
| Net Book Value at End of Year | ₱8,776,588,102 | ₱17,387,797,227 | ₱93,975,711,853 | ₱2,416,682,061 | ₱58,605,867,724 | ₱56,035,823,369 | ₱12,350,200,621 | ₱249,548,670,957 |



| | December 31, 2020 | | | | | | | |
|--|--------------------------|-------------------------------|----------------------------|--|---|-----------------------------|-------------------------|-------------------------|
| | Land and Improvements | Buildings and Improvements | Machinery and Equipment | Transportation, Furnishing and Other Equipment | Passenger Aircraft and Other Flight Equipment | Construction In-progress | Equipment In-transit | Total |
| Cost | | | | | | | | |
| Balance at beginning of year | ₱7,880,937,530 | ₱36,161,110,685 | ₱132,350,689,804 | ₱12,599,686,600 | ₱118,200,275,859 | ₱73,207,836,386 | ₱5,053,650,131 | ₱385,454,186,995 |
| Additions | 53,638,164 | 1,223,980,637 | 7,291,843,198 | 788,088,965 | 3,531,787,491 | 14,063,691,815 | 93,748,991 | 27,046,779,261 |
| Acquisition of assets that qualified as a business | 1,757,652,552 | 158,230,318 | 2,587,630,231 | — | — | — | — | 4,503,513,101 |
| Transfers, disposals and other adjustments | (125,691,204) | (2,891,329,489) | (671,015,376) | 1,008,020,617 | (18,137,756,628) | (38,901,685) | (231,748,698) | (21,088,422,463) |
| Balance at end of year | 9,566,537,042 | 34,651,992,151 | 141,559,147,857 | 14,395,796,182 | 103,594,306,722 | 87,232,626,516 | 4,915,650,424 | 395,916,056,894 |
| Accumulated Depreciation and Amortization | | | | | | | | |
| Balance at beginning of year | 1,672,654,959 | 15,415,406,938 | 68,717,381,262 | 9,892,037,131 | 30,481,614,557 | — | — | 126,179,094,847 |
| Depreciation and amortization | 218,383,239 | 1,431,573,502 | 7,619,683,084 | 1,102,519,307 | 9,110,848,227 | — | — | 19,483,007,359 |
| Disposals, transfers and other adjustments | (13,958,750) | (206,528,980) | (990,579,149) | 848,849,244 | (9,831,842,566) | — | — | (10,194,060,201) |
| Balance at end of year | 1,877,079,448 | 16,640,451,460 | 75,346,485,197 | 11,843,405,682 | 29,760,620,218 | — | — | 135,468,042,005 |
| Allowance for Impairment Losses | | | | | | | | |
| Balance at beginning of year | 11,385,054 | 1,194,537 | 19,416,265 | 279,328 | — | — | — | 32,275,184 |
| Provision for (reversal of) impairment losses (Note 34) | — | — | — | — | — | — | — | — |
| Disposals, transfers and other adjustments | — | — | — | — | — | — | — | — |
| Balance at end of year | 11,385,054 | 1,194,537 | 19,416,265 | 279,328 | — | — | — | 32,275,184 |
| Net Book Value at End of Year | ₱7,678,072,540 | ₱18,010,346,154 | ₱66,193,246,395 | ₱2,552,111,172 | ₱73,833,686,504 | ₱87,232,626,516 | ₱4,915,650,424 | ₱260,415,739,705 |



Acquisition of CACI Sugar Mill, Roxol Bioethanol Plant and NAVI Shares

URC entered into an agreement with Roxas Holdings Inc. (RHI), together with its wholly-owned subsidiaries, Central Azucarera de la Carlota, Inc. (CACI) and Roxol Bioenergy Corporation (Roxol) for the acquisition of sugar mill, bio-ethanol plant and shares held by RHI in NAVI.

On September 30, 2020, URC and RHI proceeded to close the sale transaction, with the signing and delivery of the definitive sales agreements as well as performance of all conditions necessary for the closing of the transaction. The Group recognized property, plant and equipment amounting to ₱4.4 billion from the purchase transaction.

Sale of Tolong Millsite

In January 2021, URC executed a Memorandum of Agreement and Deed of Absolute Sale with a third party for the sale of its Tolong millsite, with a selling price of ₱1.2 billion. Gain on disposal attributable to the sale amounted to ₱18.9 million, which was recognized under 'Other Operating Income (Expenses)' in the consolidated statement of comprehensive income (Note 29).

Reversal of impairment loss

In 2019, following the review of the Petrochemical business, the outlook for the industry and Petrochemical's operating plan, the Group recognized a reversal of impairment loss amounting to ₱2.3 billion. The expansion of its Naphtha Cracker Plant in 2020 generated economies of scale that decreased the Group's olefins costs, which led to higher polymer margins. In 2021, the Petrochemical's polymer plant with expanded polypropylene (PP) production capacity started commercial operations.

Construction in-progress

CAI

Construction in-progress represents the cost of aircraft and engine modifications 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, 2021 and 2020, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively.

URC

Construction-in-progress amounting to ₱7.6 billion and ₱10.7 billion as of December 31, 2021 and 2020, respectively, represents costs of ongoing expansion and constructions of plants.

JGSOC

Construction-in-progress amounting to ₱1.3 billion and ₱19.9 billion as of December 31, 2021 and 2020, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction-in-progress amounting to ₱36.3 billion and ₱37.2 billion as of December 31, 2021 and 2020, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.



Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| General and administrative expenses (Note 33) | ₱8,651,457,832 | ₱10,224,596,609 | ₱10,267,006,135 |
| Cost of sales (Note 33) | 7,822,566,296 | 7,603,987,001 | 7,053,345,008 |
| Cost of services (Note 33) | 723,784,809 | 829,042,388 | 886,915,076 |
| Discontinued operations (Note 44) | 825,235,340 | 825,381,361 | 824,923,267 |
| | ₱18,023,044,277 | ₱19,483,007,359 | ₱19,032,189,486 |

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans

CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2021 and 2020, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

| | 2021 | 2020 |
|------------|-----------------------------|---------------------|
| | Commercial Loans | Commercial Loans |
| ATR 72-600 | 12 | 12 |
| A321 CEO | 7 | 7 |
| A321 NEO | 6 | 6 |
| A320 CEO | 5 | 17 |
| A330 CEO | 2 | 2 |
| | 32 | 44 |

Under the terms of the commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs. 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 CAI. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2021 and 2020, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱49.8 billion and ₱64.5 billion, respectively.

Forward Sale Agreement

On December 18, 2018, CAI signed a forward sale agreement with Sunrise Asset Management, a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering three (3) A320 aircraft. The aircraft were delivered on various dates within 2019 and CAI recognized ₱352.1 million loss on sale in the consolidated statement of comprehensive income in 2019.

In 2019, CAI entered into an engine sale agreement with RRP Engine Leasing Limited for two (2) Rolls-Royce Trent 772B engines, delivered in August and September, which resulted in a gain of ₱126.4 million.

In September and October 2020, CAI sold eight (8) CFM56 engines as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. The lease portion is an arrangement of short- and long-term leases between 18 months to eight (8) years, respectively. The sale portion resulted in a gain of ₱152.9 million.



In November 2020, CAI sold five (5) A320 aircraft as part of a sale and leaseback transaction with EOS Aviation 6 (Ireland) Limited. The lease portion is an arrangement of leases ranging between three (3) to four (4) years. The sale portion resulted in a loss of ₱412.9 million.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) A320 aircraft. The lease portion consists of leases between three (3) to five (5) years. The sale portion resulted in a gain of ₱1,388.7 million and is included “Gain (loss) on sale of aircraft” under ‘Other Operating Income (Expenses)’ in the consolidated statement of comprehensive income (Note 29).

Proceeds from sale of property and equipment for the years ended December 31, 2021 and 2020 amounted to ₱10,705.9 million and ₱7,336.3 million, respectively.

Operating Fleet

As of December 31, 2021 and 2020, the Group’s operating fleet follow:

| | 2021 | 2020 |
|-----------------------------|-----------|-----------|
| Leased aircrafts: (Note 42) | | |
| Airbus A320 CEO | 18 | 22 |
| Airbus A321 CEO | 7 | 7 |
| Airbus A330 CEO | 4 | 6 |
| Airbus A330 NEO | 2 | – |
| Airbus A321 NEO | 9 | 7 |
| Airbus A320 NEO | 6 | 5 |
| ATR 72-600 | 2 | 1 |
| Owned aircrafts: (Note 23) | | |
| ATR 72-600 | 12 | 12 |
| ATR 72-500 | 8 | 8 |
| Airbus A320 CEO | 4 | 4 |
| Airbus A330 CEO | 2 | 2 |
| | 74 | 74 |

Included in construction in-progress is 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, 2021 and 2020, CAI’s capitalized pre-delivery payments as construction in-progress amounted to ₱14.7 billion and ₱16.3 billion, respectively. For the years ended December 31, 2021 and 2020, CAI received pre-delivery payment refunds for delivered aircrafts from Airbus which amounted to ₱5.9 billion and ₱1.2 billion, respectively.

As of December 31, 2021 and 2020, CAI has six (6) and fifteen (15) aircraft parked for storage at Asia Pacific Aircraft Storage in Alice Springs, Australia as part of its cost-cutting measures amid the COVID-19 pandemic.

Gain (loss) on sale or retirement of property, plant and equipment amounted to ₱2.2 billion, (₱3.7 billion) and (₱2.2 billion) in 2021, 2020 and 2019, respectively.

As of December 31, 2021 and 2020, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱7.3 billion and ₱6.5 billion, respectively.



17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

| | 2021 | 2020 |
|--------------------|---------------------|--------------|
| Current portion | ₱132,144,916 | ₱99,919,468 |
| Noncurrent portion | 166,105,594 | 134,331,929 |
| | ₱298,250,510 | ₱234,251,397 |

These biological assets consist of:

| | 2021 | 2020 |
|----------------|---------------------|--------------|
| Swine | | |
| Commercial | ₱62,326,102 | ₱74,123,306 |
| Breeder | 74,194,347 | 42,920,185 |
| Poultry | | |
| Commercial | 69,818,814 | 25,796,162 |
| Breeder | 91,911,247 | 91,411,744 |
| | ₱298,250,510 | ₱234,251,397 |

The rollforward analysis of this account follows:

| | 2021 | 2020 |
|--|----------------------|-----------------|
| Balance at beginning of year | ₱234,251,397 | ₱957,563,597 |
| Additions | 549,756,538 | 1,756,709,312 |
| Disposals | (488,307,581) | (1,966,488,386) |
| Write-down | – | (550,573,074) |
| Gains arising from changes in fair value less estimated costs to sell | 2,550,156 | 37,039,948 |
| | ₱298,250,510 | ₱234,251,397 |

As of December 31, 2021 and 2020, the Group has about 11,469 and 21,142 heads of swine, respectively, and about 944,600 and 589,315 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

| | 2021 | | | | | | |
|---|------------------------|-------------------------------|-----------------------|--------------------------|------------------------|--------------------------|------------------------|
| | Technology Licenses | Branch licenses and others | Software Costs | Trademarks and Brands | Product Formulation | Customer Relationship | Total |
| Cost | | | | | | | |
| Balance at beginning of year | ₱552,331,752 | ₱1,766,632,510 | ₱1,676,561,508 | ₱9,564,461,252 | ₱425,000,000 | ₱2,201,281,165 | ₱16,186,268,187 |
| Additions | – | 552,372 | 290,075,607 | 10,959,942 | – | – | 301,587,921 |
| Additions due to business combination | – | 1,497,003 | – | 1,306,573,016 | – | – | 1,308,070,019 |
| Disposals/reclassification/others | – | 540,001 | (57,178,788) | (9,286,328,918) | – | (2,201,281,165) | (11,544,248,870) |
| Balance at end of year | 552,331,752 | 1,769,221,886 | 1,909,458,327 | 1,595,665,292 | 425,000,000 | – | 6,251,677,257 |
| Accumulated Amortization and Impairment Losses | | | | | | | |
| Balance at beginning of year | 552,331,752 | – | 881,720,305 | 201,524,581 | – | 395,790,354 | 2,031,366,992 |
| Amortization | – | – | 318,805,549 | – | – | – | 318,805,549 |
| Disposals/reclassifications | – | – | (55,400,656) | – | – | (395,790,354) | (451,191,010) |
| Balance at end of year | 552,331,752 | – | 1,145,125,198 | 201,524,581 | – | – | 1,898,981,531 |
| Net Book Value at End of Year | ₱– | ₱1,769,221,886 | ₱764,333,129 | ₱1,394,140,711 | ₱425,000,000 | ₱– | ₱4,352,695,726 |



| | 2020 | | | | | | |
|---|---------------------|----------------------------|---------------------|-----------------------|---------------------|-----------------------|------------------------|
| | Technology Licenses | Branch licenses and others | Software Costs | Trademarks and Brands | Product Formulation | Customer Relationship | Total |
| Cost | | | | | | | |
| Balance at beginning of year | ₱552,331,752 | ₱1,765,822,935 | ₱1,151,330,104 | ₱9,564,461,252 | ₱425,000,000 | ₱2,201,281,165 | ₱15,660,227,208 |
| Additions | — | 809,575 | 519,107,339 | — | — | — | 519,916,914 |
| Disposals/reclassification/others | — | — | 6,124,065 | — | — | — | 6,124,065 |
| Balance at end of year | 552,331,752 | 1,766,632,510 | 1,676,561,508 | 9,564,461,252 | 425,000,000 | 2,201,281,165 | 16,186,268,187 |
| Accumulated Amortization and Impairment Losses | | | | | | | |
| Balance at beginning of year | 552,331,752 | — | 671,865,818 | 201,524,581 | — | 336,114,658 | 1,761,836,809 |
| Amortization | — | — | 190,672,483 | — | — | 69,251,299 | 259,923,782 |
| Disposals/reclassifications | — | — | 19,182,004 | — | — | (9,575,603) | 9,606,401 |
| Balance at end of year | 552,331,752 | — | 881,720,305 | 201,524,581 | — | 395,790,354 | 2,031,366,992 |
| Net Book Value at End of Year | ₱— | ₱1,766,632,510 | ₱794,841,203 | ₱9,362,936,671 | ₱425,000,000 | ₱1,805,490,811 | ₱14,154,901,195 |

Technology Licenses

Technology licenses represent the cost of JGSPC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSPC's technology licenses were fully impaired in 2006.

Branch Licenses and Others

Branch licenses pertain to RBC which amounted to ₱0.8 billion in 2021 and 2020. Others include intangible assets which arose from the acquisition of Cebgo, Inc. These assets represent CAI's costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 million.

Branch licenses have been allocated to the branch banking group as the cash-generating units (CGU) for impairment testing.

The recoverable amount of the CGU has been determined based on value-in-use calculation using cash flow projections from financial budgets approved by senior management covering a five-year period. Key assumptions used in the value in use calculation are pre-tax discount rate and growth rate, which are at 12.08% and 5.06%, respectively in 2021, and 12.51% and 4.90%, respectively in 2020. Management believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of the CGUs to exceed their recoverable amount.

Trademarks, Product Formulation, Brands and Customer Relationships

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and Griffin's in 2016 and 2014, respectively, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2021 and 2020. In 2020, the recoverable amounts of goodwill and other intangible assets were determined based on value in use calculations.

Value-in-use calculations used cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rates applied to cash flow projections range from 8.57% to 12.58% and from 9.03% to 14.52% for the years ended December 31, 2021 and 2020, respectively. The following assumptions were also used in computing value-in-use:

Growth rate estimates - growth rates include long-term and terminal growth rates that are based on experiences and strategies developed for the various subsidiaries. The prospect for the industry was also considered in estimating the growth rates. Growth rates used in computing the projected future cash flows ranged from 3.90% to 6.10% and from 2.00% to 6.60% as of December 31, 2021 and 2020, respectively.



Discount rates - discount rates were estimated based on the industry weighted average cost of capital, which includes the cost of equity and debt after considering the gearing ratio.

Management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying values of goodwill and intangible assets arising from the Group's acquisitions to materially exceed their recoverable amounts.

19. Goodwill

Movements in the Group's goodwill account follow:

| | 2021 | 2020 |
|---------------------------------------|------------------------|------------------------|
| Cost | | |
| Balance at beginning | ₹32,431,403,675 | ₹32,276,536,238 |
| Acquisition of subsidiaries | 20,372,536,452 | — |
| Disposals | (30,295,309,039) | — |
| Additions due to business combination | — | 154,867,437 |
| Balance at end of year | 22,508,631,088 | 32,431,403,675 |
| Accumulated Impairment Losses | | |
| Balance at beginning | 270,931,882 | 270,931,882 |
| Balance at end of year | 270,931,882 | 270,931,882 |
| Net Book Value at End of Year | ₹22,237,699,206 | ₹32,160,471,793 |

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and Griffin's Good Limited (Griffin's) in 2014, (g) acquisition of Balayan Sugar Mill and Consolidated Snacks Pty Ltd. (CSPL) in 2016 and (h) acquisition of Crunchy Foods Sdn. Bhd. in December 2021.

Goodwill is not amortized and is non-deductible for tax purposes.

Acquisition of Crunchy Foods Sdn. Bhd.

On December 15, 2021, the Group acquired from Crunchy Limited 100% of the shares of Crunchy Foods Sdn. Bhd. (CFSD), a non-listed company based in Malaysia. CFSD fully owns Munchy Food Industries Sdn Bhd (MFI) and its subsidiary Munchworld Marketing Sdn Bhd (MWM) (collectively, the Munchy's Group). They operate under the trade name Munchy's, which is one of the major biscuit brands in Malaysia. The Group acquired CFSD to gain market leadership in Malaysia in the biscuit segment, which is consistent with the Group's overall purpose. The Munchy's Group is also expected to create synergies with URC Malaysia.

Purchase Consideration

The purchase consideration was determined to be RM2.07 billion (₹24.6 billion), which was paid in cash by URC Malaysia to Crunchy Limited in exchange for 683,964,000 ordinary shares (100% of the equity) of CFSD.



Assets Acquired and Liabilities Assumed

As of December 31, 2021, the purchase price allocation relating to the Group's acquisition of Munchy's Group has been prepared on a preliminary basis, using available information as of acquisition date. The provisional fair values of the net assets acquired as of date of acquisition are based on net book values of identifiable assets and liabilities including certain adjustments since the Group does not yet have complete information about their acquisition-date fair values. The Group is currently finalizing the purchase price allocation, which could result to adjustments to the values of the assets and liabilities listed below (except cash), due to changes in information about facts and circumstances about them that existed as of acquisition date but which are not yet known to the Group. The purchase price allocation will include independent valuation of these assets and liabilities, as well as the identification of other assets or liabilities that have not yet been known to Group but which already existed as of acquisition date. The difference between the total consideration and net assets amounting to ₱19.9 billion was initially allocated to goodwill. The preliminary allocation is subject to revision to reflect the final determination of fair values. The preliminary accounting will be completed based on further valuations and studies carried out within 12 months from acquisition date.

The provisional fair values of the identifiable assets and liabilities of Munchy's at the date of acquisition follow:

| | |
|--|------------------------|
| Purchase consideration transferred | ₱24,586,990,326 |
| Fair value of identifiable assets | |
| Cash and cash equivalents | 1,733,890,589 |
| Receivables | 762,764,213 |
| Inventories | 519,197,774 |
| Property, plant and equipment (Note 13) | 1,863,711,802 |
| Right-of-use assets | 1,635,322 |
| Brands | 1,306,573,017 |
| Intangible assets | 1,455,163 |
| Other current assets | 94,893,542 |
| Total Assets | 6,284,121,422 |
| Fair value of identifiable liabilities | |
| Accounts payable and other accrued liabilities | 1,206,202,247 |
| Deferred tax liabilities | 400,250,806 |
| Lease liability | 1,658,574 |
| Total Liabilities | 1,608,111,627 |
| Total fair value of identifiable net assets | 4,676,009,795 |
| Goodwill | ₱19,910,980,531 |

The goodwill of ₱19.9 billion comprise the value of expected synergies arising from the acquisition. Goodwill and these intangible assets are allocated entirely to the operations of the Munchy's brands. None of the goodwill is expected to be deductible for income tax purposes.

Net cash outflow on acquisition is as follows:

| | |
|---|------------------------|
| Cash consideration | ₱24,586,990,326 |
| Less: Cash acquired with the subsidiary | (1,733,890,589) |
| Less: Payable as of December 31, 2021 | (287,505,398) |
| Net cash outflow | ₱22,565,594,339 |

If the business combination had taken place at the beginning of the year, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.



Acquisition of Cebgo

Goodwill arising from the acquisition of Cebgo is attributable to the following:

Achievement of Economies of Scale

Using CAI's network of suppliers and other partners to improve cost and efficiency of Cebgo, thus, improving Cebgo's overall profit, given its existing market share.

Defensive Strategy

Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.

CAI also identified intangible assets amounting to ₱852.7 million representing costs to establish brand and market opportunities under the strategic alliance with Tiger Airways Holding Limited.

Acquisition of A-Plus

On October 26, 2020, CEBGO signed an SPA with 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. The consideration was arrived at after arm's length negotiations on a willing-buyer, willing-seller basis and took into account, inter alia, the net asset value and financial performance of A-Plus.

On November 3, 2020, CEBGO and SIAEC signed the Deed of Absolute Sale of Shares for this transaction making A-Plus a wholly owned subsidiary of CEBGO.

The fair value of CEBGO's 49% interest in A-Plus immediately prior to acquisition amounted to ₱269.5 million. The Group recognized ₱71.3 million gain from re-measurement of its investment in A-Plus at fair value immediately prior to acquisition. This is included under 'Other Income' in the consolidated statements of comprehensive income.

The fair value of A-Plus' identifiable assets and liabilities as at the date of acquisition were:

| | Fair value recognized on acquisition |
|--|--|
| Cash | ₱69,622,242 |
| Trade receivables | 321,488,712 |
| Property and equipment | 117,370,579 |
| Right-of-use asset | 2,778,033 |
| Other assets | 130,563,165 |
| Total assets | 641,822,731 |
| Trade payables | 113,381,635 |
| Retirement liability | 107,441,205 |
| Lease liability | 2,902,849 |
| Other liabilities | 32,993,547 |
| Total liabilities | 256,719,236 |
| Total identifiable net assets at fair value | 385,103,495 |
| Less: Fair value of previously held interest | 269,471,017 |
| Acquisition cost | 270,499,915 |
| | 539,970,932 |
| Goodwill from acquisition | ₱154,867,437 |



Net cash outflow on acquisition is as follows:

| | |
|---|--------------|
| Cash consideration | ₱270,499,915 |
| Less: Cash acquired with the subsidiary | 69,622,242 |
| Net cash outflow | ₱200,877,673 |

20. Other Noncurrent Assets

This account consists of:

| | 2021 | 2020 |
|---|-----------------|-----------------|
| Deferred tax assets (Note 38) | ₱5,142,289,083 | ₱3,788,710,580 |
| Advances to lot owners - net of current portion | 3,097,764,012 | 3,745,307,951 |
| Security and miscellaneous deposits | 2,336,294,366 | 1,620,941,533 |
| Advances to suppliers - net of current portion | 2,238,793,030 | 4,591,539,488 |
| Utility deposits | 702,432,276 | 662,909,455 |
| Others | 2,109,978,793 | 2,245,361,109 |
| | ₱15,627,551,560 | ₱16,654,770,116 |

Advances to Suppliers

Advances to suppliers pertain to RLC's prepayments for the construction of investment properties and property and equipment.

As of December 31, 2021 and 2020, advances made for the purchase of various aircraft parts, service maintenance and restoration costs of the aircraft which are expected to be consumed beyond one year from the reporting date amounted to nil and ₱2.5 billion, respectively.

Advances to Lot Owners

Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired.

Security Deposits

Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

Utility Deposits

Utility deposits that are refundable consist primarily of bill and meter deposits.

Others

As of December 31, 2021, others include refundable prepaid rent, deferred input VAT, and repossessed chattels amounting to ₱100.0 million, ₱727.8 million and ₱188.3 million, respectively.

As of December 31, 2020, others include deferred input VAT, prepaid rent, and repossessed chattels amounting to ₱768.6 million, ₱100.0 million and ₱233.0 million, respectively.



21. Accounts Payable and Accrued Expenses

This account consists of:

| | 2021 | 2020 |
|--|-------------------------|------------------|
| Deposit liabilities | ₱115,822,971,855 | ₱111,455,936,892 |
| Trade payables | 32,369,730,765 | 31,184,638,473 |
| Accrued expenses | 17,514,281,161 | 19,892,157,852 |
| Travel fund payable (Note 24) | 2,802,831,614 | 103,168,471 |
| Bills payable | 2,618,523,803 | — |
| Airport and other related fees payable | 2,432,100,685 | 2,284,416,132 |
| Output VAT | 2,421,601,605 | 2,166,425,938 |
| Withholding taxes payable | 447,018,858 | 436,729,895 |
| Due to related parties (Note 40) | 169,068,971 | 143,059,245 |
| Refunds payable | 117,200,174 | 1,430,451,596 |
| Dividends payable | 20,060,887 | 45,060,888 |
| Other payables | 4,952,173,229 | 3,478,541,654 |
| | ₱181,687,563,607 | ₱172,620,587,036 |

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB, and bear annual fixed interest rates ranging from nil to 5.75% in 2021 and 2020.

As of December 31, 2021 and 2020, the liquidity and statutory reserves of RBC and LSB amounted to ₱14.8 billion and ₱10.5 billion, respectively.

Details of interest expense on deposit liabilities, which are included in the 'Cost of services' in profit or loss in the consolidated statements of comprehensive income follow (see Note 30):

| | 2021 | 2020 | 2019 |
|---------|-----------------------|----------------|----------------|
| Savings | ₱299,689,400 | ₱632,859,634 | ₱1,717,487,944 |
| Time | 450,844,106 | 469,426,389 | 492,682,489 |
| LTNCD | 270,337,898 | 270,901,436 | 267,893,614 |
| Demand | 4,613,048 | 2,053,285 | 4,334,999 |
| | ₱1,025,484,452 | ₱1,375,240,744 | ₱2,482,399,046 |

Long-Term Negotiable Certificates of Deposit (LTNCD)

On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD, with a right to increase the aggregate issue up to ₱5.0 billion in the event of over subscription. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds were used to diversify the Parent Company's maturity profile and funding sources and general corporate purposes.



The BSP approved the decrease in reserve requirements on non-FCDU deposit liabilities through the following circulars:

- Circular 1041 dated May 23, 2019 to 17.00% effective May 31, 2019; 16.50% effective June 28, 2019; 16.00% effective July 26, 2019 for the Parent Company and from 7.00% to 6.50% and 6.00% respectively for LSB.
- Circular 1056 dated October 3, 2019 to 15.00% for the Parent Company and 5.00% for LSB effective November 1, 2019.
- Circular No. 1063 to 14.00% for the Parent Company and 4.00% for LSB effective December 06, 2019.

On May 27, 2020, the BSP through Circular 1087 approved the *Alternative Compliance with the Reserve Requirements of Banks and Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs)* effective May 29, 2020, subject to certain requirements provided by the MORB, the following alternative compliance with the required reserves against deposit and deposit substitute liabilities shall be allowed:

- Peso-denominated loans that are granted to micro-, small-, and medium enterprises (“MSME”), banks and NBQBs that meet the definition of a small and medium enterprise;
- Peso-denominated loans that are granted to large enterprises, excluding banks and NBQBs that meet the definition of a large enterprise.

Trade Payables

Trade payables are noninterest-bearing and are normally settled on 30- to 60-day terms. Trade payables arise mostly from purchases of inventories, which include raw materials and indirect materials (i.e., packaging materials) and supplies, for use in manufacturing and other operations. Trade payables also include importation charges related to raw materials purchases, as well as occasional acquisitions of production equipment and spare parts. Obligations arising from purchase of inventories necessary for the daily operations and maintenance of aircraft which include aviation fuel, expendables and consumables, equipment and in-flight supplies, and unpaid billings from suppliers and contractors related to construction activities, are also charged to this account.

Accrued Expenses

This account consists of accruals for the following:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| Landing and take-off, navigational charges, and other aircraft-related expenses | ₱3,910,026,945 | ₱2,814,477,238 |
| Advertising and promotions | 2,954,904,893 | 4,836,157,772 |
| Accrued interest payable | 2,434,415,499 | 2,913,215,469 |
| Contracted services | 1,661,806,836 | 1,615,783,498 |
| Compensation and benefits | 1,570,168,856 | 2,478,225,412 |
| Rental expense | 1,516,565,560 | 1,300,544,602 |
| Taxes and licenses | 718,853,461 | 666,260,868 |
| Utilities | 601,055,288 | 708,914,561 |
| Freight and handling costs | 380,246,124 | 480,495,182 |
| Insurance | 126,575,637 | 110,537,452 |
| Royalties | 43,364,367 | 39,350,901 |
| Other accrued expenses | 1,596,297,695 | 1,928,194,897 |
| | ₱17,514,281,161 | ₱19,892,157,852 |



Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance, restructuring provision and other professional and legal fees.

In 2019, URC recorded a restructuring provision related to downsizing of farm operations and consolidation of plant operations. The key objectives of the restructuring are: (a) to focus on the profitable and growing animal nutrition and health business, (b) to maximize the value-added chain concentrating on the processed meat business and (c) to improve long-term cost efficiencies for both farm and plant operations. The restructuring provision consists of write-down of biological assets (Note 17), property, plant and equipment (Note 16) and accrual of employee redundancy costs amounting ₱239.0 million, ₱453.7 million and ₱137.1 million, respectively. The related expense is recognized under 'Other income (loss)' in the consolidated statement of income (see Note 29). As of December 31, 2021, ₱39.5 million remains of the accrual for employee redundancy costs.

Airport and Other Related Fees Payable

Airport and other related fees payable are amounts payable to the Philippine Tourism Authority and Air Transportation Office Mactan-Cebu International Airport and Manila International Airport Authority arising from aviation security, terminal fees and travel taxes.

Refunds Payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent grounding of the Group's commercial operations, customers were 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

As of December 31, 2021 and 2020, other payables consist of management bonus and other non-trade payables.

22. Other Current Liabilities

This account consists of:

| | 2021 | 2020 |
|--|------------------------|-----------------|
| Contract liabilities (Note 24) | ₱16,314,489,808 | ₱28,053,511,701 |
| Current portion of lease liabilities (Note 42) | 5,716,633,360 | 7,318,423,995 |
| Unearned transportation revenue | 4,568,640,575 | 3,671,467,766 |
| Deposit from lessees (Notes 24 and 42) | 3,047,062,089 | 2,984,978,548 |
| Customer's deposits | 803,990,010 | 540,371,531 |
| Advances from agents and others | 508,356,771 | 779,423,721 |
| Derivative liabilities (Note 8) | 1,732,327,557 | 245,940,423 |
| | ₱32,691,500,170 | ₱43,594,117,685 |



Contract Liabilities

Contract liabilities (including noncurrent portion shown in Note 24) consist of collections from real estate customers which have not reached the equity threshold to qualify for revenue recognition and excess of collections over the goods and services transferred based on percentage of completion. The movement in the contract liability is mainly due to reservation of sales and advance payment of buyers less real estate sales recognized upon reaching the equity threshold from increase in percentage of completion. The contract liabilities account includes deposits from real estate buyers that have not met the revenue recognition threshold of 10.00% and these amounted to ₱913 million and ₱1.3 billion as of December 31, 2021 and 2020.

Unearned Transportation Revenue

Passenger ticket and cargo waybill sales are initially recorded under 'Unearned transportation revenue' in the consolidated statements of financial position, until these are recognized under 'Air transportation revenue' in profit or loss in the consolidated statements of comprehensive income, when the transportation service is rendered by the Group (or once tickets are flown).

In 2021, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱4.1 billion and ₱0.5 billion, respectively. In 2020, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱3.5 billion and ₱0.2 billion, respectively.

Advances from Agents and Others

Advances from agents and others represent cash bonds required from major sales and ticket offices or agents. This account also includes commitment fees received for the sale and purchase agreement of aircraft.

23. Short-term Debts, Long-term Debts and Bonds Payable

Short-term Debts

Short-term debts consist of:

| | 2021 | 2020 |
|--|------------------------|-----------------|
| Subsidiaries: | | |
| Foreign currencies - unsecured with interest rates ranging from 1.30% to 1.50% in 2021 and from 0.78% to 3.20% in 2020 | ₱10,037,933,791 | ₱8,924,046,867 |
| Philippine Peso - with interest rates of 2.00% to 2.40% in 2021 and 2.80% to 4.00% in 2020 | 55,957,649,691 | 35,494,045,318 |
| | ₱65,995,583,482 | ₱44,418,092,185 |

As of December 31, 2021 and 2020, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱37.9 billion and ₱23.5 billion, respectively. The trust receipts payable are secured by the trustee inventories for the same amount (see Note 12).

In 2021, 2020 and 2019, the Group incurred interest expense on short-term notes amounting to ₱0.9 billion, ₱0.9 billion and ₱1.4 billion, respectively (see Note 35).



Long-term Debts

Long-term debts (net of debt issuance costs) consist of:

| | Maturities | Interest Rates | 2021 | 2020 | Condition |
|--|----------------------------|------------------------------|-------------------------|------------------|------------|
| Parent Company: | | | | | |
| Term Loans | | | | | |
| P5.0 billion term loan | 2022 | 4.65% | ₱4,997,159,539 | ₱4,991,809,222 | Unsecured |
| P5.0 billion term loan | 2024 | 4.93% | 4,840,000,588 | 4,886,317,635 | Unsecured |
| P10.0 billion term loan | 2023 | Floating (2.4%) | 9,976,957,544 | 9,961,716,782 | Unsecured |
| P5.0 billion term loan | 2023 | Floating (1.64842%) | 4,988,345,997 | 4,980,677,601 | Unsecured |
| P5.0 billion term loan | 2024 | 4.9010% | – | 4,971,766,633 | Unsecured |
| P7.0 billion term loan | 2024 | Floating (1.89%) | 6,970,865,518 | 6,960,676,503 | Unsecured |
| P4.0 billion term loan | 2025 | 4.75% | 3,978,261,369 | 3,972,701,331 | Unsecured |
| Fixed Rate Retail Bonds: | | | | | |
| P30.0 billion fixed rate retail bonds | | | | | |
| P5.3 billion bonds | 2021 | 5.24% | – | 5,311,740,108 | Unsecured |
| P0.2 billion bonds | 2024 | 5.30% | – | 175,723,971 | Unsecured |
| | | | 35,751,590,555 | 46,213,129,786 | |
| Subsidiaries: | | | | | |
| Foreign currencies: | | | | | |
| JGSPL | | | | | |
| US\$750.0 million guaranteed notes | 2023 | 4.375% | 31,117,589,393 | 29,272,287,827 | Guaranteed |
| US\$600.0 million guaranteed notes | 2030 | 4.125% | 30,465,049,175 | 28,675,204,373 | Guaranteed |
| CAI | | | | | |
| USD commercial loan from foreign banks | 2030 | 1.00% to 8.00%; (US\$ Libor) | 20,427,514,938 | 25,333,277,532 | Secured |
| JPY commercial loan | 2029 | Less than 1% JPY LIBOR | 6,681,792,919 | 7,727,531,810 | Secured |
| URC | | | | | |
| NZ\$395.0 million term loan | 2023 | NZ 3.15% (BKBM+1.10%) | – | 13,498,653,900 | Guaranteed |
| AUS\$484.2 million term loan | 2021 | AU 3.04% (BBSY BID+1.25%) | – | 17,838,897,236 | Guaranteed |
| | | | 88,691,946,425 | 122,345,852,678 | |
| Philippine Peso: | | | | | |
| RLC | | | | | |
| P12.7 billion loan facility | 2023 | 3.683% | 12,679,687,112 | 12,627,273,856 | Unsecured |
| P10.6 billion loan facility | 2022 | 4.80% | 10,633,033,406 | 10,616,830,211 | Unsecured |
| P7.0 billion loan facility | 2024 | 4.75% | 6,567,681,317 | 6,702,513,502 | Unsecured |
| P6.5 billion loan facility | 2021 | 3.83% | – | 6,496,248,135 | Unsecured |
| P6.0 billion loan facility | 2025 | 4.75% | 5,967,920,565 | 5,959,274,275 | Unsecured |
| P5.0 billion loan facility | 2023 | 3.89% | 4,944,258,596 | 4,950,688,567 | Unsecured |
| P4.5 billion loan facility | 2027 | 4.95% | 4,467,081,905 | 4,469,924,269 | Unsecured |
| P1.4 billion loan facility | 2025 | 4.93% | 1,359,782,135 | 1,358,436,534 | Unsecured |
| P0.4 billion loan facility | 2025 | 3.8% | 423,419,108 | 422,589,434 | Unsecured |
| JGSPC | | | | | |
| P14.5 billion term loan | 2024 | Floating (1.88% to 1.98%) | 14,508,000,000 | 14,508,000,000 | Unsecured |
| P5.0 billion term loan | 2024 | 5.00% | 5,000,000,000 | 5,000,000,000 | Unsecured |
| P4.0 billion term loan | 2025 | 4.72% | 4,000,000,000 | 4,000,000,000 | Unsecured |
| P4.0 billion term loan | 2025 | Floating (2.65%) | 4,000,000,000 | 4,000,000,000 | Unsecured |
| JGSOC | | | | | |
| P1.2 billion term loan | 2024 | 6.64% | 1,210,000,000 | 1,210,000,000 | Unsecured |
| P1.3 billion term loan | 2024 | 6.62% | 1,282,000,000 | 1,282,000,000 | Unsecured |
| CAI | | | | | |
| Term loan | 2023 | 4.80% | 2,555,555,556 | 3,888,888,891 | Unsecured |
| Commercial loans | Various dates through 2028 | 2%-5% (PH BVAL) | 16,290,236,203 | 16,290,236,203 | Secured |
| | | | 95,888,655,903 | 103,782,903,877 | |
| | | | 220,332,192,883 | 272,341,886,341 | |
| Less current portion | | | 19,501,714,468 | 34,413,387,739 | |
| | | | ₱200,830,478,415 | ₱237,928,498,602 | |

The foreign exchange rate used to revalue the foreign currency borrowings was ₱50.999 to US\$1 and ₱48.023 to US\$1 as of December 31, 2021 and 2020, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱186.0 million and ₱122.3 million as of December 31, 2021 and 2020, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱255.8 million and ₱393.4 million as of December 31, 2021 and 2020, respectively.



Repayments of the long-term debt (gross of debt issuance costs) follow:

| | 2021 | 2020 |
|---------------|-------------------------|------------------|
| Due in: | | |
| 2022 and 2021 | ₱19,501,714,468 | ₱34,413,387,739 |
| Thereafter | 200,830,478,415 | 237,928,498,602 |
| | ₱220,332,192,883 | ₱272,341,886,341 |

The details of the Group's long-term debt follow:

Subsidiaries' Foreign Currency Loans

JGSPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSPL issued US\$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 21, 2020, JGSPL redeemed notes with a face value of \$32.0 million for a total consideration of \$34.0 million. The redemption resulted in a loss on bond reacquisition amounting ₱66.2 million (Note 29).

JGSPL 4.125% Senior Unsecured Notes Due 2030

On July 2020, JGSPL issued US\$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

CAI USD Commercial Loans from Foreign Banks

From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs, namely: PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL, which purchased the aircraft from CAI pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans. The proceeds of the loan were used to prepay the outstanding US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

In 2019, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

In 2020, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

As of December 31, 2021 and 2020, the terms of the remaining commercial loan facilities follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.



- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding balance of the US dollar commercial loans amounted to ₱20.4 billion (US\$400.5 million) and ₱25.3 billion (US\$527.5 million), respectively. Interest expense amounted to ₱0.6 billion, ₱0.8 billion and ₱1.3 billion in 2021, 2020 and 2019, respectively.

CAI JPY Commercial Loans

In 2019, CAI entered into a Japanese commercial loans covering four (4) Airbus A321NEO aircraft. The loan requires semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of December 31, 2021 and 2020, the total outstanding balance of the Japanese yen commercial loans amounted to ₱6.7 billion (¥15.1 billion) and ₱7.7 billion (¥17.0 billion), respectively. Interest expense amounted to ₱18.4 million, ₱22.1 million and ₱174.1 million in 2021, 2020 and 2019, respectively.

URC NZ Finance Company Limited NZD395 Million Term Loan due 2023

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

URC Australia Finance Company Limited Term Loan US\$484.2 Million

In October 2021, the long-term debt was transferred to Intersnack Group upon divestment.

Parent Company's Philippine Peso Loans

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds

On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bonds. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten-year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes. In February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion. On January 18, 2021, the BOD of the Parent Company approved the exercise of the option for early redemption of the Parent Company's ₱176.3 million fixed rate 5.3% bonds due on 2024 at the early redemption price of ₱101.50. On March 2, 2021, the Parent Company exercised its option for early redemption and recognized loss on extinguishment of debt amounting to ₱3.2 million (Note 29).

Parent Company ₱5.0 Billion Term Loan with BPI due in July 2022

On July 6, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with BPI with a fixed rate at 4.65% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱232.5 million and ₱233.1 million, respectively.

Parent Company ₱5.0 Billion Term Loan with MBTC due in July 2024

On July 13, 2017, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC with a fixed rate at 4.93% per annum and shall be payable quarterly in arrears. In July 2021, 2020 and 2019, the Company partially prepaid the loan amounting to ₱50.0 million per annum. Interest for 2021 and 2020 amounted to ₱240.2 million and ₱243.3 million, respectively.



Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023

On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO. Interest for 2021 and 2020 amounted to ₱264.9 million and ₱435.1 million, respectively. The loan bears an interest based on the bank's 30-day prime rate.

Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023

On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC. Interest for 2021 and 2020 amounted to ₱84.0 million and ₱139.7 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱7.0 Billion Term Loan with BPI due in August 2024

On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱206.2 million, respectively. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

Parent Company ₱5.0 Billion Term Loan with PNB due in August 2024

On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱157.8 million and ₱245.7 million, respectively. In August 2021, the Parent Company pre-terminated its term loan with PNB and recognized loss on extinguishment of debt amounting to ₱74.1 million (Note 29).

Parent Company ₱4.0 Billion Term Loan with BDO due in 2025

On June 26, 2020, the Parent Company borrowed ₱4.0 billion under Term Loan Facility Agreement with BDO with a fixed rate at 4.75% per annum and shall be payable quarterly in arrears. Interest for 2021 and 2020 amounted to ₱189.9 million and ₱95.8 million, respectively.

Subsidiaries' Philippine Peso Loans

RLC ₱10.6 Billion Term Loan due in February 2022

On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025

On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.



RLC ₱6.5 Billion Term Loan due in July 2021

On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. The loan was settled in 2021.

RLC ₱5.0 Billion Term Loan due in August 2023

On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at 3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024

On March 15, 2017, RLC borrowed ₱7.0 billion under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed. Annual principal payment is two percent (2%) of the total loan amount or ₱140 million.

RLC ₱4.5 Billion Term Loan due February 2027

On February 10, 2017, RLC borrowed ₱4.5 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The loan was released on February 10, 2017 amounting to ₱4.5 billion with interest rate at 4.95% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

Partial payment for this loan amounting to ₱5.0 million was made on February 13, 2021 and 2020.

RLC ₱6.0 Billion Term Loan due June 2025

On June 30, 2020, RLC borrowed ₱6.0 billion under Term Loan Facility Agreements with BDO Unibank, Inc. The loan was released on June 30, 2020 which bears interest rate at 4.75% computed per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC Three-year “Series C Bonds” maturing on July 17, 2023 and Five-Year “Series D Bonds” maturing on July 17, 2025

On July 17, 2020, RLC issued its “Series C Bonds” amounting to ₱12,763.1 million and “Series D Bonds” amounting to ₱427.2 million constituting direct, unconditional, unsecured and unsubordinated peso-denominated obligations of RLC and shall at all times rank pari passu and ratably without any preference or priority amongst themselves and at least pari passu with all other present and future unsubordinated and unsecured obligations of RLC, other than obligations preferred by law. The net proceeds of the issue shall be used by the RLC to: (i) partially fund the capital expenditure budget of RLC for calendar years 2020 and 2021; (ii) repay short-term loans maturing in the second half of calendar year; and (iii) fund general corporate purposes including, but not limited to, working capital. The bonds have been rated PRS Aaa by Philippine Rating Services Corporation (PhilRatings).

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on January 17 and July 17 of each year at which the bonds are outstanding.



CAI Philippine Peso Commercial Loans

From 2016 to 2017, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, CAI entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

As of December 31, 2021 and 2020, the terms of the commercial loan facilities follow:

- Term of seven (7) to ten (10) years starting from the delivery dates of each aircraft.
- Twenty-eight (28) to forty (40) equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on Philippines Bloomberg Valuation (PH BVAL).
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2021 and 2020, the total outstanding Philippine Peso commercial loans amounted to ₱16.3 billion. Interest expense incurred from these loans amounted to ₱559.9 million, ₱627.7 million and ₱1.1 billion in 2021, 2020 and 2019, respectively.

The commercial loans are secured by the related aircraft. CAI is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

CAI Philippine Peso Term Loan

In 2020, CAI 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 CAI.

As of December 31, 2021 and 2020, the total outstanding Philippine Peso term loan amounted to ₱2.6 million and ₱3.9 billion, respectively. Interest expense incurred from this loan amounted to ₱156.3 million and ₱179.8 million in 2021 and 2020, respectively. CAI is required to maintain certain financial ratios until termination of loans. As of December 31, 2021, CAI obtained a waiver from the bank in relation to debt service coverage ratio requirement. Accordingly, the related loan is classified as non-current as at December 31, 2021. As of December 31, 2020, CAI is not in breach of any loan covenants.

JGSPC Philippine Peso Term Loan

These are clean loans obtained in 2019 and 2020 to finance the JGSPC's expansion projects and are payable in lump sum after five years.

JGSOC Philippine Peso Term Loan

These are clean loans obtained in 2019 to finance the JGSOC's expansion projects and are payable in lump sum after five years.

In 2021, 2020 and 2019, total interest expense on long-term debt amounted to ₱7.1 billion, ₱7.0 billion and ₱8.5 billion, respectively (see Note 35).

In 2021, 2020 and 2019, the Group recognized amortization of bond issue costs amounting to ₱95.9 million, ₱93.4 million and ₱80.7 million, respectively (see Note 35).



Debt Covenants

Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion, ₱5.0 Billion and ₱4.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:

- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

The commercial loans of CAI are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2021 and 2020, the Group is not in breach of any loan covenants.

For CAI's unsecured, Philippine peso-denominated short-term loan, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2021, the Group is not in breach of any loan covenants.

For the RLC's ₱10.6 Billion bonds due in February 2022, ₱1.4 Billion bonds due in February 2025, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027, ₱7.0 Billion Term Loan due in March 2024 and ₱6.0 Billion Term Loan due in June 2025. RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of and for the year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For RLC's 3-year bonds, 5-year bonds and "Series C Bonds", RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of its calendar year end December 31 and consolidated interim financial statements as at June 30. RLC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSPC's term loans, JGSPC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSPC has complied with the debt covenant as of December 31, 2021 and 2020.

For JGSOC's term loans, JGSOC is required to maintain a net debt-to-equity ratio of not more than 2.5:1.0, as measured at the end of each calendar year-end. JGSOC has complied with the debt covenant as of December 31, 2021 and 2020.

In 2021, JGSPC secured the approval of its term loan creditors for its merger with JGSOC.

For JGSPL's US\$750.0 million Senior Unsecured Notes due in 2023, the Parent Company as the guarantor shall procure:

- Consolidated Current Assets to Consolidated Current Liabilities is not at any time less than 0.5:1.0; and



- Consolidated Total Borrowings to Consolidated Stockholders' Equity does not at any time exceed 2:1.

For JGSPL's US\$600.0 million loans due in 2030, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term loans, the Group is required to maintain consolidated debt-to-equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2021 and 2020.

Bonds Payable

On May 10, 2021, CAI 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.

The conversion option entitles the CB holders to convert its outstanding bonds for CAI'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. No conversion options were exercised as of December 31, 2021.

The fair value at initial recognition and the carrying amounts of the financial liability component, calculated based on the fair value of the principal less any directly attributable transaction costs, at December 31, 2021 are presented below:

| | In US Dollar | In Philippine Peso |
|---|-----------------|-----------------------|
| Value of the bonds issued | US\$250,000,000 | ₱11,955,500,000 |
| Bond issue cost | (3,571,242) | (173,026,665) |
| Net proceeds | 246,428,758 | ₱11,782,473,335 |
| Less: Fair value of embedded derivative liability at initial recognition (Note 8) | (8,632,924) | (412,843,691) |
| Debt component of bonds | 237,795,834 | 11,369,629,644 |
| Unrealized foreign exchange loss | — | 759,069,399 |
| Bond amortization | 1,127,206 | 56,137,083 |
| Carrying value of bonds payable | US\$238,923,040 | ₱12,184,836,126 |

The changes in fair value of embedded derivative on bonds payable in 2021 follows:

| | In US Dollar | In Philippine Peso |
|---|----------------|-----------------------|
| Fair value at initial recognition | US\$8,632,924 | ₱412,843,691 |
| Market valuation losses | 25,308,149 | 1,318,117,078 |
| Carrying value of embedded derivative liability | US\$33,941,073 | ₱1,730,960,769 |

In subsequent periods, the debt component of bonds will be carried at amortized cost using the EIR method. Interest expense recognized from the convertible bonds amounted to ₱415.7 million.



The conversion option, which represents the bifurcated amount from the fair value of the convertible bonds has an initial fair value of ₱412.8 million. The embedded derivative in the convertible bonds (hybrid instrument) is subsequently remeasured at fair value. Any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

The fair value of the convertible bond was determined using the Jarrow-Rudd model.

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

| | May 10, 2021 | December 31, 2021 |
|----------------------|--------------|-------------------|
| Stock price | ₱38.00 | ₱42.15 |
| Risk free rate | 0.38% | 1.29% |
| Conversion price | ₱38.00 | ₱38.00 |
| Expected option life | 5.9 years | 5.9 years |
| Volatility | 45.36% | 47.27% |

24. Other Noncurrent Liabilities

This account consists of:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| Lease liabilities (Note 42) | ₱29,772,830,961 | ₱17,845,927,374 |
| Deposit liabilities - net of current portion | 11,752,180,637 | 10,868,476,313 |
| ARO | 7,084,719,291 | 6,763,391,698 |
| Deposit from lessees - net of current portion (Note 42) | 3,875,725,761 | 3,295,388,823 |
| Contract liabilities - net of current portion (Note 22) | 2,082,416,516 | 905,153,868 |
| Pension liabilities (Note 37) | 1,939,056,517 | 2,848,108,836 |
| Travel fund payable | 1,850,992,630 | 3,535,932,241 |
| Deferred revenue on rewards program | 655,367,983 | 1,384,913,161 |
| Others | 2,327,303,248 | 1,882,237,445 |
| | ₱61,340,593,544 | ₱49,329,529,759 |

Deposit Liabilities

Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

ARO

CAI 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 CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period. (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.



The rollforward analysis of the Group's ARO follows:

| | 2021 | 2020 |
|------------------------------|------------------------|-----------------|
| Balance at beginning of year | ₱6,763,391,698 | ₱6,233,060,774 |
| Provision for ARO | 3,566,104,161 | 3,066,020,475 |
| Applications | (3,244,776,568) | (2,535,689,551) |
| Balance at end of year | ₱7,084,719,291 | ₱6,763,391,698 |

In 2021, 2020 and 2019, ARO expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱3.6 billion, ₱3.1 billion and ₱2.0 billion, respectively (Note 30).

Travel Fund Payable

In light of the significant increase in flight cancellations due to the COVID-19 outbreak and consequent to the grounding of the Group's commercial operations, customers were 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. A travel fund is valid for two years and can be used as payment for future bookings. In 2020, travel fund payable is presented under 'Other noncurrent liabilities' account in the consolidated statements of financial position based on management estimates, derived from the Group's experience and passengers' expected usage in light of the current travel restrictions. In 2019, travel fund payable is presented under "Accounts payable and other accrued liabilities" account in the consolidated statements of financial position as the validity of said fund was only for six (6) months.

Travel fund payable amounted to ₱4.7 billion and ₱3.5 billion as of December 31, 2021 and 2020, respectively.

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 22) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of the lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The accretion expense on these deposits recorded as part of cost of rental services on the discount amounted to ₱46.0 million, ₱82.0 million and ₱76.0 million in 2021, 2020 and 2019, respectively (Note 30).

The unearned rental income (included under 'Deposit from lessees') amounted to ₱722.0 million and ₱579.0 million as of December 31, 2021 and 2020, respectively. The rental income on amortization of unearned rental income amounted to ₱46.0 million, ₱80.0 million and ₱83.0 million in 2021, 2020 and 2019, respectively.

Deferred Revenue on Rewards Program

This account pertains to estimated liability under the Getgo lifestyle rewards program. Last July 26, 2021, the Group's Getgo program was replaced by Go Rewards. With this change, the remaining unredeemed ring-fenced points were all converted to Cebu Pacific Travel Fund, a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons.



The rollforward analyses of deferred revenue follow:

| | 2021 | 2020 |
|--|-----------------------|----------------|
| Balance at beginning of year | ₱1,384,913,161 | ₱1,234,903,085 |
| Add: Estimated liability on issued points | 332,507,812 | 322,860,171 |
| Subtotal | 1,717,420,973 | 1,557,763,256 |
| Less: Estimated liability on redeemed points | 1,062,052,990 | 15,490,919 |
| Estimated liability on expired points | — | 157,359,176 |
| Balance at end of year | ₱655,367,983 | ₱1,384,913,161 |

Accrued Rent

Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Others

Others include retention payable and heavy maintenance visits.

Retention payable

The retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

Heavy maintenance visits

CAI 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.

25. Equity

Details of the Parent Company's authorized capital stock as of December 31, 2021 and 2020 follow:

| | Par Value | Shares | Amount |
|-------------------------|-----------|-----------------|-----------------|
| Common shares | ₱1.00 | 12,850,800,000 | ₱12,850,800,000 |
| Preferred voting shares | 0.01 | 204,000,000,000 | 2,040,000,000 |
| | | 216,850,800,000 | ₱14,890,800,000 |

The paid-up capital of the Group consists of the following:

| | 2021 | 2020 |
|--|------------------------|-----------------|
| Capital stock: | | |
| Common shares - ₱1 par value | ₱7,520,983,658 | ₱7,520,983,658 |
| Preferred voting shares - ₱0.01 par value | 42,000,000 | 40,000,000 |
| | 7,562,983,658 | 7,560,983,658 |
| Additional paid-in capital | 45,212,569,757 | 45,148,987,817 |
| Stock dividend distributable on preferred shares | — | 122,600,000 |
| Total paid-up capital | ₱52,775,553,415 | ₱52,832,571,475 |



Preferred Voting Shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

- Entitled to vote on all matters involving the affairs of the Parent Company requiring the approval of the stockholders. Each share shall have the same voting rights as a common share.
- The shares shall be non-redeemable.
- Entitled to dividends at the rate of 1/100 of common shares, such dividends shall be payable out of the surplus profits of the Parent Company so long as such shares are outstanding.
- In the event of liquidation, dissolution, receivership or winding up of affairs of the Parent Company, holders shall be entitled to be paid in full at par, or ratably, in so far as the assets of the Parent Company will permit, for each share held before any distribution is made to holders of the common shares.

Record of Registration of Securities with the SEC

Summarized below is the Parent Company's track record of registration of securities under the Securities Regulation Code.

| Date of offering | Type of offering | No. of shares offered | Par value | Offer price | Authorized number of shares | Issued and outstanding shares |
|------------------|--|-----------------------------|-----------|-------------|--|-------------------------------|
| June 30, 1993 | Registration of authorized capital stock | — | ₱1.00 | ₱— | 12,850,800,000 common shares and 2,000,000,000 preferred non-voting shares | — |
| June 30, 1993 | Initial public offering (IPO) | 1,428,175,000 common shares | 1.00 | 4.40 | — | 1,428,175,000 common shares |
| June 30, 1994 | Conversion of convertible bonds into common shares | 428,175,000 common shares | 1.00 | 13.75 | — | 3,725,457 common shares |
| July 3, 1998 | Stock rights offering (1:2) | 2,060,921,728 common shares | 1.00 | 2.00 | — | 2,060,921,728 common shares |

The table below provides information regarding the number of stockholders of the Parent Company as of December 31, 2021, 2020 and 2019:

| | 2021 | 2020 | 2019 |
|-------------------------|------|-------|-------|
| Common shares | 994 | 1,003 | 1,002 |
| Preferred voting shares | 1 | 1 | 1 |

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 manages its capital structure 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 monitors its use of capital structure using a debt-to-capital ratio which is gross debt divided by total capital. The Group includes within gross debt all interest-bearing loans and borrowings and derivative liabilities, while capital represents total equity.



The Group's computation of debt-to-capital ratio follows:

| | 2021 | 2020 |
|--|-------------------------|------------------|
| (a) Gross debt | | |
| Short-term debts (Note 23) | ₱65,995,583,482 | ₱44,418,092,185 |
| Current portion of long-term debts (Note 23) | 19,501,714,468 | 34,413,387,739 |
| Long-term debts - net of current portion (Note 23) | 200,830,478,415 | 237,928,498,602 |
| Bonds payable (Note 23) | 12,184,836,126 | — |
| Derivative liabilities (Note 8) | 1,732,327,557 | 245,940,423 |
| | ₱300,244,940,048 | ₱317,005,918,949 |
| (b) Capital | ₱443,630,982,560 | ₱408,110,356,358 |
| (c) Debt-to-capital ratio (a/b) | 0.68:1 | 0.78:1 |

The Group's policy is to ensure that the debt-to-capital ratio would not exceed the 2.0:1.0 level.

Regulatory Qualifying Capital

RBC

In 2013, the determination of the Parent Company's compliance with regulatory requirements and ratios is based on the amount of the Parent Company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of the Parent Company consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary non-financial allied undertakings.

Risk-weighted assets are determined by assigning defined risk weights to statement of financial position exposures and to the credit equivalent amounts of off-balance sheet exposures. Certain items are deducted from risk-weighted assets, such as the excess of general loan loss provision over the amount permitted to be included in Tier 2 capital. The risk weights vary from 0.00% to 150.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

| Risk weight | Exposure/Asset type* |
|-------------|--|
| 0% | Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation |
| 20% | COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation |



| Risk weight | Exposure/Asset type* |
|-------------|---|
| 50% | Housing loans fully secured by first mortgage on residential property; Local Government Unit (LGU) bonds which are covered by Deed of Assignment of Internal Revenue allotment of the LGU and guaranteed by the LGU Guarantee Corporation |
| 75% | Direct loans of defined Small Medium Enterprise and microfinance loans portfolio; nonperforming housing loans fully secured by first mortgage |
| 100% | All other assets (e.g., real estate assets) excluding those deducted from capital (e.g., deferred tax) |
| 150% | All NPLs (except nonperforming housing loans fully secured by first mortgage) and all nonperforming debt securities |

* Not all inclusive

With respect to off-balance sheet exposures, the exposure amount is multiplied by a credit conversion factor (CCF), ranging from 0.00% to 100.00%, to arrive at the credit equivalent amount, before the risk weight factor is multiplied to arrive at the risk-weighted exposure. Direct credit substitutes (e.g., guarantees) have a CCF of 100.00%, while items not involving credit risk has a CCF of 0.00%.

On January 15, 2013, the BSP issued Circular No. 781, *Basel III Implementing Guidelines on Minimum Capital Requirements*, which provides the implementing guidelines on the revised risk-based capital adequacy framework particularly on the minimum capital and disclosure requirements for universal banks and commercial banks, as well as their subsidiary banks and quasi-banks, in accordance with the Basel III standards. The circular is effective on January 1, 2014.

The Circular sets out a minimum Common Equity Tier 1 (CET1) ratio of 6.00% and Tier 1 capital ratio of 7.50%. It also introduces a capital conservation buffer of 2.50% comprised of CET1 capital. The BSP's existing requirement for Total CAR remains unchanged at 10.00% and these ratios shall be maintained at all times.

Further, existing capital instruments as of December 31, 2010 which do not meet the eligibility criteria for capital instruments under the revised capital framework shall no longer be recognized as capital upon the effectivity of Basel III. Capital instruments issued under BSP Circular Nos. 709 and 716 (the circulars amending the definition of qualifying capital particularly on Hybrid Tier 1 and Lower Tier 2 capitals), starting January 1, 2011 and before the effectivity of BSP Circular No. 781, shall be recognized as qualifying capital until December 31, 2016. In addition to changes in minimum capital requirements, this Circular also requires various regulatory adjustments in the calculation of qualifying capital.

On June 27, 2014, the BSP issued Circular No. 839, *REST Limit for Real Estate Exposures* which provides the implementing guidelines on the prudential REST limit for universal, commercial, and thrift banks on their aggregate real estate exposures. The Circular sets out a minimum REST limit of 6.00% CET1 capital ratio and 10.00% risk-based capital adequacy ratio, on a solo and consolidated basis, under a prescribed write-off rate of 25.00% on the Group's real estate exposure. These limits shall be complied with at all times.

On June 9, 2016, the BSP issued Circular No. 881, *Implementing Guidelines on the Basel III Leverage Ratio Framework*, which provides implementing guidelines for universal, commercial, and their subsidiary banks/quasi banks. The circular sets out a minimum leverage ratio of 5.00% on a solo and consolidated basis and shall be complied with at all times.



The CAR of RBC as reported to the BSP as of December 31, 2021 and 2020 follows:

| | 2021 | 2020 |
|---------------------------|----------------|---------|
| CET 1 Capital | ₱15,193 | ₱15,470 |
| Additional Tier 1 Capital | — | — |
| Tier 1 Capital | 15,193 | 15,470 |
| Tier 2 Capital | 805 | 862 |
| Total Qualifying Capital | ₱15,998 | ₱16,332 |

| | 2021 | 2020 |
|-----------------------------------|-----------------|---------|
| Credit Risk-weighted Assets (RWA) | ₱101,282 | ₱86,169 |
| Market RWA | 382 | 416 |
| Operational RWA | 9,600 | 7,897 |
| Total RWA | ₱111,264 | ₱94,482 |
| Common Equity Tier 1 Ratio 1 | 13.65% | 16.37% |
| Additional Tier 1 Ratio | 0.00% | 0.00% |
| Tier 1 Capital Ratio | 13.65% | 16.37% |
| Tier 2 Capital Ratio | 0.73% | 0.92% |
| Risk-based CAR | 14.38% | 17.29% |

As of December 31, 2021 and 2020, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2021 and 2020, the Group has a total retained earnings of ₱246.2 billion and ₱242.7 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2021 and 2020. The determination of retained earnings available for dividend declaration is assessed at the Parent Company level.

The details of the Group's restricted retained earnings follow:

Parent Company

As of December 31, 2021, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations; (c) capital investment related to digital venture businesses; and (d) general corporate purposes.

The details of the loan obligations follow:

| | Subsidiary | Amount | Settlement |
|-------------------------------|---------------------------|-------------------|---------------------------|
| Loan obligations: | | | |
| 4.375% senior unsecured notes | JGSH Philippines, Limited | US\$750.0 million | 10 years maturing in 2023 |
| 4.125% senior unsecured notes | JGSH Philippines, Limited | US\$600.0 million | 10 years maturing in 2030 |
| Term Loans | Parent Company | ₱35.9 billion | Maturing in 2022 to 2024 |
| Term Loans | JGSPC | ₱27.5 billion | Maturing in 2024 and 2025 |
| Term Loans | JGSOC | ₱2.4 billion | Maturing in 2024 |

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not less than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.



A corresponding amount of appropriated retained earnings will be reversed to unappropriated retained earnings once the foregoing loan obligations are settled.

On December 18, 2019, the BOD approved the appropriation of retained earnings amounting to ₱25.0 billion and the reversal of the appropriation made in prior years amounting to ₱24.5 billion.

URC

On December 16, 2020, URC's BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.0 billion, which was approved by the BOD in its resolutions adopted on September 8, 2015 and September 7, 2016.

RLC

On December 8, 2021, RLC's BOD approved the reversal of the retained earnings it appropriated in 2020 amounting to ₱26.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱25.5 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2022 to 2027.

On December 10, 2020, RLC's BOD approved the reversal of the retained earnings it appropriated in 2019 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱26.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2021 to 2026.

On December 9, 2019, RLC's BOD approved the reversal of the retained earnings it appropriated in 2018 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱27.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates from 2020 to 2024.

CAI

On September 7, 2020, December 4, 2019 and December 12, 2018, CAI's BOD appropriated ₱12.0 billion, ₱26.0 billion and ₱22.0 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2020, 2019 and 2018 were reversed in the following year. The appropriated amount as of December 31, 2020 was used for the settlement of aircraft and engine lease commitments in 2021.



As of December 31, 2021, 2020 and 2019, CAI's appropriated retained earnings amounted to nil, ₱12.0 billion and ₱26.0 billion, respectively.

RBC

In compliance with existing BSP regulations, 10.00% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.00% of RBC's regulatory capital.

As of December 31, 2021, the RBC's BOD approved to appropriate reserves for trust reserves amounting to (₱15.5) million.

In 2021, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱15.61 million. In 2020, RBC's BOD approved to reverse the appropriation of reserves for expected credit losses amounting to ₱14.42 million. In 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to ₱444.47 million, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, RBC shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). RBC shall set up GLLP equivalent to 1% of all outstanding Stage 1 on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the 'Retained Earnings' (RE) account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

Accumulated equity in net earnings of the subsidiaries and associates

A portion of the Group's retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱99.0 billion, ₱102.6 billion and ₱113.8 billion as of December 31, 2021, 2020 and 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Cash Dividends

Parent Company

Details of the Parent Company's dividend declarations on its common stock follow:

| | 2021 | 2020 | 2019 |
|---------------------|----------------------|---------------|---------------|
| Date of declaration | May 13, 2021 | May 30, 2020 | May 30, 2019 |
| Dividend per share | ₱0.38 | ₱0.38 | ₱0.37 |
| Total dividends | ₱2.9 billion | ₱2.7 billion | ₱2.7 billion |
| Date of record | June 11, 2021 | June 11, 2020 | June 20, 2019 |
| Date of payment | July 7, 2021 | July 8, 2020 | July 16, 2019 |

Details of the Parent Company's dividend declarations on its preferred stock follow:

| | 2021 | 2020 | 2019 |
|---------------------|----------------------|---------------|---------------|
| Date of declaration | May 13, 2021 | May 30, 2020 | May 30, 2019 |
| Dividend per share | ₱0.0038 | ₱0.0038 | ₱0.0037 |
| Total dividends | ₱15.2 million | ₱15.2 million | ₱14.8 million |
| Date of record | June 11, 2021 | June 11, 2020 | June 20, 2019 |
| Date of payment | July 7, 2021 | July 8, 2020 | July 16, 2019 |



The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC

Details of URC's dividend declarations follow:

| | 2021 | 2020 | 2019 |
|------------------------------|---------------------------|----------------|-------------------|
| Date of declaration | April 29, 2021 | March 10, 2020 | February 28, 2019 |
| Dividend per share - regular | ₱1.50 | ₱1.50 | ₱1.50 |
| Total dividends - regular | ₱3.3 billion | ₱3.3 billion | ₱3.3 billion |
| Date of record | May 20, 2021 | March 24, 2020 | March 14, 2019 |
| Date of payment | June 15, 2021 | April 21, 2020 | March 28, 2019 |
| Dividend per share - special | ₱1.80 | ₱1.65 | ₱1.65 |
| Total dividends - special | ₱4.0 billion | ₱3.6 billion | ₱3.6 billion |
| Date of record | August 19, 2021 | June 1, 2020 | July 1, 2019 |
| Date of payment | September 15, 2021 | June 26, 2020 | July 26, 2019 |

RLC

Details of RLC's dividend declarations follow:

| | 2021 | 2020 | 2019 |
|---------------------|----------------------|------------------|---------------|
| Date of declaration | May 6, 2021 | May 13, 2020 | May 29, 2019 |
| Dividend per share | ₱0.25 | ₱0.25 | ₱0.50 |
| Total dividends | ₱1.3 billion | ₱1.3 billion | ₱2.6 billion |
| Date of record | May 26, 2021 | June 10, 2020 | June 18, 2019 |
| Date of payment | June 21, 2021 | July 7, 2020 | July 12, 2019 |
| Dividend per share | - | ₱0.25 | - |
| Total dividends | - | ₱1.3 billion | - |
| Date of record | - | October 1, 2020 | - |
| Date of payment | - | October 27, 2020 | - |

CAI

Details of CAI's dividend declarations follow:

| | 2021 | 2020 | 2019 |
|------------------------------|------|------|------------------|
| Date of declaration | - | - | May 20, 2019 |
| Dividend per share - regular | - | - | ₱2.00 |
| Total dividends - regular | - | - | ₱1,201.8 million |
| Dividend per share - special | - | - | ₱5.00 |
| Total dividends - special | - | - | ₱3,004.6 million |
| Date of record | - | - | June 14, 2019 |
| Date of payment | - | - | July 10, 2019 |

Stock Dividends

On August 14, 2020, the BOD approved the declaration of stock dividend as follows:

- A stock dividend equivalent to five percent (5%) of the total issued and outstanding shares of the Company or 358,142,083 common shares, to be issued and paid out of the unrestricted retained earnings of the Company as of December 31, 2019, to all stockholders holding common shares as of record date of October 30, 2020 and distributed on November 25, 2020.
- Any fractional shares resulting from the stock dividend declaration will be paid in cash.

On October 20, 2020, the stockholders representing 87.11% of the total outstanding capital stock of the Parent Company approved the declaration of the stock dividend.



Stock dividend distributable pertains to preferred voting shares to be issued to the preferred shareholders once the SEC approval has been obtained on the reclassification of preferred non-voting shares to preferred voting shares. On December 3, 2020, the Parent Company applied with the SEC for the reclassification of preferred non-voting shares to preferred voting shares. On June 29, 2021, the SEC approved the reclassification of the preferred non-voting shares to preferred voting shares.

Equity Reserve

In December 2019, Intersnack bought 40% of URC's equity interest in the Oceania business for a total consideration of ₱7.7 billion (see Note 44). As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statements of financial position. See Note 8 for disclosure on the call option.

In October 2021, URC sold its remaining 60.0% equity interest in Oceania business to Intersnack (see Note 44). As a result, the Group derecognized the assets and liabilities related to its Oceania business. The Group is of the view that the Equity Reserve can be reclassified to Retained Earnings to present more useful information about its equity. The Group evaluated the nature of the Equity Reserve, and if there are specific requirements on its derecognition. Management also considered nature of equity and the applicability of the requirements of PFRS and definitions, recognition criteria and measurement concepts in the Framework.

On February 8, 2022, the Group requested for the SEC's opinion on the reclassification and subsequent treatment of the Equity Reserve. On February 22, 2022, the SEC confirmed that the reclassification of the Equity Reserve to Retained Earnings does not counter any principles in PFRS, and would allow for more understandable financial information for users. Accordingly, the Group reclassified Equity Reserve amounting to ₱1.3 billion to Retained Earnings.

On August 20, 2021, RLC sold its investment in RCR by way of public offering at a selling price of ₱6.45 per share, with a total selling price amounting to ₱22.6 billion, net of transaction costs amounting to ₱737.3 million. As a result of the sale, the equity interest of RLC over RCR changed from 100% to 63.49%. RLC assessed that the change in its ownership interest over RCR as a result of the public offering did not result in a loss of control. Thus, RLC accounted for the decrease in ownership interest in RCR as an equity transaction. No gain or loss was recognized upon consolidation, and the difference in the proceeds from sale of shares to public and the amount recorded as NCI amounting to ₱10.8 billion was recorded as 'Equity Reserve' in the consolidated statements of financial position.

On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under 'Equity reserve' in the consolidated statements of financial position.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65.0% to 51.0%. The gain from the sale amounting to ₱239.8 million is included under 'Equity reserve' in the consolidated statements of financial position.



Non-controlling Interests

Below is the rollforward of non-controlling interests:

| | 2021 | 2020 | 2019 |
|--|-------------------------|------------------|------------------|
| Beginning balance | ₱99,789,050,002 | ₱103,835,500,348 | ₱91,055,029,938 |
| Total comprehensive income: | | | |
| Net income attributable to non-controlling interests | 5,625,794,401 | 865,365,887 | 11,380,265,517 |
| Other comprehensive income attributable to non-controlling interests: | | | |
| Net unrealized gains (losses) on financial assets at FVOCI (Note 10) | (442,045,521) | 74,830,797 | 454,489,410 |
| Cumulative translation adjustments | 774,300,966 | (850,896,728) | 526,535,963 |
| Remeasurements due to defined benefit liability (Note 37) | 239,338,401 | (30,669,098) | (208,766,439) |
| Gain (loss) on cashflow hedge | 27,779,849 | (85,310,250) | 55,830,925 |
| | 6,225,168,096 | (26,679,392) | 12,208,355,376 |
| Sale of equity interest in a subsidiary (by a subsidiary) | 10,593,578,230 | — | 6,066,755,734 |
| Derecognition of non-controlling interest due to sale of business by a subsidiary | (6,244,876,706) | — | — |
| Cash dividends paid to non-controlling interests | (4,420,473,375) | (4,494,502,566) | (5,768,961,389) |
| Issuance of shares by subsidiaries | 3,021,843,474 | — | — |
| Decrease in subsidiaries' treasury shares | (673,255,042) | (45,040,628) | (104,451,717) |
| Acquisition of non-controlling interest by a subsidiary | (473,539,688) | 327,772,240 | — |
| Acquisition of new subsidiary by a subsidiary | 341,291,632 | — | — |
| Subsidiary's share-based payments | 174,824,362 | — | — |
| Stock issue costs of subsidiaries | (11,519,640) | — | — |
| Deposit for future subscription of shares by non-controlling interest in a subsidiary / Issuance of shares by subsidiaries | — | 192,000,000 | 240,000,000 |
| Incorporation of a subsidiary | — | — | 159,250,000 |
| Property dividends to non-controlling interest | — | — | (20,477,594) |
| | ₱108,322,091,345 | ₱99,789,050,002 | ₱103,835,500,348 |

26. Revenue

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenues from contracts with customers and revenues not covered under PFRS 15 for the years ended December 31, 2021, 2020 and 2019:

| | December 31, 2021 | | | |
|---|---|--------------------------------|---------------------------------------|-------------------------|
| | Goods and services transferred at a point in time | Services transferred over time | Revenues outside the scope of PFRS 15 | Total |
| Sale of goods and services: | | | | |
| Foods | ₱116,954,788,444 | ₱— | ₱— | ₱116,954,788,444 |
| Real estate and hotels | 15,020,628,180 | 5,202,951,110 | 15,338,406,050 | 35,561,985,340 |
| Air transportation | 15,740,756,855 | — | — | 15,740,756,855 |
| Petrochemicals | 40,323,467,713 | — | — | 40,323,467,713 |
| Banking | 619,362,748 | — | 8,666,579,614 | 9,285,942,362 |
| Equity in net earnings of associates and joint ventures | — | — | 9,685,312,139 | 9,685,312,139 |
| Dividend income | — | — | 2,139,858,648 | 2,139,858,648 |
| Supplementary businesses | 734,074,617 | — | 126,147,493 | 860,222,110 |
| | ₱189,393,078,557 | ₱5,202,951,110 | ₱35,956,303,944 | ₱230,552,333,611 |



| December 31, 2020 | | | | |
|---|---|--------------------------------|---------------------------------------|-------------------------|
| | Goods and services transferred at a point in time | Services transferred over time | Revenues outside the scope of PFRS 15 | Total |
| Sale of goods and services: | | | | |
| Foods | ₱113,161,785,302 | ₱– | ₱– | ₱113,161,785,302 |
| Real estate and hotels | 4,056,225,430 | 11,717,577,404 | 11,744,603,805 | 27,518,406,639 |
| Air transportation | 22,617,967,165 | – | – | 22,617,967,165 |
| Petrochemicals | 21,275,283,602 | – | – | 21,275,283,602 |
| Banking | 398,347,991 | – | 8,776,235,635 | 9,174,583,626 |
| Equity in net earnings of associates and joint ventures | – | – | 7,584,634,408 | 7,584,634,408 |
| Dividend income | – | – | 2,011,120,839 | 2,011,120,839 |
| Supplementary businesses | 807,717,391 | – | 100,050,694 | 907,768,085 |
| | ₱162,317,326,881 | ₱11,717,577,404 | ₱30,216,645,381 | ₱204,251,549,666 |

| December 31, 2019 | | | | |
|---|---|--------------------------------|---------------------------------------|-------------------------|
| | Goods and services transferred at a point in time | Services transferred over time | Revenues outside the scope of PFRS 15 | Total |
| Sale of goods and services: | | | | |
| Foods | ₱114,403,217,219 | ₱– | ₱– | ₱114,403,217,219 |
| Air transportation | 84,806,810,363 | – | – | 84,806,810,363 |
| Petrochemicals | 29,053,982,086 | – | – | 29,053,982,086 |
| Real estate and hotels | 8,186,926,449 | 8,708,003,578 | 16,596,817,756 | 33,491,747,783 |
| Banking | 462,302,868 | – | 7,659,360,087 | 8,121,662,955 |
| Equity in net earnings of associates and joint ventures | – | – | 13,337,668,925 | 13,337,668,925 |
| Dividend income | – | – | 1,348,711,916 | 1,348,711,916 |
| Supplementary businesses | 674,872,506 | – | 74,303,386 | 749,175,892 |
| | ₱237,588,111,491 | ₱8,708,003,578 | ₱39,016,862,070 | ₱285,312,977,139 |

Banking revenue consists of:

| | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Interest income (Note 27) | ₱8,312,410,745 | ₱7,837,009,759 | ₱7,198,761,011 |
| Trading and securities gains (Notes 8 and 10) | 354,168,869 | 939,225,876 | 460,599,076 |
| Service fees and commission income | 619,362,748 | 398,347,991 | 462,302,868 |
| | ₱9,285,942,362 | ₱9,174,583,626 | ₱8,121,662,955 |

27. Interest Income

This account consists of:

| | 2021 | 2020 | 2019 |
|---|-----------------------|-----------------------|-----------------------|
| Interest income from: | | | |
| Finance receivables and sales contract receivable (Note 11) | ₱6,825,742,389 | ₱6,610,648,733 | ₱6,062,440,608 |
| Financial assets at FVOCI (Note 10) | 1,198,380,246 | 1,100,406,085 | 1,027,397,426 |
| Cash and cash equivalents (Note 7) | 824,745,280 | 975,844,004 | 1,584,712,240 |
| Investment securities at amortized cost (Note 10) | 305,200,711 | 356,597,283 | 477,790,098 |
| Financial assets at FVPL (Note 9) | 252,927,020 | 7,424,489 | 100,871,958 |
| | ₱9,406,995,646 | ₱9,050,920,594 | ₱9,253,212,330 |



Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

| | 2021 | 2020 | 2019 |
|---------------------------|-----------------------|----------------|----------------|
| Banking revenue (Note 26) | ₱8,312,410,745 | ₱7,837,009,759 | ₱7,198,761,011 |
| Finance income | 1,094,584,901 | 1,213,910,835 | 2,054,451,319 |
| | ₱9,406,995,646 | ₱9,050,920,594 | ₱9,253,212,330 |

28. Dividend Income

As a holding company, the Parent Company receives dividends from its strategic investments in companies that are neither consolidated nor equity-accounted in the group accounts. This account includes dividends received from PLDT amounting to ₱2.0 billion, ₱1.9 billion and ₱1.2 billion in 2021, 2020 and 2019, respectively. Investment in PLDT is presented under financial assets at FVOCI.

29. Other Operating Income (Expenses)

This account consists of:

| | 2021 | 2020 | 2019 |
|--|------------------------|----------------|----------------|
| Gain (loss) on sale of aircraft (Note 16) | ₱1,388,678,985 | (₱259,994,278) | (₱225,675,379) |
| Gain on sale of investments (Notes 14 and 19) | 186,838,760 | 105,789,465 | — |
| Gain on insurance claims | 138,049,029 | 807,409,620 | — |
| Loss on debt extinguishment (Note 23) | (77,337,557) | — | — |
| Realized gain on sale of financial assets at FVOCI (Note 10) | 8,569,740 | 23,850,313 | 277,810,114 |
| Loss on loan modification (Note 11) | — | (273,536,633) | — |
| Loss on bond reacquisition | — | (66,203,187) | — |
| Others (Notes 16 and 21) | (1,076,685,804) | (807,794,128) | (106,451,416) |
| | ₱568,113,153 | (₱470,478,828) | (₱54,316,681) |

Gain on Insurance Claims

On various dates in 2021, CAI received ₱138.0 million pertaining to insurance proceeds claimed for several loss events involving three (3) ATRs, one (1) A320 and one (1) A330 which occurred in 2019 and 2018. In September 2020, CAI received ₱807.4 million pertaining to insurance proceeds claimed for damages sustained by an A320 aircraft during a runway excursion incident at Iloilo International Airport last October 2017.

Others also include restructuring provisions and gain (loss) on sale of PPE and investment properties.



30. Cost of Sales and Services

This account consists of:

| | 2021 | 2020 | 2019 |
|----------------------------|-------------------------|------------------|------------------|
| Raw materials used | ₱91,897,856,192 | ₱68,314,475,232 | ₱75,299,401,792 |
| Direct labor | 4,996,839,027 | 4,547,980,494 | 4,396,556,726 |
| Overhead cost | 29,541,006,911 | 25,494,699,198 | 30,862,616,812 |
| Total manufacturing cost | 126,435,702,130 | 98,357,154,924 | 110,558,575,330 |
| Work-in-process | 71,442,072 | 83,085,251 | (507,109,584) |
| Cost of goods manufactured | 126,507,144,202 | 98,440,240,175 | 110,051,465,746 |
| Finished goods | (4,212,629,617) | 1,991,972,197 | (296,991,652) |
| Cost of sales | 122,294,514,585 | 100,432,212,372 | 109,754,474,094 |
| Cost of services | 43,588,528,368 | 39,532,427,637 | 70,085,768,333 |
| Cost of sales and services | ₱165,883,042,953 | ₱139,964,640,009 | ₱179,840,242,427 |

Overhead cost consists of:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| Utilities and fuel | ₱11,727,372,166 | ₱8,422,811,089 | ₱13,164,435,761 |
| Depreciation and amortization (Note 33) | 7,939,138,863 | 7,856,207,886 | 7,052,897,232 |
| Repairs and maintenance | 3,573,380,419 | 3,292,972,892 | 3,421,410,408 |
| Personnel (Note 32) | 3,124,138,323 | 2,845,424,035 | 2,843,219,195 |
| Taxes, licenses and fees | 1,342,235,898 | 1,333,183,923 | 1,686,350,926 |
| Security and other contracted services | 821,524,859 | 757,673,080 | 782,251,382 |
| Insurance | 407,607,641 | 252,558,022 | 287,042,116 |
| Handling and delivery charges | 178,340,860 | 209,775,448 | 245,906,851 |
| Rental (Note 42) | 153,760,529 | 229,418,098 | 182,491,516 |
| Research and development | 90,452,181 | 44,386,508 | 87,191,359 |
| Others | 183,055,172 | 250,288,217 | 1,109,420,066 |
| | ₱29,541,006,911 | ₱25,494,699,198 | ₱30,862,616,812 |

Cost of services is composed of:

| | 2021 | 2020 | 2019 |
|-------------------------------------|------------------------|-----------------|-----------------|
| Real estate | ₱21,198,200,185 | ₱14,503,445,997 | ₱15,304,923,805 |
| Air transportation | 19,065,731,725 | 21,277,642,920 | 49,518,018,515 |
| Banking | 1,731,571,481 | 2,236,992,833 | 3,173,237,752 |
| Hotel operations | 1,374,542,038 | 1,347,774,077 | 2,089,588,261 |
| Information technology and services | 218,482,939 | 166,571,810 | — |
| | ₱43,588,528,368 | ₱39,532,427,637 | ₱70,085,768,333 |



Further breakdown of the 'Cost of services' account showing the nature of expenses follow:

| | 2021 | 2020 | 2019 |
|--|------------------------|-----------------|-----------------|
| Cost of real estate sales (Note 12) | ₱13,344,164,863 | ₱6,161,235,541 | ₱4,235,325,163 |
| Maintenance costs | 9,091,596,203 | 7,862,894,868 | 7,144,174,829 |
| Depreciation and amortization (Note 33) | 5,382,528,800 | 5,095,940,795 | 4,966,545,415 |
| Fuel and oil | 5,074,851,774 | 6,203,299,066 | 24,591,651,508 |
| CUSA charges | 2,812,732,973 | 2,701,520,778 | 4,392,230,935 |
| Personnel (Note 32) | 1,900,427,478 | 3,249,670,176 | 6,882,489,474 |
| Interest expense (Note 21) | 1,475,559,673 | 2,025,436,255 | 2,939,576,169 |
| Ground handling charges | 1,379,329,615 | 1,697,496,416 | 4,154,701,288 |
| Property operations and maintenance costs | 937,258,013 | 774,190,573 | 1,134,695,919 |
| Landing and take-off | 929,313,991 | 1,208,004,911 | 3,818,785,918 |
| Reservation costs | 417,541,871 | 565,824,225 | 2,034,317,306 |
| Passenger liability insurance | 258,566,589 | 280,305,266 | 258,740,461 |
| Service charges and commission expense | 205,178,039 | 166,465,129 | 233,661,583 |
| Cost of food and beverage - hotel operations | 120,156,022 | 116,701,743 | 380,535,302 |
| Contracted services | 98,323,185 | 594,014,144 | 710,939,896 |
| Travel and transportation | 22,973,535 | 105,804,270 | 274,231,103 |
| Interrupted/delayed trips expense | 17,420,136 | 69,683,311 | 268,974,040 |
| Passenger food and supplies | 16,991,377 | 52,677,817 | 259,298,060 |
| Pilot and crew meals | 15,105,210 | 26,036,915 | 87,997,971 |
| Cost of information technology and services | 5,692,605 | 22,618,207 | — |
| Film rentals expense - amusement services | 1,595,616 | 92,678,800 | 956,468,868 |
| Customs, immigration and duties | 1,072,415 | 5,320,113 | 3,086,774 |
| Others | 80,148,385 | 454,608,318 | 357,340,351 |
| | ₱43,588,528,368 | ₱39,532,427,637 | ₱70,085,768,333 |

31. General and Administrative Expenses

This account consists of:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| Depreciation and amortization (Note 33) | ₱15,808,830,426 | ₱17,447,115,988 | ₱16,791,405,387 |
| Outside services | 9,636,011,301 | 9,500,249,787 | 9,771,047,273 |
| Personnel (Note 32) | 8,926,438,468 | 8,289,965,982 | 8,269,971,885 |
| Advertising and promotions | 7,834,795,087 | 8,315,695,603 | 9,311,967,949 |
| Taxes, licenses and fees | 1,895,626,155 | 1,685,227,285 | 1,855,068,846 |
| Repairs and maintenance | 1,441,107,589 | 1,431,378,298 | 913,028,288 |
| Rental (Note 42) | 906,678,363 | 1,089,718,434 | 1,179,090,753 |
| Insurance | 896,456,684 | 836,034,078 | 683,959,468 |
| Sales commission | 856,092,652 | 980,840,207 | 1,030,540,317 |
| Utilities and supplies | 491,785,658 | 528,685,702 | 694,393,495 |
| Aircraft and engine lease | 443,481,483 | 284,665,157 | 313,939,968 |
| Communication | 377,591,038 | 387,198,426 | 362,078,041 |
| Travel and transportation | 309,895,047 | 476,632,036 | 1,013,855,725 |
| Entertainment, amusement and recreation (Note 38) | 177,586,298 | 171,877,896 | 206,723,604 |
| Others | 1,233,329,175 | 1,522,697,873 | 1,306,387,102 |
| | ₱51,235,705,424 | ₱52,947,982,752 | ₱53,703,458,101 |

Others

Other expenses include royalties, donation and contribution, and membership and subscription dues.



32. Personnel Expenses

This account consists of:

| | 2021 | 2020 | 2019 |
|-------------------------|------------------------|-----------------|-----------------|
| Salaries and wages | ₱9,927,408,934 | ₱9,792,870,498 | ₱13,523,476,335 |
| Other employee benefits | 3,375,047,305 | 4,045,662,084 | 3,496,047,156 |
| Pension expense | 648,548,030 | 546,527,611 | 976,157,063 |
| | ₱13,951,004,269 | ₱14,385,060,193 | ₱17,995,680,554 |

The breakdown of personnel expenses follows:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| General and administrative expenses (Note 31) | ₱8,926,438,468 | ₱8,289,965,982 | ₱8,269,971,885 |
| Cost of sales and services (Note 30) | 5,024,565,801 | 6,095,094,211 | 9,725,708,669 |
| | ₱13,951,004,269 | ₱14,385,060,193 | ₱17,995,680,554 |

33. Depreciation and Amortization

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets, intangible assets and ROU assets follows:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| General and administrative expenses (Notes 15, 16, 18, and 31) | ₱15,808,830,426 | ₱17,447,115,988 | ₱16,791,405,387 |
| Cost of sales and services (Notes 15, 16 and 30) | 13,321,667,663 | 12,952,148,681 | 12,019,442,647 |
| Discontinued operations (Note 44) | 1,201,671,101 | 1,207,760,482 | 1,202,148,072 |
| | ₱30,332,169,190 | ₱31,607,025,151 | ₱30,012,996,106 |

34. Provision for (Reversal of) Impairment Losses and Others

This account consists of:

| | 2021 | 2020 | 2019 |
|--|-----------------------|----------------|------------------|
| Provision for (reversal of) impairment losses on: | | | |
| Receivables (Note 11) | ₱1,439,215,585 | ₱1,412,698,754 | ₱133,647,748 |
| Property, plant and equipment (Note 16) | 432,631,271 | — | (2,274,795,253) |
| Inventory obsolescence and market decline (Note 12) | 109,167,827 | — | 2,678 |
| Investment in associates and joint venture | 36,915,814 | 3,776,046 | — |
| Investment properties (Note 15) | 95,160 | 153,127 | (3,823,625) |
| Other noncurrent assets | — | 3,852,071 | — |
| | ₱2,018,025,657 | ₱1,420,479,998 | (₱2,144,968,452) |



35. Financing Costs and Other Charges

This account consists of:

| | 2021 | 2020 | 2019 |
|-------------------------|-----------------------|----------------|----------------|
| Interest expense | ₱8,853,447,467 | ₱8,719,413,192 | ₱9,712,349,559 |
| Bank charges and others | 257,637,139 | 193,966,799 | 230,385,537 |
| | ₱9,111,084,606 | ₱8,913,379,991 | ₱9,942,735,096 |

Sources of financing costs and other charges follow:

| | 2021 | 2020 | 2019 |
|---|-----------------------|----------------|----------------|
| Long-term debt (Note 23) | ₱7,066,408,213 | ₱6,979,351,987 | ₱7,593,049,215 |
| Short-term debt (Note 23) | 914,918,060 | 929,212,603 | 1,371,340,594 |
| Others | 350,464,627 | 249,875,661 | 228,499,854 |
| | 8,331,790,900 | 8,158,440,251 | 9,192,889,663 |
| Accretion of lease liabilities (Note 42) | 683,432,040 | 661,523,564 | 669,186,785 |
| Amortization of debt issuance costs (Note 23) | 95,861,666 | 93,416,176 | 80,658,648 |
| | ₱9,111,084,606 | ₱8,913,379,991 | ₱9,942,735,096 |

36. Components of Other Comprehensive Income

Below is the composition of the Group's 'Other comprehensive income':

| | 2021 | | |
|---|------------------------|---------------------------|------------------------|
| | Parent Company | Non-controlling Interests | Total |
| Net gain (loss) on FVOCI investments: | | | |
| Net changes in fair value of FVOCI of Parent and its subsidiaries | | | |
| Net changes in fair value during the period (Note 10) | ₱10,729,323,198 | (₱442,045,521) | ₱10,287,277,677 |
| Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29) | (8,569,740) | — | (8,569,740) |
| | 10,720,753,458 | (442,045,521) | 10,278,707,937 |
| Net changes in fair value of FVOCI of an associate (Note 14) | 34,483,923 | — | 34,483,923 |
| | 10,755,237,381 | (442,045,521) | 10,313,191,860 |
| Net changes in fair value of cash flow hedge (Note 8): | | | |
| Net changes in fair value of derivatives taken to OCI | 23,730,026 | 27,779,849 | 51,509,875 |
| | 10,778,967,407 | (414,265,672) | 10,364,701,735 |
| Cumulative translation adjustments | 877,705,266 | 774,300,966 | 1,652,006,232 |
| Remeasurements due to defined benefit liability (DBL), net of tax (Note 37) | | | |
| Remeasurements of net DBL of Parent and subsidiaries | 440,451,416 | 239,338,401 | 679,789,817 |
| Share in remeasurements of net DBL of associates | 1,918,720,561 | — | 1,918,720,561 |
| | ₱14,015,844,650 | ₱599,373,695 | ₱14,615,218,345 |



| | 2020 | | |
|---|------------------|---------------------------|------------------|
| | Parent Company | Non-controlling Interests | Total |
| Net gain (loss) on FVOCI investments: | | | |
| Net changes in fair value of FVOCI of Parent and its subsidiaries | | | |
| Net changes in fair value during the period (Note 10) | ₱9,006,210,691 | ₱74,830,797 | ₱9,081,041,488 |
| Reclassification and adjustment included in profit or loss arising from disposal of FVOCI | (23,850,313) | — | (23,850,313) |
| | 8,982,360,378 | 74,830,797 | 9,057,191,175 |
| Net changes in fair value of FVOCI of an associate (Note 14) | 55,663,285 | — | 55,663,285 |
| | 9,038,023,663 | 74,830,797 | 9,112,854,460 |
| Net changes in fair value of cash flow hedge (Note 8): | | | |
| Net changes in fair value of derivatives taken to OCI | (145,612,532) | (85,310,250) | (230,922,782) |
| | 8,892,411,131 | (10,479,453) | 8,881,931,678 |
| Cumulative translation adjustments | (1,059,967,321) | (850,896,728) | (1,910,864,049) |
| Remeasurements due to defined benefit liability (DBL), net of tax (Note 37) | | | |
| Remeasurements of net DBL of Parent and subsidiaries | (34,411,579) | (30,669,098) | (65,080,677) |
| Share in remeasurements of net DBL of associates | (1,083,403,985) | — | (1,083,403,985) |
| | ₱6,714,628,246 | (₱892,045,279) | ₱5,822,582,967 |
| | | | |
| | 2019 | | |
| | Parent Company | Non-controlling Interests | Total |
| Net gain (loss) on FVOCI investments: | | | |
| Net changes in fair value of FVOCI of Parent and its subsidiaries | | | |
| Net changes in fair value during the period (Note 10) | (₱1,083,397,384) | ₱454,489,410 | (₱628,907,974) |
| Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29) | (277,810,114) | — | (277,810,114) |
| | (1,361,207,498) | 454,489,410 | (906,718,088) |
| Net changes in fair value of FVOCI of an associate (Note 14) | 176,256,150 | — | 176,256,150 |
| | (1,184,951,348) | 454,489,410 | (730,461,938) |
| Net changes in fair value of cash flow hedge (Note 8): | | | |
| Net changes in fair value of derivatives taken to OCI | 119,340,853 | 55,830,925 | 175,171,778 |
| | (1,065,610,495) | 510,320,335 | (555,290,160) |
| Cumulative translation adjustments | 673,475,522 | 526,535,963 | 1,200,011,485 |
| Remeasurements due to defined benefit liability (DBL), net of tax (Note 37) | | | |
| Remeasurements of net DBL of Parent and subsidiaries | (379,798,762) | (208,766,439) | (588,565,201) |
| Share in remeasurements of net DBL of associates | (1,170,380,505) | — | (1,170,380,505) |
| | (₱1,942,314,240) | ₱828,089,859 | (₱1,114,224,381) |



The income tax effects relating to other comprehensive income are as follows:

| | 2021 | | |
|--|-----------------|----------------|-----------------|
| | Before tax | Tax benefit | Net of tax |
| Net gains on financial assets at FVOCI of Parent | | | |
| Company and its subsidiaries | ₱10,278,707,937 | ₱— | ₱10,278,707,937 |
| Cumulative translation adjustments | 1,652,006,232 | — | 1,652,006,232 |
| Net movement in cash flow hedge | 58,436,209 | (6,926,334) | 51,509,875 |
| Remeasurements due to defined benefit liability | 906,386,423 | (226,596,606) | 679,789,817 |
| Remeasurements due to defined benefit liability of associates | 1,918,720,561 | — | 1,918,720,561 |
| Net changes in fair value of financial assets at FVOCI of an associate (Note 10) | 34,483,923 | — | 34,483,923 |
| | ₱14,848,741,285 | (₱233,522,940) | ₱14,615,218,345 |

| | 2020 | | |
|--|-----------------|--------------|-----------------|
| | Before tax | Tax benefit | Net of tax |
| Net gains on financial assets at FVOCI of Parent | | | |
| Company and its subsidiaries | ₱9,057,191,175 | ₱— | ₱9,057,191,175 |
| Cumulative translation adjustments | (1,910,864,049) | — | (1,910,864,049) |
| Net movement in cash flow hedge | (316,279,481) | 85,356,699 | (230,922,782) |
| Remeasurements due to defined benefit liability | (92,972,396) | 27,891,719 | (65,080,677) |
| Remeasurements due to defined benefit liability of associates | (1,083,403,985) | — | (1,083,403,985) |
| Net changes in fair value of financial assets at FVOCI of an associate (Note 10) | 55,663,285 | — | 55,663,285 |
| | ₱5,709,334,549 | ₱113,248,418 | ₱5,822,582,967 |

| | 2019 | | |
|--|------------------|--------------|------------------|
| | Before tax | Tax benefit | Net of tax |
| Net gains on financial assets at FVOCI of Parent | | | |
| Company and its subsidiaries | (₱906,718,088) | ₱— | (₱906,718,088) |
| Cumulative translation adjustments | 1,200,011,485 | — | 1,200,011,485 |
| Net movement in cash flow hedge | 252,216,877 | (77,045,099) | 175,171,778 |
| Remeasurements due to defined benefit liability | (840,807,430) | 252,242,229 | (588,565,201) |
| Remeasurements due to defined benefit liability of associates | (1,170,380,505) | — | (1,170,380,505) |
| Net changes in fair value of financial assets at FVOCI of an associate (Note 10) | 176,256,150 | — | 176,256,150 |
| | (₱1,289,421,511) | ₱175,197,130 | (₱1,114,224,381) |

37. Employee Benefits

Pension Plans

The Group has funded, noncontributory, defined benefit pension plans covering substantially all of their regular employees, except for JGSPC that has an unfunded, noncontributory defined benefit pension plan.

The pension funds are being administered and managed through JG Summit Multi-Employer Retirement Plan (the “Plan”), with RBC as Trustee. The plans provide for retirement, separation, disability and death benefits to their members. The Group, however, reserves the right to discontinue, suspend or change the rates and amounts of their contributions at any time on account of business necessity or adverse economic conditions. The retirement plan has an Executive Retirement Committee, that is mandated to approve the plan, trust agreement, investment plan, including any amendments or modifications thereto, and other activities of the Plan. Certain members of the BOD of



the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

The amounts recognized as pension liabilities included under 'Other noncurrent liabilities' in the consolidated statements of financial position follow:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Present value of defined benefit obligation | ₱5,278,882,823 | ₱6,030,510,593 |
| Fair value of plan assets | 3,339,826,306 | 3,182,401,757 |
| Pension liabilities (Note 24) | ₱1,939,056,517 | ₱2,848,108,836 |

Changes in net defined benefit liability of funded funds in 2021 and 2020 follows:

| | 2021 | | |
|---|---|---------------------------|---------------------------------------|
| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability/(asset) |
| Balance at beginning of year | ₱6,030,510,593 | ₱3,182,401,757 | ₱2,848,108,836 |
| Net benefit cost in consolidated statement of comprehensive income: | | | |
| Current service cost | 609,746,763 | — | 609,746,763 |
| Past service cost | 944,624 | 17,915 | 926,709 |
| Net interest cost | 223,703,329 | 125,847,480 | 97,855,849 |
| Subtotal | 834,394,716 | 125,865,395 | 708,529,321 |
| Benefits paid | (478,842,336) | (222,758,733) | (256,083,603) |
| Asset transfer | 24,117,102 | — | 24,117,102 |
| Settlement | 673,633 | 673,669 | (36) |
| Effect of curtailment | (698,191) | — | (698,191) |
| Remeasurements in other comprehensive income: | | | |
| Return on plan assets | — | (126,818,583) | 126,818,583 |
| Actuarial changes arising from experience adjustments | 108,258,731 | — | 108,258,731 |
| Actuarial changes arising from changes in financial assumptions | (1,114,988,487) | — | (1,114,988,487) |
| Actuarial changes arising from changes in financial/demographic assumptions | (91,217,137) | — | (91,217,137) |
| Subtotal | (1,097,946,893) | (126,818,583) | (971,128,310) |
| Contributions paid | (33,325,801) | 380,462,801 | (413,788,602) |
| Balance at end of year | ₱5,278,882,823 | ₱3,339,826,306 | ₱1,939,056,517 |



| | 2020 | | |
|---|---|---------------------------|---------------------------------------|
| | Present value of defined benefit obligation | Fair value of plan assets | Net defined benefit liability/(asset) |
| Balance at beginning of year | ₱5,764,503,153 | ₱3,070,592,549 | ₱2,693,910,604 |
| Net benefit cost in consolidated statement of comprehensive income: | | | |
| Current service cost | 531,972,178 | — | 531,972,178 |
| Net interest cost | 282,767,941 | 147,653,628 | 135,114,313 |
| Subtotal | 814,740,119 | 147,653,628 | 667,086,491 |
| Benefits paid | (731,039,335) | (649,641,560) | (81,397,775) |
| Asset transfer | (3,921,483) | (49,808,587) | 45,887,104 |
| Settlement | (160,414,276) | — | (160,414,276) |
| Effect of asset ceiling | — | (673,669) | 673,669 |
| Assets and liabilities acquired | 107,441,205 | — | 107,441,205 |
| Remeasurements in other comprehensive income: | | | |
| Return on plan assets | — | 110,751,278 | (110,751,278) |
| Actuarial changes arising from experience adjustments | 107,825,347 | — | 107,825,347 |
| Actuarial changes arising from changes in financial assumptions | 134,299,231 | — | 134,299,231 |
| Actuarial changes arising from changes in financial/demographic assumptions | (38,731,553) | (330,649) | (38,400,904) |
| Subtotal | 203,393,025 | 110,420,629 | 92,972,396 |
| Contributions paid | 35,808,185 | 553,858,767 | (518,050,582) |
| Balance at end of year | ₱6,030,510,593 | ₱3,182,401,757 | ₱2,848,108,836 |

The fair value of plan assets by each class as at the end of the reporting period are as follow:

| | 2021 | 2020 |
|------------------------------|-----------------------|----------------|
| ASSETS | | |
| Cash and cash equivalents | ₱20,579,475 | ₱463,349,062 |
| UITF investments | 2,235,777,725 | 1,718,598,834 |
| Debt instruments | 471,277,958 | 487,765,111 |
| Financial assets at FVOCI | 96,776,126 | 62,134,847 |
| Equity investments | 38,295,970 | 5,358,224 |
| Receivable | 317,959,187 | 298,678,395 |
| Accrued interest receivable | 4,230,545 | 5,360,744 |
| Prepayments and other assets | 50,358,443 | — |
| Land | 143,201,000 | 143,201,000 |
| | 3,378,456,429 | 3,184,446,217 |
| LIABILITIES | | |
| Current liabilities | 38,630,123 | 2,044,460 |
| | ₱3,339,826,306 | ₱3,182,401,757 |

The overall expected rates of return on assets are based on the market expectations prevailing as at the reporting date, applicable to the period over which the obligation is settled.

The average duration of the defined benefit obligation of the Group as of December 31, 2021 is 10.16 years.

The Group expects to contribute ₱659.8 million into the pension fund in 2022.



The assumptions used to determine the pension benefits of the Group follow:

| 2021 | | | | |
|----------------|----------------|---|----------------------|----------------|
| | Retirement Age | Average Remaining Working Life (in years) | Salary Rate Increase | Discount Rate |
| Parent Company | 60.0 | 20.4 | 4.00% | 5.11% |
| URC | 60.0 | 9.0 | 4.00% to 5.70% | 5.09% |
| RLC | 60.0 | 12.3 to 21.2 | 4.00% to 5.00% | 3.17% to 5.19% |
| CAI | 60.0 | 24.0 to 27.0 | 4.00% to 5.00% | 4.94% to 5.18% |
| RBC | 60.0 | 26.1 | 5.70% | 5.01% |
| JGSPC | 60.0 | 27.8 | 4.00% | 5.13% |
| JGSOC | 60.0 | 28.1 | 4.00% | 5.13% |
| Unicon | 60.0 | 26.1 | 8.00% | 5.16% |
| LSB | 60.0 | 26.1 | 5.70% | 5.01% |
| APVI | 60.0 | 37.0 | 5.00% | 5.08% |

| 2020 | | | | |
|----------------|----------------|---|----------------------|----------------|
| | Retirement Age | Average Remaining Working Life (in years) | Salary Rate Increase | Discount Rate |
| Parent Company | 60.0 | 18.0 | 5.70% | 3.71% |
| URC | 60.0 | 11.0 to 12.0 | 5.70% | 3.95% to 3.97% |
| RLC | 60.0 | 13.0 | 5.70% | 3.17% to 4.13% |
| CAI | 60.0 | 26.0 to 29.0 | 5.70% | 3.67% to 3.82% |
| RBC | 60.0 | 26.9 | 5.70% | 3.64% |
| JGSPC | 60.0 | 28.5 | 5.70% | 4.00% |
| JGSOC | 60.0 | 30.1 | 5.70% | 4.05% |
| Unicon | 60.0 | 28.8 | 5.70% | 4.11% |
| LSB | 60.0 | 28.6 | 5.70% | 3.94% |
| APVI | 60.0 | 25.5 | 5.70% | 3.94% |

The sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of December 31, 2021 and 2020, assuming if all other assumptions were held constant:

| 2021 | | | | | | | | | | |
|--------------------------------|----------------|----------------|---------------|---------------|---------------|--------------|---------------|--------------|-----------|------------|
| | Parent Company | URC | RLC | CAI | RBC | LSB | JGSPC | JGSOC | APVI | Unicon |
| Discount rates | | | | | | | | | | |
| +1.00% | (P2,909,332) | (P230,507,684) | (P51,236,348) | (P65,037,541) | (P24,104,214) | (P4,554,963) | (P26,814,338) | (P3,093,406) | P157,499 | (P353,298) |
| (-1.00%) | 3,341,795 | 269,614,527 | 58,401,162 | 74,223,472 | 27,327,717 | 5,690,156 | 31,687,624 | 3,728,820 | (137,031) | 422,867 |
| Future salary increases | | | | | | | | | | |
| +1.00% | 3,345,550 | 269,864,839 | 71,592,086 | 74,371,992 | 26,866,819 | 5,600,835 | 31,727,055 | 3,733,895 | 191,685 | 406,610 |
| (-1.00%) | (2,964,909) | (234,831,852) | (63,219,388) | (66,320,878) | (24,171,317) | (4,574,445) | (27,321,879) | (3,151,647) | (165,932) | (347,732) |

| 2020 | | | | | | | | | | |
|--------------------------------|----------------|----------------|---------------|----------------|---------------|--------------|---------------|--------------|------------|------------|
| | Parent Company | URC | RLC | CAI | RBC | LSB | JGSPC | JGSOC | APVI | Unicon |
| Discount rates | | | | | | | | | | |
| +1.00% | (P5,524,152) | (P321,131,539) | (P64,775,773) | (P100,268,628) | (P24,002,387) | (P2,751,976) | (P36,006,377) | (P3,868,874) | (P165,932) | (P736,452) |
| (-1.00%) | 6,369,343 | 383,084,157 | 74,940,988 | 116,427,021 | 27,442,319 | 3,301,599 | 43,499,140 | 4,729,276 | 197,242 | 921,713 |
| Future salary increases | | | | | | | | | | |
| +1.00% | 6,177,923 | 372,564,920 | 72,748,884 | 113,066,137 | 26,601,516 | 3,208,176 | 42,291,045 | 4,599,647 | 191,685 | 908,134 |
| (-1.00%) | (5,475,430) | (319,214,903) | (64,255,469) | (99,484,873) | (23,774,691) | (2,733,704) | (35,786,963) | (3,847,112) | (164,825) | (740,337) |



Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

| | 2021 | 2020 |
|--------------------------------|----------------------|----------------|
| Less than 1 year | ₱477,298,933 | ₱361,936,916 |
| More than 1 years to 5 years | 2,179,655,109 | 1,833,401,659 |
| More than 5 years to 10 years | 3,289,762,283 | 3,297,814,449 |
| More than 10 years to 15 years | 3,437,540,953 | 3,508,858,238 |
| More than 15 years to 20 years | 3,562,542,239 | 3,732,002,614 |
| More than 20 years | 8,410,847,173 | 11,669,789,463 |

38. Income Taxes

Provision for income tax consists of:

| | 2021 | 2020 | 2019 |
|-----------|------------------------|----------------|----------------|
| Corporate | ₱3,439,788,369 | ₱3,157,933,905 | ₱4,958,800,487 |
| Final | 236,327,146 | 230,915,233 | 249,294,831 |
| Deferred | (3,313,757,739) | (683,274,680) | 2,473,553 |
| | ₱362,357,776 | ₱2,705,574,458 | ₱5,210,568,871 |

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for other comprehensive income items amounting to ₱233.5 million, ₱113.2 million and ₱175.2 million in 2021, 2020 and 2019, respectively (see Note 36).

Republic Act (RA) No. 9337

Current tax regulations provide that the RCIT rate shall be 30.0% and interest expense allowed as a deductible expense is reduced by 33.0% of interest income subjected to final tax.

The NIRC of 1997 also provides for rules on the imposition of a 2.0% 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 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.

Starting July 1, 2008, the Optional Standard Deduction (OSD) equivalent to 40.0% of gross income may be claimed as an alternative deduction in computing for the RCIT.

CREATE Act

The Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act was signed into law on March 26, 2021. This aimed to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 of the CREATE Act introduced reforms to the corporate income tax and incentives systems. It took effect 15 days after its complete publication in the Official Gazette on April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Group:

- Effective July 1, 2020, RCIT rate is reduced from 30.00% to 25.00% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.00 million and with total assets not exceeding ₱100.00 million (excluding land on which the



business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20.00%.

- MCIT rate reduced from 2.00% to 1.00% of gross income effective July 1, 2020 to June 30, 2023.
- Effective January 1, 2021, income tax rate for nonresident foreign corporation is reduced from 30.00% to 25.00%.
- Imposition of improperly accumulated earnings tax (IAET) is repealed.
- Foreign-sourced dividends received by domestic corporations are exempt from income tax subject to the following conditions:
 - The funds from such dividends actually received or remitted into the Philippines are reinvested in the business operations of the domestic corporation in the Philippines within the next taxable year from the time the foreign-sourced dividends were received;
 - Shall be limited to funding the working capital requirements, capital expenditures, dividend payments, investment in domestic subsidiaries, and infrastructure project; and
 - The domestic corporation holds directly at least 20.00% of the outstanding shares of the foreign corporation and has held the shareholdings for a minimum of 2 years at the time of the dividend distribution.
- Qualified domestic market enterprises shall be entitled to 4 to 7 years income tax holiday (ITH) to be followed by 5 years enhanced deductions (ED).
- For investments prior to effectivity of CREATE:
 - Registered business enterprises (RBEs) granted only an ITH – can continue with the availment of the ITH for the remaining period of the ITH.
 - RBEs granted an ITH followed 5.00% GIT or are currently enjoying 5.00% GIT – allowed to avail of the 5.00% GIT for 10 years.

Based on the provisions of Revenue Regulations No. 5-2021 dated April 8, 2021 issued by the BIR, the transitory RCIT and MCIT rates for taxable year 2020 are 27.50% and 1.50%, respectively. The reduced amounts were reflected in the Group's 2020 annual income tax returns filed in 2021. However, for financial reporting purposes, the changes were only recognized in the 2021 financial statements.

The deferred tax assets and liabilities as of December 31, 2020 were also remeasured using the lower RCIT rate of 25.00%. These reductions were recognized in the 2021 financial statements.

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 0.5% of net sales for sellers of goods or properties or 1.0% 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 (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounting to ₱177.6 million, ₱171.9 million and ₱206.7 million in 2021, 2020 and 2019, respectively (see Note 31).



Compositions of the Group's net deferred tax assets (included in the 'Other noncurrent assets' in the consolidated statements of financial position) follow (see Note 20):

| | 2021 | 2020 |
|---|------------------------|-----------------|
| Deferred tax assets on: | | |
| Net operating loss carry-over | ₱3,077,280,351 | ₱2,809,480,863 |
| Asset retirement obligation | 1,771,179,823 | 1,961,685,495 |
| Lease liabilities | 1,117,250,769 | 313,460,073 |
| Allowance for impairment losses on receivables and property and equipment | 886,335,069 | 843,141,095 |
| Unrealized loss on net derivative liability | 432,740,192 | 1,352,880 |
| Unfunded pension liabilities | 413,976,301 | 445,105,618 |
| Unrealized forex loss | 276,335,620 | 7,315,268 |
| Foreign subsidiaries | 42,413,828 | 39,938,807 |
| MCIT carryforward | 20,978,020 | 110,453,027 |
| Others | 541,516,430 | 693,100,590 |
| Total | 8,580,006,403 | 7,225,033,716 |
| Deferred tax liabilities on: | | |
| Double depreciation | (2,564,476,957) | (2,792,405,012) |
| Unrealized foreign exchange gain-net | (247,812,111) | (178,810,779) |
| Excess of fair value of assets acquired over cost | (154,704,634) | (185,645,561) |
| Others | (470,723,618) | (279,461,784) |
| | (3,437,717,320) | (3,436,323,136) |
| Net deferred tax asset | ₱5,142,289,083 | ₱3,788,710,580 |

As of December 31, 2021, deferred tax asset under 'others' include provision for heavy maintenance visits and allowance for inventory write-downs amounting to ₱270.7 million and ₱82.7 million, respectively. As of December 31, 2020, deferred tax asset under 'others' include deferred revenue and allowance for inventory write-downs amounting to ₱318.6 million and ₱62.2 million, respectively.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

| | 2021 | 2020 |
|--|----------------------|---------------|
| Deferred tax assets on: | | |
| Lease liabilities | ₱541,054,435 | ₱751,679,456 |
| Unfunded pension benefits | 194,392,963 | 379,498,681 |
| Accrued interest expense | 134,342,482 | 151,140,202 |
| Allowance for impairment losses on receivables and property, plant and equipment | 59,721,982 | 68,309,782 |
| MCIT carryforward | 11,297,825 | 10,993,747 |
| Others | 132,543,895 | 270,929,467 |
| Total | 1,073,353,582 | 1,632,551,335 |

(Forward)



| | 2021 | 2020 |
|---|------------------|------------------|
| Deferred tax liabilities on: | | |
| Intangibles | (P322,593,771) | (P2,923,321,148) |
| Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules | (1,904,785,955) | (2,830,010,603) |
| Unamortized capitalized interest | (1,345,941,427) | (1,965,381,801) |
| Undistributed income of foreign subsidiaries | (830,942,004) | (816,683,569) |
| Accrued rent income | (559,591,550) | (691,079,887) |
| Accelerated depreciation | (193,870,221) | (366,814,562) |
| Right-of-use asset | (299,702,648) | (333,690,830) |
| Foreign subsidiaries | – | (198,507,581) |
| Others | (164,273,521) | (168,205,306) |
| | (5,621,701,097) | (10,293,695,287) |
| Net deferred tax liability | (P4,548,347,515) | (P8,661,143,952) |

The following are the temporary differences on which the Group did not recognize deferred tax assets:

| | 2021 | 2020 |
|--|-----------------|-----------------|
| NOLCO* | P37,676,251,559 | P25,231,898,403 |
| Allowance for credit and impairment losses | 310,427,433 | 310,427,433 |
| Net pension liability | 298,051,363 | 331,542,806 |
| Excess MCIT over RCIT | 28,779,264 | 16,865,592 |
| Allowance for inventory write-down | 18,707,758 | 14,083,253 |
| Unamortized contribution of past service costs | 3,984,944 | 9,298,200 |
| | P38,336,202,321 | P25,914,115,687 |

*Attributable to the Parent Company, CAI, CEBGO, JGSPC, JGSCSC, JGSCMC and JGDEV.

Under Section 11 of R. A. No. 7151 (CAI's Congressional Franchise) and under Section 15 of R. A. No. 9517 (Cebgo, Inc.'s Congressional Franchise), known as the "ipso facto clause" and the "equality clause", respectively, the CAI and Cebgo, Inc. are allowed to benefit from the tax privileges being enjoyed by competing airlines. CAI's and Cebgo, Inc.'s major competitor, by virtue of PD No. 1590, is enjoying tax exemptions which are likewise being claimed by the CAI and Cebgo, Inc., if applicable, including but not limited to the following:

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

Included in the Group's NOLCO and MCIT are CAI's and Cebgo, Inc.'s NOLCO and MCIT as follows:

CAI NOLCO

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---------------|-----------------|---------|---------|-----------------|-------------|
| 2021 | P18,403,734,817 | P– | P– | P18,403,734,817 | 2026 |
| 2020 | 21,026,735,635 | – | – | 21,026,735,635 | 2025 |



CEBGO NOLCO

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---------------|----------------|---------|---------|----------------|-------------|
| 2021 | ₱1,348,925,483 | ₱— | ₱— | ₱1,348,925,483 | 2026 |
| 2020 | 1,111,045,562 | — | — | 1,111,045,562 | 2025 |

A-PLUS NOLCO

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---------------|--------------|-------------|---------|--------------|-------------|
| 2021 | ₱188,837,864 | ₱37,721,802 | ₱— | ₱151,116,062 | 2026 |

Furthermore, details of CEBGO's remaining excess MCIT are as follows:

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---------------|------------|---------|--------------|---------|-------------|
| 2018 | ₱3,184,853 | ₱— | (₱3,184,853) | ₱— | 2021 |

A-PLUS MCIT

| Year Incurred | Amount | Applied | Expired | Balance | Expiry Year |
|---------------|------------|---------|---------|------------|-------------|
| 2021 | ₱1,270,183 | ₱— | ₱— | ₱1,270,183 | 2024 |

CAI has outstanding registrations with the BOI as a new operator of air transport on a pioneer and non-pioneer status under the Omnibus Investments Code of 1987 (Executive Order 226). 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, 2021 and 2020, CAI has complied with externally imposed capital requirements set by the BOI in order to avail of the ITH incentives for aircraft of registered activity.

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.

Details of the Parent Company's NOLCO follow:

| Inception Year | Amount | Expired/Utilized | Balance | Expiry Year |
|----------------|-----------------------|-------------------------|-----------------------|-------------|
| 2021 | ₱1,492,891,028 | ₱— | ₱1,492,891,028 | 2026 |
| 2020 | 2,140,379,290 | — | 2,140,379,290 | 2025 |
| 2019 | 2,687,194,688 | — | 2,687,194,688 | 2022 |
| 2018 | 3,072,614,668 | (3,072,614,668) | — | 2021 |
| | <u>₱9,393,079,674</u> | <u>(₱3,072,614,668)</u> | <u>₱6,320,465,006</u> | |



Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

| | 2021 | 2020 | 2019 |
|---|---------|---------|--------|
| Statutory income tax rate | 25.00% | 30.00% | 30.00% |
| Tax effects of: | | | |
| Changes in unrecognized deferred tax assets | 48.33 | 211.94 | 0.10 |
| Net income of subsidiaries with different tax rates | (33.27) | (50.27) | (4.47) |
| Equity in net earnings of affiliates | (21.21) | (70.06) | (8.34) |
| Income subjected to BOI, PEZA and ITH | (11.84) | (14.49) | (5.57) |
| Income exempt from tax | (6.51) | (29.22) | (1.19) |
| Non-deductible items | 5.28 | 14.89 | 0.78 |
| Interest income subject to final tax | (1.58) | (14.06) | (1.08) |
| CREATE Act adjustment | (4.47) | — | — |
| Others | 6.24 | 9.10 | 0.95 |
| Effective income tax rate | 5.97% | 87.82% | 11.18% |

39. Earnings Per Share

Basic earnings per share is calculated by dividing the net income for the year attributable to equity holders of the Parent Company divided by the weighted average number of common shares outstanding during the year (adjusted for any stock dividends).

The following tables reflect the net income and share data used in the basic/dilutive EPS computations:

Earnings per share attributable to equity holders of the Parent Company

| | 2021 | 2020 | 2019 |
|---|----------------|----------------|-----------------|
| Income (loss) attributable to equity holders of the Parent Company | ₱5,108,229,771 | (₱468,159,528) | ₱31,285,246,332 |
| Less: Dividends on preferred shares (Note 25) | 15,200,000 | 15,200,000 | 14,800,000 |
| Income attributable to holders of common shares of the Parent Company | ₱5,093,029,771 | (₱483,359,528) | ₱31,270,446,332 |
| Weighted average number of common shares | 7,520,983,658 | 7,520,983,658 | 7,520,983,658* |
| Basic/diluted earnings (loss) per share | ₱0.68 | (₱0.06) | ₱4.16* |

*Restated to show the effect of stock dividends distributed in 2020.

There were no potential dilutive common shares in 2021, 2020 and 2019.



40. Related Party Transactions

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 if they are subjected to common control or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are based on terms similar to those offered to non-related parties and are generally settled in cash. Due from and due to related parties are collectible/payable on demand, except for certain due from related parties amounting to ₱2.8 billion and ₱1.0 billion, as of December 31, 2021 and 2020, respectively, which will mature in April 2023 and 2022, respectively.

Intercompany transactions with subsidiaries are eliminated in the accompanying consolidated financial statements. In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

| 2021 | | | | | | |
|--------------------------|---|---------------|--|--|---|-------------------------|
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Subsidiaries: | | | | | | |
| Due from related parties | Settlement of advances | (₱534,978) | ₱422,066,369 | ₱– | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Receivables | (419,635,383) | 742,048,665 | – | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Notes receivable | 8,482,899,330 | 13,285,199,330 | – | Interest-bearing | Unsecured; Not impaired |
| | Other income: allocation of IT charges and CCU expenses | 610,424,198 | – | 610,424,198 | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent income | 144,117,358 | – | 144,117,358 | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Management fees | 54,600,000 | – | 54,600,000 | | |
| | Receivable from customers - bills purchased | (15,000,000) | – | – | Non-interest bearing domestic bills purchased | Unsecured; Not impaired |
| Due to related parties | Availment of advances | – | 3,684,354,439 | – | On demand; Non-interest bearing | Unsecured |
| | Short-term debt | (364,000,000) | 774,000,000 | – | Interest-bearing | Unsecured |
| | Long-term debt | – | 2,447,667,500 | – | Interest-bearing | Secured |

(Forward)



| 2021 | | | | | | |
|--------------------------|---|-----------------|--|--|---|-------------------------|
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Cash in bank | Deposits | ₱11,530,936,707 | ₱13,841,468,385 | ₱- | On demand | Unsecured |
| Cash equivalents | Money market placements | 8,719,290,251 | 12,635,990,002 | - | 2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04% | Unsecured; Not impaired |
| Dividends | Dividend receivable | - | 1,593,529,595 | - | On demand | Unsecured; Not impaired |
| | Dividend income | 4,809,321,356 | - | 4,809,321,356 | | |
| Associates: | | | | | | |
| Due from related parties | Advances (in accordance with joint venture agreement) | 1,821,904,219 | 2,821,904,219 | - | Interest-bearing at PDST R2 of applicable interest period | Unsecured; Not impaired |
| | Advances | 645,349 | 61,652,556 | - | On demand; Non-interest-bearing | Unsecured; Not impaired |
| | Loans | 1,397,524 | 95,531,040 | - | 2% per annum | Unsecured; Not impaired |
| | Receivables | (702,399) | 159,299 | - | Non-interest bearing | Unsecured; Not impaired |
| | Sublease agreement | 26,346,473 | 40,225,307 | - | Payable monthly | Unsecured; Not impaired |
| | Dividend income | 4,739,273,350 | - | 4,739,273,350 | | |
| | Rent income | 715,755 | - | 715,755 | | |
| | Other income: allocation of CCU expenses | 96,814 | - | 96,814 | | |
| | Utilities expense | 5,417,424 | - | 5,417,424 | | |
| | Groundhandling and maintenance services | 55,011,098 | 536,305,908 | - | Non-interest bearing | Unsecured; Not impaired |
| Receivables | Uncollected balance on the proceeds from sale of GBPC | 2,272,650,000 | 2,272,650,000 | - | Interest-bearing | Unsecured; Not impaired |

(Forward)



| 2021 | | | | | | |
|---|---|----------------|--|--|---------------------------------|-------------------------|
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Other Related Parties: | | | | | | |
| Due from related parties | Settlement of advances | (₱114,614,027) | ₱549,084,500 | ₱– | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent receivables | (120,299,358) | 113,500,871 | – | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent income | 1,796,147 | – | 1,796,147 | | |
| | Other income: allocation of IT charges and CCU expenses | 150,066,582 | – | 150,066,582 | On demand; Non-interest bearing | Unsecured; Not impaired |
| Due to related parties | Settlement of advances | 26,009,726 | 169,068,971 | – | On demand; Non-interest bearing | Unsecured |
| Director's fees (included under 'Management and other professional fees' account) | Expenses | 8,125,000 | – | 8,125,000 | | |
| 2020 | | | | | | |
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Subsidiaries: | | | | | | |
| Due from related parties | Availment of advances | (₱274,680,197) | ₱422,601,347 | ₱– | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Receivables | 794,669,335 | 1,163,092,322 | – | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Notes receivable | 4,802,300,000 | 4,802,300,000 | – | Interest-bearing | Unsecured; Not impaired |
| | Other income: allocation of IT charges and CCU expenses | 528,950,831 | – | 528,950,831 | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent income | 140,331,700 | – | 140,331,700 | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Management fees | 54,600,000 | – | 54,600,000 | | |

(Forward)



2020

| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
|--------------------------|---|---------------|--|--|---|-------------------------|
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Due to related parties | Availment of advances | ₱175,761,872 | ₱3,434,747,201 | ₱- | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Short-term debt | 1,138,000,000 | 1,138,000,000 | - | Interest-bearing | Unsecured |
| | Long-term debt | 2,447,667,500 | 2,447,667,500 | - | Interest-bearing | Secured |
| Cash in bank | Deposits | (3,321,561) | 2,310,531,678 | - | On demand | Unsecured |
| Cash equivalents | Money market placements | 1,662,376,994 | 3,916,699,751 | - | 2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04% | Unsecured; Not impaired |
| Dividends | Dividend receivable | 70,000,000 | 1,663,529,595 | - | On demand | Unsecured; Not impaired |
| | Dividend income | 5,541,564,987 | - | 5,541,564,987 | | |
| Associates: | | | | | | |
| Due from related parties | Advances (in accordance with joint venture agreement) | (330,000,000) | 1,000,000,000 | - | Interest-bearing at PDST R2 of applicable interest period | Unsecured; Not impaired |
| | Advances | 59,645,928 | 61,007,207 | - | On demand; Non-interest-bearing | Unsecured; Not impaired |
| | Loans | 2,579,089 | 94,133,516 | - | 2% per annum | Unsecured; Not impaired |
| | Sublease agreement | 13,878,834 | 13,878,834 | - | Payable monthly | Unsecured; Not impaired |
| | Dividend income | 6,457,898,481 | - | 6,457,898,481 | | |
| | Rent income | 569,463 | - | 569,463 | | |
| | Other income: allocation of CCU expenses | 5,953,449 | - | 5,953,449 | | |
| | Receivables | 857,802 | 861,698 | - | | |
| | Utilities expense | 4,828,388 | - | 4,828,388 | | |
| | Groundhandling and maintenance services | 265,357,373 | 484,990,150 | - | Non-interest bearing | Unsecured; Not impaired |

(Forward)



| 2020 | | | | | | |
|---|---|---------------|--|--|---------------------------------|-------------------------|
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Other Related Parties: | | | | | | |
| Due from related parties | Settlement of advances | (P47,226,617) | P663,698,527 | P- | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent receivables | 233,537,931 | 233,840,809 | - | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent income | 1,822,826 | | 1,822,826 | | |
| | Other income: allocation of IT charges and CCU expenses | 162,660,861 | - | 162,660,861 | On demand; Non-interest bearing | Unsecured; Not impaired |
| Due to related parties | Settlement of advances | 28,223,835 | 143,059,245 | - | On demand; Non-interest bearing | Unsecured; Not impaired |
| Director's fees (included under 'Management and other professional fees' account) | Expenses | 7,275,000 | - | 7,275,000 | | |
| 2019 | | | | | | |
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Subsidiaries: | | | | | | |
| Due from related parties | Availment of advances | P299,788,042 | P697,281,544 | P- | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent receivables | (53,719,421) | 15,717,251 | - | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Other receivables / other income: allocation of IT charges and CCU expenses | 475,379,501 | 352,705,736 | 475,379,501 | On demand; Non-interest-bearing | Unsecured; Not impaired |
| | Rent income | 131,196,484 | - | 131,196,484 | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Management fees | 54,600,000 | - | 54,600,000 | | |

(Forward)



2019

| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
|--------------------------|--|-----------------|--|--|---|-------------------------|
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Due to related parties | Availment of advances | ₱430,833,644 | ₱3,258,985,329 | ₱- | On demand; Non-interest bearing | Unsecured; Not impaired |
| Cash in bank | Deposits | 965,371,235 | 2,313,853,239 | - | On demand | Unsecured |
| Cash equivalents | Money market placements | (6,734,882,375) | 2,254,322,757 | - | 2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04% | Unsecured; Not impaired |
| Dividends | Dividend receivable | (6,273,626) | 1,593,529,595 | - | On demand | Unsecured; Not impaired |
| | Dividend income | 8,768,329,504 | - | 8,768,329,504 | | |
| Associates: | | | | | | |
| Due from related parties | Advances (in accordance with joint venture agreement) | 1,140,000,000 | 1,330,000,000 | - | Interest-bearing at PDST R2 of applicable interest period | Unsecured; Not impaired |
| | Advances | 605,931 | 1,361,279 | - | On demand; Non-interest-bearing | Unsecured; Not impaired |
| | Loans | 2,261,342 | 91,554,427 | - | 2% per annum | Unsecured; Not impaired |
| | Receivables | 200,672 | 3,896 | - | Non-interest-bearing | Unsecured; Not impaired |
| | Dividend income | 6,119,759,438 | - | 6,119,759,438 | | |
| | Rent income | 649,211 | - | 649,211 | | |
| | Other receivables / other income: allocation of CCU expenses | 200,672 | 3,896 | 200,672 | | |
| | Utilities expense | 7,077,657 | - | 7,077,657 | | |
| | Groundhandling and maintenance services | 116,604,320 | 236,414,918 | - | Non-interest-bearing | Unsecured; Not impaired |

(Forward)



| 2019 | | | | | | |
|---|---|---------------|--|--|---------------------------------|-------------------------|
| Related Party | Category/Transaction | Amount/Volume | Outstanding Balance | | Terms | Conditions |
| | | | Consolidated Statement of Financial Position | Consolidated Statement of Comprehensive Income | | |
| Other Related Parties: | | | | | | |
| Due from related parties | Settlement of advances | (₱30,931,424) | ₱452,019,131 | ₱— | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent receivables | (32,195,309) | 302,878 | — | On demand; Non-interest bearing | Unsecured; Not impaired |
| | Rent income | 1,629,159 | — | 1,629,159 | | |
| | Other receivables / other income: allocation of IT charges and CCU expenses | 118,661,846 | 177,152,243 | 118,661,846 | On demand; Non-interest bearing | Unsecured; Not impaired |
| Due to related parties | Settlement of advances | (174,443,960) | 114,835,410 | — | On demand; Non-interest bearing | Unsecured; Not impaired |
| Director’s fees (included under ‘Management and other professional fees’ account) | Expenses | 8,750,000 | — | 8,750,000 | | |



The Parent Company signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries as discussed in Note 23 to the consolidated financial statements. No fees are charged for these guarantee agreements. Being the centralized treasury department within the Group, the Parent Company usually receives advances from subsidiaries and in turn, makes advances to other subsidiaries. Total debt of subsidiaries guaranteed by the Parent Company in 2021 and 2020 amounted to ₱99.4 billion and ₱100.3 billion, respectively.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2021 and 2020. Interest expense incurred amounted to nil in 2021 and 2020. No provisions for bad debts are required for advances to receivables from related parties.

Most of the aforementioned intercompany transactions between the Parent Company and its subsidiaries are eliminated in the accompanying consolidated financial statements.

Transactions with the retirement plan

The retirement fund of the Parent Company's employees amounted to ₱2.8 million and ₱2.1 million as of December 31, 2021 and 2020, respectively. The fund is being managed by JG Summit Multi-Employer Retirement Plan (MERP), a corporation created for the purpose of managing the funds of the Group, with RBC as the trustee.

The retirement plan under the MERP 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 of the Parent Company are represented in the Executive Retirement Committee. RBC manages the plan based on the mandate as defined in the trust agreement.

Compensation of key management personnel

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 pension plans.

The compensation of the Group's key management personnel by benefit type follows:

| | 2021 | 2020 | 2019 |
|------------------------------|-----------------------|----------------|----------------|
| Short-term employee benefits | ₱2,635,628,290 | ₱2,300,060,387 | ₱2,430,499,658 |
| Post-employment benefits | 204,425,720 | 390,399,715 | 256,845,114 |
| | ₱2,840,054,010 | ₱2,690,460,102 | ₱2,687,344,772 |

Approval requirements and limits on the amount and extent of related party transactions

Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10.00%) or higher of the Group's total consolidated 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 meets or breaches the materiality threshold shall require the same BOD approval mentioned above.



41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI and PEZA as preferred pioneer and non-pioneer activities, and are granted various authorizations from certain government authorities. As registered enterprises, these consolidated subsidiaries are subject to certain requirements and are entitled to certain tax and non-tax incentives which are considered in the computation of the provision for income tax.

42. Leases

The Group's leases mostly pertain to land, office spaces, commercial and residential properties, passenger aircraft and flight equipment, transportation and equipment. Leases of land, office spaces, commercial and residential properties, and transportation and equipment generally have terms ranging from 2 to 50 years, while passenger aircraft and other equipment generally have terms between 1.25 and 18 years.

The Group also has certain leases of other flight equipment, furniture and fixtures and machineries with lease terms of 12 months or less, and leases of office spaces considered low-value. The Group applies the recognition exemptions for these type of leases.

Right-of-use Assets

Set out below are the carrying amounts of ROU assets recognized and the movements during the year ended December 31, 2021 and 2020:

| | 2021 | | | | |
|--|-------------------------------|-------------------------------|---|--|------------------------|
| | Land and Land Improvements | Buildings and Improvements | Passenger Aircraft and Other Flight Equipment | Transportation And Other Equipment | Total |
| Cost | | | | | |
| Balance at beginning of year | ₱2,709,453,221 | ₱4,497,568,982 | ₱29,429,312,731 | ₱83,722,189 | ₱36,720,057,123 |
| Additions | 145,959,974 | 463,836,049 | 19,890,217,463 | 29,420,344 | 20,529,433,830 |
| Divestment of business | — | (4,221,784,563) | — | (83,904,349) | (4,305,688,912) |
| Other adjustments | (270,186,317) | (24,317,389) | (5,020,573,665) | 2,753,273 | (5,312,324,098) |
| Balance at end of year | 2,585,226,878 | 715,303,079 | 44,298,956,529 | 31,991,457 | 47,631,477,943 |
| Accumulated Depreciation | | | | | |
| Balance at beginning of year | 749,254,336 | 1,098,876,202 | 11,759,544,111 | 63,647,429 | 13,671,322,078 |
| Depreciation | 61,271,390 | 570,335,110 | 6,666,577,250 | 21,314,041 | 7,319,497,791 |
| Divestment of business | — | (983,187,524) | — | (55,523,230) | (1,038,710,754) |
| Other adjustments | (269,149,694) | 113,777,064 | (4,448,126,365) | 2,553,217 | (4,600,945,778) |
| Balance at end of year | 541,376,032 | 799,800,852 | 13,977,994,996 | 31,991,457 | 15,351,163,337 |
| Net Book Value at End of Year | ₱2,043,850,846 | (₱84,497,773) | ₱30,320,961,533 | ₱— | ₱32,280,314,606 |

| | 2020 | | | | |
|--|-------------------------------|-------------------------------|---|--|------------------------|
| | Land and Land Improvements | Buildings and Improvements | Passenger Aircraft and Other Flight Equipment | Transportation And Other Equipment | Total |
| Cost | | | | | |
| Balance at beginning of year | ₱1,589,099,285 | ₱1,865,781,584 | ₱23,729,035,071 | ₱83,170,473 | ₱27,267,086,413 |
| Additions | 370,698 | 3,584,987,861 | 6,782,269,811 | 10,824,841 | 10,378,453,211 |
| Other adjustments | 1,119,983,238 | (953,200,463) | (1,081,992,151) | (10,273,125) | (925,482,501) |
| Balance at end of year | 2,709,453,221 | 4,497,568,982 | 29,429,312,731 | 83,722,189 | 36,720,057,123 |
| Accumulated Depreciation | | | | | |
| Balance at beginning of year | 226,049,122 | 552,237,299 | 5,917,994,261 | 39,384,433 | 6,735,665,115 |
| Depreciation | 165,755,683 | 471,948,572 | 6,748,780,244 | 33,443,004 | 7,419,927,503 |
| Other adjustments | 357,449,531 | 74,690,331 | (907,230,394) | (9,180,008) | (484,270,540) |
| Balance at end of year | 749,254,336 | 1,098,876,202 | 11,759,544,111 | 63,647,429 | 13,671,322,078 |
| Net Book Value at End of Year | ₱1,960,198,885 | ₱3,398,692,780 | ₱17,669,768,620 | ₱20,074,760 | ₱23,048,735,045 |



Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

| | 2021 | 2020 |
|---|------------------------|-----------------|
| As at January 1 | ₱25,164,351,369 | ₱21,104,154,649 |
| Additions | 20,361,429,642 | 10,370,358,389 |
| Accretion from continued operations (Note 35) | 710,257,255 | 689,535,436 |
| Accretion from discontinued operations | 134,272,943 | 169,124,714 |
| Derecognition | (4,138,618,730) | — |
| Payments | (7,160,310,932) | (6,729,663,842) |
| Other adjustments | 418,082,774 | (439,157,977) |
| As at December 31 | ₱35,489,464,321 | ₱25,164,351,369 |

Total lease liabilities shown in the 2021 and 2020 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

| | 2021 | 2020 |
|------------------------------|------------------------|-----------------|
| Current portion (Note 22) | ₱5,716,633,360 | ₱7,318,423,995 |
| Noncurrent portion (Note 24) | 29,772,830,961 | 17,845,927,374 |
| | ₱35,489,464,321 | ₱25,164,351,369 |

The maturity analysis of lease liabilities are disclosed in Note 4, *Financial Risk Management Objectives and Policies*.

Summarized below are the amounts recognized in the 2021 and 2020 consolidated statements of comprehensive income in relation to the Group's leases:

| Revenue | 2021 | 2020 |
|---|-----------------------|----------------|
| Sale of goods and services - rental income and sublease income | | |
| Foods | ₱58,792,660 | ₱79,745,676 |
| Real estate and hotels | 11,056,317,537 | 10,617,088,269 |
| Banking | 18,757,411 | 17,912,729 |
| | 11,133,867,608 | 10,714,746,674 |
| Cost of Sales and Services | | |
| Cost of services - depreciation of ROU assets | 88,156,594 | 103,290,125 |
| Cost of services - accretion of lease liabilities | 26,825,215 | 28,011,872 |
| Rent expense - short term leases (Note 30) | 153,760,529 | 229,418,098 |
| | 268,742,338 | 360,720,095 |
| General and Administrative Expenses | | |
| Depreciation of ROU assets | 6,922,096,888 | 7,007,393,070 |
| Rent expense - short term leases (Note 31) | 904,065,330 | 1,086,555,957 |
| Rent expense - leases of low-valued assets (Note 31) | 2,613,033 | 3,162,477 |
| | 7,828,775,251 | 8,097,111,504 |
| Other Income (Losses) | | |
| Finance cost and other charges – accretion of lease liabilities (Note 35) | (683,432,040) | (661,523,564) |
| | ₱2,352,917,979 | ₱1,595,391,511 |



URC

Operating Lease Commitments - Group as a Lessee

The URC Group leases land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱632.7 million, ₱836.0 million, and ₱887.6 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

| | 2021 | 2020 | 2019 |
|---|-----------------------|----------------|----------------|
| Within one year | ₱473,308,116 | ₱829,801,162 | ₱744,058,305 |
| After one year but not more than five years | 1,441,900,057 | 2,961,540,951 | 2,195,913,016 |
| Five years or more | 2,110,381,626 | 6,069,158,735 | 2,718,442,085 |
| | ₱4,025,589,799 | ₱9,860,500,848 | ₱5,658,413,406 |

Operating Lease Commitments - Group as a Lessor

The URC Group has entered into one-year renewable, noncancellable leases with various related parties covering certain land and buildings where office spaces are located.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱70.6 million, ₱72.1 million and ₱72.5 million in 2021, 2020 and 2019, respectively.

RLC

Group as a Lessee

The RLC Group has lease contracts for various parcels of land used in its operations. Leases of land generally have lease terms between 25 and 50 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments.

The RLC Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Within one year | ₱169,877,246 | ₱138,995,906 |
| After one year but not more than five years | 790,339,904 | 630,780,039 |
| Over five years | 5,980,159,045 | 5,736,218,935 |
| | ₱6,940,376,195 | ₱6,505,994,880 |

Operating Lease Commitments - Group as a Lessor

The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing



market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱11.1 billion, ₱10.6 billion and ₱15.4 billion in 2021, 2020 and 2019, respectively. Total percentage rent recognized as income amounted to ₱2.1 billion, ₱2.3 billion and ₱3.9 billion in 2021, 2020 and 2019, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

| | 2021 | 2020 | 2019 |
|---|------------------------|-----------------|-----------------|
| Within one year | ₱10,311,631,297 | ₱14,080,096,258 | ₱14,346,692,713 |
| After one year but not more than five years | 17,423,950,184 | 15,320,496,749 | 17,739,106,757 |
| Over five years | 1,669,171,798 | 1,443,106,385 | 5,146,915,176 |
| | ₱29,404,753,279 | ₱30,843,699,392 | ₱37,232,714,646 |

Finance Lease Commitments - Group as a Lessor

RLC has significantly entered into residential property leases on its residential condominium unit's portfolio. These leases have lease period of five (5) to ten (10) years and the lessee is given the right to purchase the property anytime within the lease period that the lessee any arrears in rental payment, condominium dues and other charges.

Future minimum lease payments under finance lease with the present value of future minimum lease payment as of December 31, 2021 and 2020 follow:

| | 2021 | |
|---|------------------------|---|
| | Minimum Lease Payments | Present Value of Minimum Lease Payments |
| Within one year | ₱324,415,315 | ₱318,438,542 |
| After one year but not more than five years | 135,269,764 | 122,117,395 |
| Total minimum lease payments | ₱459,685,079 | ₱440,555,937 |

| | 2020 | |
|---|------------------------|---|
| | Minimum Lease Payments | Present Value of Minimum Lease Payments |
| Within one year | ₱656,523,582 | ₱644,097,650 |
| After one year but not more than five years | 275,049,758 | 256,955,688 |
| Total minimum lease payments | ₱931,573,340 | ₱901,053,338 |

JGSPC

Operating Lease Commitments - Company as a Lessee

In February 2013 and August 2015, JGSPC has entered into contracts of lease for its two (2) Cybergate office with a lease term of five (5) years. The former contract was extended December 31, 2019, while the latter was pre-terminated in January 2020 upon dismantling of leasehold improvements.

In April 2013, JGSPC entered into a lease agreement for shuttle buses that transports its employees from Balagtas to Batangas plant and vice versa which was renewed annually.



Rental expense charged to operations (included under ‘Cost of sales and services’ and ‘General and administrative expenses’ in profit or loss in the consolidated statements of comprehensive income) amounted to ₱71.3 million, ₱57.5 million and ₱61.7 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC’s office space follow:

| | 2021 | 2020 |
|---|--------------------|-------------|
| Within one year | ₱31,097,336 | ₱29,616,557 |
| After one year but not more than five years | 53,528,452 | 52,508,717 |
| | ₱84,625,788 | ₱82,125,274 |

Operating Lease Commitments - Group as a Lessor

In August 2009, JGSPC entered into contracts of lease for a parcel of land in Batangas with lease term of 10 years. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases. The lease agreement was no longer renewed starting February 1, 2019.

Rental income amounted to ₱50,000, nil and ₱0.1 million for the years ended December 31, 2021, 2020 and 2019.

CAI

Operating Aircraft Lease Commitments - Group as a Lessee

CAI entered into operating lease agreements with certain leasing companies which cover the following aircraft:

A320 CEO aircraft

The following table summarizes the specific lease agreements on CAI’s Airbus A320 CEO aircraft:

| Date of Lease Agreement | Lessors | No. of Units | Lease Expiry |
|-------------------------|--|--------------|-----------------------------|
| March 2008 | Aircraft MSN 3762 LLC | 1 | January 2022 |
| March 2008 | Wells Fargo Trust Company, N.A. | 1 | October 2023 |
| July 2018 | JPA No. 117 Co. Ltd | 1 | September 2021 |
| July 2018 | JPA No. 118 Co. Ltd | 1 | December 2021 |
| August 2018 | JPA No. 119 Co. Ltd | 1 | June 2022 |
| November 2020 | EOS Aviation 6 (Ireland) Limited | 3 | April 2023 – March 2024 |
| November 2020 | EOS Aviation 9 (Ireland) Limited | 2 | April 2023 – July 2023 |
| December 2021 | Avolon Leasing Ireland 3 Limited | 5 | August 2025- September 2027 |
| December 2021 | Vmo Aircraft Leasing 32 and 33 (Ireland) Limited | 2 | July 2025- October 2026 |

From 2007 to 2008, CAI entered into operating lease agreements with Celestial Aviation Trading 17/19/23 Limited for five (5) Airbus A320 which were delivered on various dates from 2007 to 2011. The lease agreements were later on amended to effect the novation of lease rights from the original lessors to current lessors: Inishcrean Leasing Limited for (1) Airbus A320, GY Aviation Lease 0905 Co. Limited for two (2) Airbus A320, APTREE Aviation Trading 2 Co. Limited for one (1) Airbus A320, and Wells Fargo Trust Company, N.A. for one (1) Airbus A320.

In 2015 to 2016, CAI extended the lease agreement with Inishcrean for three years and with GY Aviation Lease 0905 Co. Limited for two (2) years.

In 2017, CAI entered into lease agreements with ILL for two (2) Airbus A320 and with JPA No. 78/79/80/81 Co., Ltd for four (4) Airbus A320.



In 2018, CAI separately extended the lease agreements with APTREE Aviation Trading 2 Co. Ltd for two (2) years, with Wells Fargo Trust Company, N.A for four (4) years, and with GY Aviation Lease 0905 Co. Limited for another two (2) years on one aircraft and three years on the other.

In July and August 2018, CAI entered into lease agreements with JPA No. 117/118/119 Co., Ltd for three (3) Airbus A320.

In May and August 2019, the lease agreements of the two aircraft under GY Aviation Lease 0905 Co. Limited were amended to effect the novation of lease rights to their current lessors, Aircraft MSN 3762 LLC and Lunar Aircraft Trading Company Limited.

In November 2020, CAI entered into a sale and leaseback agreement with EOS Aviation 6 (Ireland) Limited for five (5) Airbus A320. The lease portion consists of leases for three (3) to four (4) years.

In June 2021, the lease agreements of the two aircrafts under EOS Aviation 6 (Ireland) Limited were novated to the current lessors, EOS Aviation 9 (Ireland) Limited.

In December 2021, CAI entered into a sale and leaseback agreement with Avolon Leasing Ireland 3 Limited, Vmo Aircraft Leasing 32 (Ireland) Limited and Vmo Aircraft Leasing 33 (Ireland) Limited for seven (7) Airbus A320. The lease portion consists of leases between three (3) to five (5) years (see Note 12).

A320NEO aircraft

On July 26, 2018, CAI entered into 8-year lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO for delivery on various dates within 2019.

The first four (4) Airbus A320NEO aircraft were delivered in June, July, September and October 2019 under Avolon Leasing Ireland 1 Limited as lessor. In November 2019, two (2) out of the four A320NEO aircraft were amended to effect the novation of lease rights to their current lessor, Orix Aviation Systems Limited.

In January 2020, the fifth Airbus A320NEO aircraft was delivered with Avolon Leasing Ireland 1 Limited as lessor. In August 2020, the fifth A320NEO aircraft was amended to effect the novation of lease rights to its current lessor, Avolon Aerospace AOE 184 Limited.

In November 2021, the sixth Airbus A320NEO aircraft was delivered with SMBC Aviation Capital Limited as lessor.

In December 2021, three (3) A320NEO aircraft were amended to effect the novation of lease rights to current lessor, SMBC Aviation Capital limited.

A321NEO aircraft

In November 2020, CAI entered into a 10-year lease agreement with Connolly Aviation Capital 5 Limited for one (1) A321NEO aircraft which was delivered on November 17, 2020.

In March 2021, CAI entered into a 10-year lease agreement with JSA Cayman Leasing, Ltd. for one (1) A321NEO aircraft which was delivered on March 31, 2021.

In May 2021, CAI entered into a 10-year lease agreement with SMBC Aviation Capital Limited for one (1) A321NEO aircraft which was delivered on May 17, 2021.



ATR 72-600 aircraft

On May 10, 2019, CAI entered into a 10-year lease agreement with an early termination option on the 8th year with AVAP AIRCRAFT TRADING III PTE. LTD. for one (1) ATR 72-600. The aircraft was delivered in May 2019.

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

A330 aircraft

The following table summarizes the specific lease agreements on CAI's Airbus A330CEO aircraft:

| Date of Lease Agreement | Lessors | No. of Units | Lease Term |
|--------------------------------|---|---------------------|--------------------------------------|
| February 2012 | CIT Aerospace International | 1 | |
| February 2012 | Avolon Aerospace AOE 165 Limited | 1 | |
| July 2013 | A330 MSN 1552 Limited and A330 MSN 1602 Limited | 2 | 12 years with pre-termination option |

In February 2012, CAI entered into operating lease agreements with Wells Fargo Bank Northwest, N.A. for the lease of four (4) Airbus A330-300 aircraft. The lease agreements were later on amended to effect the novation of lease rights from the original lessor to their current lessors: Wells Fargo Trust Company, N.A. (not in its individual capacity but solely as Owner Trustee), CIT Aerospace International, and Avolon Aerospace AOE 165 Limited.

In July 2013, CAI entered into aircraft operating lease agreements with Intrepid Aviation Management Ireland Limited for the lease of two (2) Airbus A330. The lease agreements have been amended to effect the novation of lease rights by the original lessor to current lessors, A330 MSN 1552 Limited and A330 MSN 1602 Limited.

The first two (2) Airbus A330 aircraft were delivered in June 2013 and September 2013. Three (3) Airbus A330 aircraft were delivered in February 2014, May 2014, and September 2014 and one (1) Airbus A330 aircraft was delivered in March 2015. As of December 31, 2021, the Group has four (4) Airbus A330 aircraft under operating lease.

A330NEO aircraft

In November and December 2021, the Group entered into 12-year leases with Avolon Leasing Ireland 3 Limited for two (2) A330Neo aircraft delivered in the same months.

Engine Lease Commitments

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

| Date of Lease Agreement | Lessors | No. of Units | Lease Term |
|--------------------------------|-----------------------------|---------------------|-------------------------------------|
| May 2019 | RRPF Engine Leasing Limited | 3 | 6 years with pre-termination option |
| September 2020 | SMBC Aero Engine Lease B.V. | 8 | 18 months – 8 years |

In May 2019, CAI entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of three (3) Trent 700 engines.



In September and October 2020, CAI entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V for eight (8) CFM56 engines. The leases have short and long-term lease arrangements between 18 months to eight (8) years, respectively. In December 2021, one (1) CFM56 engine was amended to effect the novation of lease rights to current lessor, SUNRISE NON-US PO 1 LTD.

As of December 31, 2021 and 2020, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

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

| | 2021 | | 2020 | |
|---|----------------------------|------------------------|----------------------------|-----------------|
| | Philippine peso equivalent | US dollar | Philippine peso equivalent | US dollar |
| Within one year | ₱5,933,673,803 | US\$116,348,826 | ₱6,420,659,489 | US\$133,699,675 |
| After one year but not more than five years | 18,012,393,320 | 353,191,108 | 8,865,244,056 | 184,604,128 |
| Over five years | 12,124,141,820 | 237,732,932 | 2,594,548,640 | 54,027,209 |
| | ₱36,070,208,943 | US\$707,272,866 | ₱17,880,452,185 | US\$372,331,012 |

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱0.4 billion, ₱0.3 billion and ₱0.3 billion in 2021, 2020 and 2019, respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee

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

Future minimum lease payments under these noncancellable operating leases of CAI follow:

| | 2021 | 2020 |
|---|-----------------------|----------------|
| Within one year | ₱217,233,256 | ₱224,965,425 |
| After one year but not more than five years | 920,545,458 | 948,093,648 |
| Over five years | 4,596,404,352 | 4,644,065,119 |
| | ₱5,734,183,066 | ₱5,817,124,192 |

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱352.9 million, ₱412.2 million and ₱702.1 million in 2021, 2020 and 2019, respectively.

RBC and LSB

Operating Lease Commitments - Group as a Lessee

RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.



Rent expense recognized by RBC and LSB (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱157.0 million, ₱124.0 million and ₱110.0 million in 2021, 2020 and 2019, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

| | 2021 | 2020 |
|---|---------------------|--------------|
| Within one year | ₱322,115,526 | ₱336,702,857 |
| After one year but not more than five years | 635,761,285 | 644,448,747 |
| Over five years | 4,892,692 | 12,699,566 |
| | ₱962,769,503 | ₱993,851,170 |

43. Other Commitments and Contingent Liabilities

Parent Company

- *JGSOC Loan Accommodation from Private Bank*

On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from MBTC in the amount of ₱9.2 billion.

- *JGSPC Loan Accommodation from Private Bank*

On February 8, 2018, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

On March 2, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from BDO in the amount of ₱4.0 billion.

On June 9, 2020, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from MBTC in the amount of ₱3.75 billion.

- *JGSPC/JGSOC Loan Accommodation from Private Bank*

On December 7, 2021, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from BPI whether incurred on its own or as a result of the merger between JGSOC and JGSPC, with JGSOC as the surviving corporation, in the aggregate principal amount of ₱21.0 billion including any extension, renewal or modification of such loan/credit accommodation.

- *JGSPL 4.375% Senior Unsecured Notes Due 2023 and 4.125% Senior Unsecured Notes Due 2030*

On January 24, 2013, JGSH Philippines, Limited issued US\$750.0 million, 4.4% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

On June 26, 2020, the BOD of the Parent Company approved to guarantee the obligations of JGSH Philippines, Limited for the issuance of US\$ fixed rate notes amounting to US\$600.0 million.

These notes require the Group not to exceed the 2.0:1.0 financial ratio requirement on its consolidated total borrowing to consolidated total equity ratio and not to fall below 0.5:1.0 financial ratio requirement on its consolidated current assets to consolidated current liabilities ratio.



CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱183.8 billion and ₱154.1 billion as of December 31, 2021 and 2020, respectively, which are payable over the following periods:

| | December 31, 2021 | | December 31, 2020 | |
|---|-------------------|----------------------------|-------------------|----------------------------|
| | US Dollar | Philippine Peso Equivalent | US Dollar | Philippine Peso Equivalent |
| Within one year | US\$644,167,004 | ₱32,851,873,013 | US\$659,224,287 | ₱31,657,927,948 |
| After one year but not more than five years | 2,960,785,854 | 150,997,117,770 | 2,550,481,846 | 122,481,789,707 |
| | US\$3,604,952,858 | ₱183,848,990,783 | US\$3,209,706,133 | ₱154,139,717,655 |

CAI is actively engaged in planning and executing various measures to mitigate the impact of COVID-19 pandemic on its business operations, including negotiations with key suppliers on its capital expenditure commitments.

Aircraft and Spare Engine Purchase Commitments

On October 20, 2015, CAI entered into a Sale and Purchase Contract with Avions Transport Regional G.I.E. to purchase 16 firm ATR 72-600 aircraft and up to ten additional option orders. These aircraft are scheduled for delivery from 2016 to 2022. Two (2) ATR 72-600 were delivered in 2016, six (6) in 2017, four (4) in 2018, and one (1) in 2019 totaling to 13 ATR 72-600 aircraft delivered as of December 31, 2019.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new Airbus A321 CEO aircraft, all of which were delivered in 2018.

On June 14, 2018, CAI has entered into an Aircraft Conversion Services Agreement with IPR Conversions (Switzerland) Limited to convert two (2) ATR 72-500 aircraft from passenger to freighter. The first converted ATR 72-500 freighter aircraft was delivered in August 2019 while the second will be delivered within 2020.

On July 26, 2018, CAI entered into operating lease agreements with Avolon Aerospace Leasing Limited for five (5) Airbus A320NEO aircraft, four of which were delivered on various dates within 2019.

On October 31, 2019, CAI placed an order with Airbus S.A.S to purchase sixteen (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 TotalCare life services and other services required in connection with the sixteen (16) A330NEO aircraft.

On December 19, 2019, CAI placed an additional order with Airbus S.A.S for fifteen (15) A320NEO family aircraft which includes up to ten (10) A321XLR.

As of December 31, 2021, CAI is set to take delivery of fourteen (14) A330 NEO aircraft, twelve (12) A321 NEO aircraft, fifteen (15) A320 NEO aircraft, ten (10) A321XLR aircraft and two (2) ATR 72-600 aircraft until 2027.

The above-indicated commitments relate to CAI's re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2021.



Service Maintenance Commitments

On June 21, 2012, CAI has entered into a 10-year charge per aircraft landing (CPAL) agreement with Messier-Bulgatti-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 22, 2012, CAI has entered into service contract with Rolls-Royce Total Care Services Limited (Rolls-Royce) for service support for the engines of the A330 aircraft. Rolls-Royce will provide long-term Total Care service support for the Trent 700 engines on up to eight A330 aircraft. Contract term shall be from delivery of the first A330 until the redelivery of the last A330.

On March 28, 2017, the CAI entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its A319, A320 and 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.

URC

Milling Contracts

Milling contracts with various planters provide for a 60%-70% share to the planters (including related parties) and 30%-40% share to the Group of sugar and molasses produced from sugar canes milled. The Sugar Industry Development Act of 2015 provides that, to ensure the immediate payment of farmers and secure their income from sugarcane, farmers may enter into any payment method with the sugar mill.

Sugar under Custody but Not Owned

As of December 31, 2021 and 2020, the Group has in its custody sugar owned by several quedan holders amounting to ₱1.4 billion (862,837 Lkg) and ₱1.6 billion (963,224 Lkg), respectively. The said volume of sugar is not reflected in the statement of financial position since this is not owned by the Group. The Group is accountable to both quedan holders and sugar traders for the value of these trusted sugar or their sales proceeds.

Off-Balance Sheet Items

In the normal course of RBC and LSB's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

| | 2021 | 2020 |
|-------------------------------------|------------------------|-----------------|
| Trust and investment group accounts | ₱35,673,879,283 | ₱26,192,113,492 |
| Spot exchange - foreign currency | 537,380,930 | 2,083,121,571 |
| Committed credit lines | 7,659,531,656 | 6,945,067,250 |
| Guarantees issued | 1,850,923,767 | 1,839,592,801 |
| Inward bills for collection | 2,271,244,978 | 1,450,730,126 |
| Outward bills for collection | 124,641,556 | 161,088,252 |
| Letters of credit | 667,045,172 | 343,954,891 |
| Contingent - foreign currency swap | — | 1,092,920,578 |
| Late deposit/payment received | 20,604,807 | 61,959,354 |
| Items held for safekeeping | 188,923 | 77,158 |
| Other contingent account | 184,260 | 184,784 |



Contingencies

The Group has various contingent liabilities arising in the ordinary conduct of business from legal proceedings which are either pending decision by the courts, under arbitration or being contested, the outcomes of which are not presently determinable. In the opinion of management and its legal counsels, the eventual liability under these lawsuits or claims, if any, will not have a material or adverse effect on the Group's financial position and results of operations. The information usually required by PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, is not disclosed on the ground that it can be expected to prejudice the outcome of these lawsuits, claims, arbitration and assessments.

44. Discontinued Operations and Disposal of Businesses

Sale of Oceania business

In July 2019, Intersnack agreed to buy 40% of Oceania business of URC to leverage on the Group's and Intersnack's know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. On December 23, 2019, the Australian Foreign Investment Review Board (FIRB) approved the transaction. Following the approval, the transaction was completed on the same date. Considerations received for the transaction consisted of cash and Yarra Valley net assets amounting to US\$142.0 million (₱7.2 billion) and US\$10.1 million (₱0.5 billion), respectively. As part of the agreement, Intersnack was also given an option to acquire an additional 9% equity share in UHC.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%, and gave rise to 40% non-controlling interest in the consolidated financial statements. As the Group continued to exercise control over UHC, the partial disposal was accounted for as a transaction between owners in their capacity as owners, or an equity transaction, in accordance with the requirements of PFRS 3, *Business Combinations*. Accordingly, the excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under 'Equity reserve' in the consolidated statement of financial position.

On July 29, 2021, URC Oceania executed a share purchase agreement to sell its remaining 60% ownership interest in its Australia and New Zealand businesses (held under UHC) to Intersnack Group. The first tranche was the exercise of the call option from the 2019 transaction by Intersnack, which allowed it to acquire an additional 9% ownership interest (38,700 ordinary shares) in UHC at a pre-determined exercise price. This was immediately followed by the sale for cash of the remaining 51% ownership interest (219,300 ordinary shares) in UHC. The total cash received by URC Oceania from the 2021 disposal amounted to ₱24.03 billion.

The closing conditions were met, and the transaction was approved by the Australian Foreign Investment Review Board and New Zealand Overseas Investment Office on October 29, 2021. As a result of this transaction, the Group has relinquished control and ownership over UHC and its subsidiaries.



The derecognized assets and liabilities of UHC as of the date of deconsolidation follow:

| | |
|--|------------------------|
| Assets | |
| Cash and cash equivalents | ₱1,638,743,847 |
| Receivables | 3,476,025,296 |
| Inventories | 2,115,987,811 |
| Property, plant and equipment | 10,905,146,480 |
| Right-of-use assets | 3,266,978,158 |
| Goodwill | 30,867,806,512 |
| Intangibles | 11,984,311,273 |
| Deferred tax assets | 104,923,273 |
| Other assets | 123,738,222 |
| | ₱64,483,660,872 |
| Liabilities | |
| Accounts payable and other accrued liabilities | ₱4,415,922,993 |
| Income tax payable | 18,419,235 |
| Lease liabilities | 3,863,641,971 |
| Deferred tax liabilities | 3,134,514,373 |
| Other liabilities | 33,278,489,808 |
| | 44,710,988,380 |
| Net Assets | ₱19,772,672,492 |

Cumulative translation adjustments related to Unisnack amounting to ₱214.8 million were also reclassified to profit and loss.

PFRS 5 requires income and expenses from disposal groups to be presented separately from continuing operations, down to the level of profit after taxes. The resulting profit or loss (after taxes) is reported separately in the consolidated statements of income. Accordingly, the consolidated statements of income for the years ended December 31, 2020 and 2019 have been restated to present the results of operations of Unisnack as ‘Net income from discontinued operations’.

The results of operations of Unisnack in the consolidated statements of income are presented below:

| | 2021 | 2020 | 2019 |
|---|-----------------|-----------------|-----------------|
| Sale of goods and services | ₱18,837,246,465 | ₱19,978,296,082 | ₱19,771,310,360 |
| Cost of sales | 12,856,083,612 | 13,508,444,120 | 13,222,819,393 |
| Gross profit | 5,981,162,853 | 6,469,851,962 | 6,548,490,967 |
| Selling and distribution costs | (2,862,499,842) | (3,175,852,507) | (3,336,999,571) |
| General and administrative expenses | (1,077,497,034) | (1,143,290,085) | (942,643,189) |
| Operating income | 2,041,165,977 | 2,150,709,370 | 2,268,848,207 |
| Finance revenue | 17,040,284 | 19,081,780 | 41,760,824 |
| Finance costs | (740,256,456) | (778,762,553) | (1,023,111,805) |
| Foreign exchange gain (loss) - net | 11,153,751 | 17,892,394 | (70,732,216) |
| Equity in net income of joint venture | — | 31,586,911 | 19,842,245 |
| Other income (expense) - net | 170,200,127 | (161,558,790) | (710,348,859) |
| Income before income tax | 1,499,303,683 | 1,278,949,112 | 526,258,396 |
| Provision for income tax | 319,170,663 | 158,476,377 | 161,745,639 |
| Net income | ₱1,180,133,020 | ₱1,120,472,735 | ₱364,512,757 |
| Gain on sale of 60% equity interest | 10,100,438,582 | — | — |
| Net income from discontinued operations | ₱11,280,571,602 | ₱1,120,472,735 | ₱364,512,757 |



| | 2021 | 2020 | 2019 |
|--|------------------------|----------------|--------------|
| Attributable to Parent Company | ₱10,808,518,394 | ₱672,283,641 | ₱145,805,103 |
| Attributable to non-controlling interest | 472,053,208 | 448,189,094 | 218,707,654 |
| | ₱11,280,571,602 | ₱1,120,472,735 | ₱364,512,757 |

Other comprehensive income from discontinued operations consists of the following:

| | 2021 | 2020 | 2019 |
|---|-----------------------|--------------|----------------|
| Cumulative translation adjustments | (₱214,775,311) | ₱514,552,426 | ₱1,071,875,373 |
| Unrealized gain (loss) on cash flow hedge | 11,044,781 | (31,878,966) | — |
| | (₱203,730,530) | ₱482,673,460 | ₱1,071,875,373 |

The related cash flows arising from Oceania business activities for the ten months ended October 31, 2021 follow:

| | 2021 |
|---|-----------------|
| Net cash provided by operating activities | ₱1,816,495,886 |
| Net cash used in investing activities | 21,701,828,072 |
| Net cash used in financing activities | (373,118,903) |
| Net cash flows from discontinued operations | ₱23,145,205,055 |

The aggregate consideration received consists of:

| | |
|---------------------------------|-----------------|
| Cash (net of transaction costs) | ₱23,930,903,237 |
| Non-controlling interest | 6,244,876,706 |
| Equity items | (302,668,869) |
| | ₱29,873,111,074 |

Total gain on deconsolidation amounted to ₱10.1 billion, which is the difference between the consideration received and the carrying value of the Group's investment in Unisnack. The net cash outflow arising from the deconsolidation of cash and cash equivalents of Unisnack amounted to ₱1.6 billion.

45. Share-based Payments

On March 29, 2021, the BOD of CAI 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.

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 CAI 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 CAI's LTIP last December 2, 2021.



Restricted Stock Units (RSU)

On November 26, 2021, 4,710,000 RSUs were granted to 82 eligible persons with 3 years vesting period. These will vest in three (3) tranches; 20%, 30% and 50% at the end of 2021, 2022, 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" within the vesting period. The fair value of each share is ₱48.40 which is the stock price at grant date. The Group does not pay cash as a form of settlement.

On December 31, 2021, 1,094,000 RSUs have vested. The shares were subsequently listed with the Philippine Stock Exchange on January 21, 2022.

Stock Options

On November 26, 2021, 5,205,000 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 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" within the vesting period. These options will expire on December 31, 2027. The Group does not pay cash as a form of settlement.

On December 31, 2021, 1,265,000 stock options have vested. No options were exercised, forfeited or expired during the year. Thus, as of December 31, 2021, the 1,265,000 vested stock options remain to be outstanding and exercisable.

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

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

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

46. Subsequent Events

Continuing COVID-19 pandemic

Real Estate

Following the outbreak of the coronavirus disease that started in Wuhan, Hubei, China, on January 30, 2020, the World Health Organization declared the 2019 coronavirus disease ("COVID-19") outbreak a Public Health Emergency of International Concern, and subsequently, with the continued increase in the number of confirmed cases throughout the world, a pandemic on March 11, 2020.



In response to the pandemic, the Philippine government took actions and implemented quarantine measures at varying degrees starting March 16, 2020 which mandated the temporary closure and/or reduction in operating capacity of non-essential shops and businesses, prohibited mass gatherings and all means of public transportation, and restricted traveling through air, sea and land in and out of country, except by diplomats and uniformed workers (carrying medical supplies), among others. These measures have disrupted supply chains, business operations, and workplace structures, forcing a shift in priorities and short-term strategies.

With public health and safety in mind and in full cooperation with the government, the Group's malls and offices remained open to support establishments offering essential services, such as groceries, pharmacies, banks, and IT-Business Process Management (IT-BPM) firms; while the Group's residential teams worked relentlessly to ensure safety and security across condominium properties. Likewise, the Group's hotels served as temporary homes for returning Overseas Filipino Workers (OFWs) and guests under quarantine; while industrial facilities continued to operate under business-as-usual conditions.

The Group also institutionalized heightened cleanliness standards and invested in contactless technologies to minimize health and safety risks. While the ensuring business continuity, employee welfare and protection remained of utmost priority with the adoption of remote work arrangements and a digital workplace.

Furthermore, the Group has rolled out innovative solutions in response to the changed business landscape.

The Group is cognizant of COVID-19's potential material impact on its financial performance, the execution of its plans and strategies, and its customers and employees should the situation persist in the longer-term. Nevertheless, the Group expects to regain its significant foothold in the market it operates in as movement restrictions ease and as consumer sentiment recovers. Furthermore, despite unprecedented headwinds, the Group's financial position remains stable and strong on the back of its well-balanced and diversified business portfolio.

As of reporting date, hotels remained opened, commercial centers operate at adjusted operating hours and construction works on projects have resumed following safety protocols in accordance with the guidelines issued by regulatory agencies.

Air transportation

On April 28, 2021, the Philippine Government extended the MECQ until May 14, 2021. On May 13, 2021, the Office of the President announced that Metro Manila and 4 adjacent provinces will shift to general community quarantine (GCQ) with heightened restrictions until May 31, 2021 and then eventually extended until June 15, 2021. On June 29, 2021, the President of the Philippines approved the recommendation of the Inter-Agency Task Force on emerging Infectious Diseases (IATF) to extend the general community quarantine in "NCR Plus" until July 15, 2021 and subsequently extended until July 31, 2021. NCR stayed under GCQ until August 5, 2021. Beginning August 6, 2021, the classification of the NCR was escalated to Enhanced Community Quarantine until August 20, 2021. The IATF decided to ease the strict lockdown in NCR beginning August 21, lowering the status in both areas to a modified enhanced community quarantine (MECQ) until September 7, 2021. The risk level classification of NCR as MECQ was maintained until September 15, 2021.

IATF imposed new classification framework which focuses on the imposition of granular lockdown measures. Community quarantines were reduced to either ECQ or GCQ with the latter having an Alert Level System (Alert level 1 to 4) with each Alert Level limiting restrictions to identified risk activities. The pilot area for this policy shall be the NCR which started from September 16, 2021 until



September 30, 2021 wherein NCR was placed under the GCQ Alert Level 4 which was subsequently extended until October 15, 2021. IATF placed NCR under Alert Level 3 starting October 16, 2021 until November 4, 2021. IATF placed NCR under Alert Level 2 starting November 5, 2021 until January 2, 2022. Furthermore, Alert Level classification of NCR was escalated to Alert Level 3 starting January 3, 2022 until January 15, 2022 and subsequently extended until January 31, 2022. Subsequently, NCR was placed to Alert Level 2 starting February 1, 2022 until February 28, 2022. On February 27, 2022, IATF placed NCR under Alert level 1 starting March 1, 2022. These measures have caused disruptions to the businesses and economic activities, and its impact on businesses continue to evolve.

Likewise, government authorities in other countries where the Group operates certain flights, continued to adopt measures, including lockdowns, to control the continuing spread of the virus and mitigate the impact of the outbreak.

The scale and duration of these developments remain uncertain as at the report date. The COVID-19 pandemic could have a material impact on the Group's financial results for the rest of 2022 and even periods thereafter. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

47. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2021 and 2020 follow:

| | January 1, 2021 | Cash Flows | Foreign Exchange Movement | Currency Translation Adjustment | Others* | December 31, 2021 |
|------------------|-------------------------|-----------------------|---------------------------|---------------------------------|--------------------------|-------------------------|
| Short-term debts | ₱44,418,092,185 | ₱21,217,531,235 | ₱418,719,374 | (₱58,759,312) | ₱— | ₱65,995,583,482 |
| Long-term debts | 272,341,886,341 | (25,562,742,347) | 4,675,660,724 | 1,533,234,208 | (32,655,846,043) | 220,332,192,883 |
| Bonds payable | — | 11,782,473,335 | 759,069,399 | — | (356,706,608) | 12,184,836,126 |
| | ₱316,759,978,526 | ₱7,437,262,223 | ₱5,853,449,497 | ₱1,474,474,896 | (₱33,012,552,651) | ₱298,512,612,491 |

*Others consist of divestment of Oceania business and amortization of bond issue cost.

| | January 1, 2020 | Cash Flows | Foreign Exchange Movement | Currency Translation Adjustment | Others* | December 31, 2020 |
|------------------|-------------------------|------------------------|---------------------------|---------------------------------|--------------------|-------------------------|
| Short-term debts | ₱ 54,047,410,004 | (₱4,446,839,106) | (₱277,486,729) | (₱4,904,991,984) | ₱— | ₱44,418,092,185 |
| Long-term debts | 218,935,534,707 | 55,695,893,718 | (3,205,183,463) | 853,097,627 | 62,543,752 | 272,341,886,341 |
| | ₱272,982,944,711 | ₱51,249,054,612 | (₱3,482,670,192) | (₱4,051,894,357) | ₱62,543,752 | ₱316,759,978,526 |

*Others consist of amortization of bond issue cost.

The principal noncash activities of the Group include movements in the cumulative translation adjustment amounting to ₱1.7 billion, (₱1.9 billion) and ₱1.2 billion in 2021, 2020 and 2019, respectively.

48. Approval for the Release of the Consolidated Financial Statements

The accompanying consolidated financial statements of the Group were approved and authorized for issue by the BOD on March 30, 2022.



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, included in this Form 17-A, and have issued our report thereon dated March 30, 2022. 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, the financial information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole, are prepared in all material respects, in accordance with Philippine Financial Reporting Standards, as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission as described in Note 2 to the consolidated financial statements.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas
Partner

CPA Certificate No. 86838

Tax Identification No. 129-434-735

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 86838-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022



INDEPENDENT AUDITOR'S REPORT ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

The Stockholders and the Board of Directors
JG Summit Holdings, Inc.
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City, Metro Manila

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of JG Summit Holdings, Inc. and its subsidiaries (the Group) as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021, and have issued our report thereon dated March 30, 2022. Our audits were made for the purpose of forming an opinion on the basic consolidated 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 Group's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs), as modified by the application of the financial reporting reliefs issued and approved by the Securities and Exchange Commission (SEC) as described in Note 2 to the consolidated financial statements, 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 SEC, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs, as modified by the application of the financial reporting reliefs issued and approved by the SEC as described in Note 2 to the consolidated financial statements. The components of these financial soundness indicators have been traced to the Group's financial statements as at December 31, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.



Vicky Lee Salas

Partner

CPA Certificate No. 86838

Tax Identification No. 129-434-735

BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024

SEC Partner Accreditation No. 86838-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

SEC Firm Accreditation No. 0001-SEC (Group A)

Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions

BIR Accreditation No. 08-001998-053-2020, November 27, 2020, valid until November 26, 2023

PTR No. 8854312, January 3, 2022, Makati City

March 30, 2022



JG SUMMIT HOLDINGS, INC.

**SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS
AVAILABLE FOR DIVIDEND DECLARATION (ANNEX 68-D)
AS OF DECEMBER 31, 2021**

The table below presents the retained earnings available for dividend declaration as of December 31, 2021:

| | |
|--|-----------------|
| Unappropriated Retained Earnings, beginning | P28,336,091,757 |
| Adjustment: | |
| Unrealized market valuation gains on financial assets at FVPL in prior years | — |
| Unappropriated Retained Earnings, as adjusted, beginning | 28,336,091,757 |
| Net income during the year | 8,635,657,612 |
| Add: Realized market valuation loss on financial assets at FVPL | 58,619,988 |
| Less: Dividend declaration during the year | (2,873,173,790) |
| Total Retained Earnings available for dividend declaration as of December 31, 2021 | P34,157,195,567 |

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

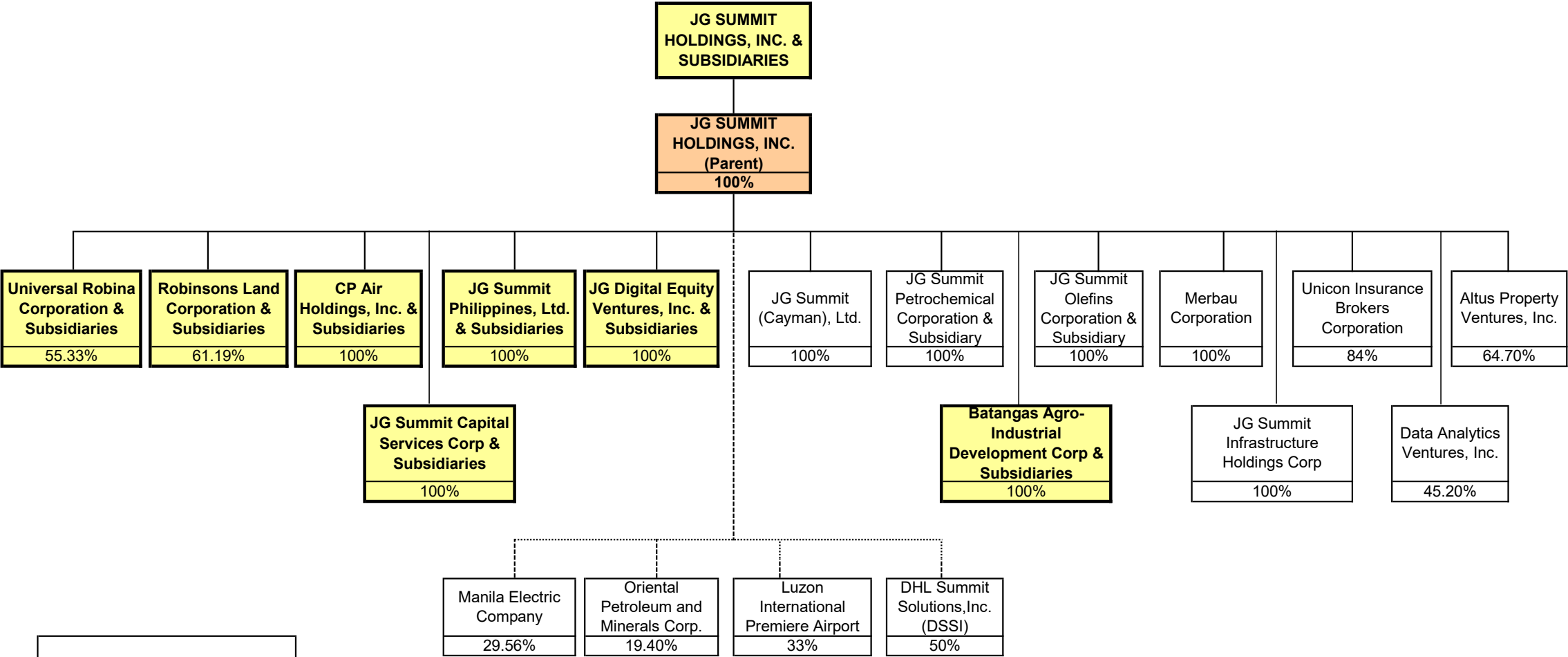
SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR (ANNEX 68-E)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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

| Ratio | Formula (in millions) | 2021 | 2020 |
|--|--|-------------|-------------|
| Current ratio | <div> <div>Total Current Assets306,267</div> <div>Divide by: Total Current Liabilities300,210</div> <hr/> <div>Current ratio1.02</div> </div> | 1.02 | 1.02 |
| Debt-to-equity ratio/ Gearing ratio | <div> <div>Total Debt*300,245</div> <div>Divide by: Total Equity443,631</div> <hr/> <div>Debt-to-equity ratio0.68</div> </div> <p><i>*Short-term loans + Long-term loans + Derivative liabilities</i></p> | 0.68 | 0.78 |
| Asset-to-equity ratio | <div> <div>Total Assets1,022,745</div> <div>Divide by: Total Equity443,631</div> <hr/> <div>Asset-to-equity ratio2.31</div> </div> | 2.31 | 2.45 |
| Operating income margin | <div> <div>Operating Income11,416</div> <div>Divide by: Total Revenues230,552</div> <hr/> <div>Operating income margin0.05</div> </div> | 0.05 | 0.05 |
| Return on equity | <div> <div>Net income attributable to equity holders of the Parent Company5,108</div> <div>Divide by: Average Equity attributable to equity holders of the Parent Company321,815</div> <hr/> <div>Return on equity0.016</div> </div> | 0.016 | (0.002) |

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

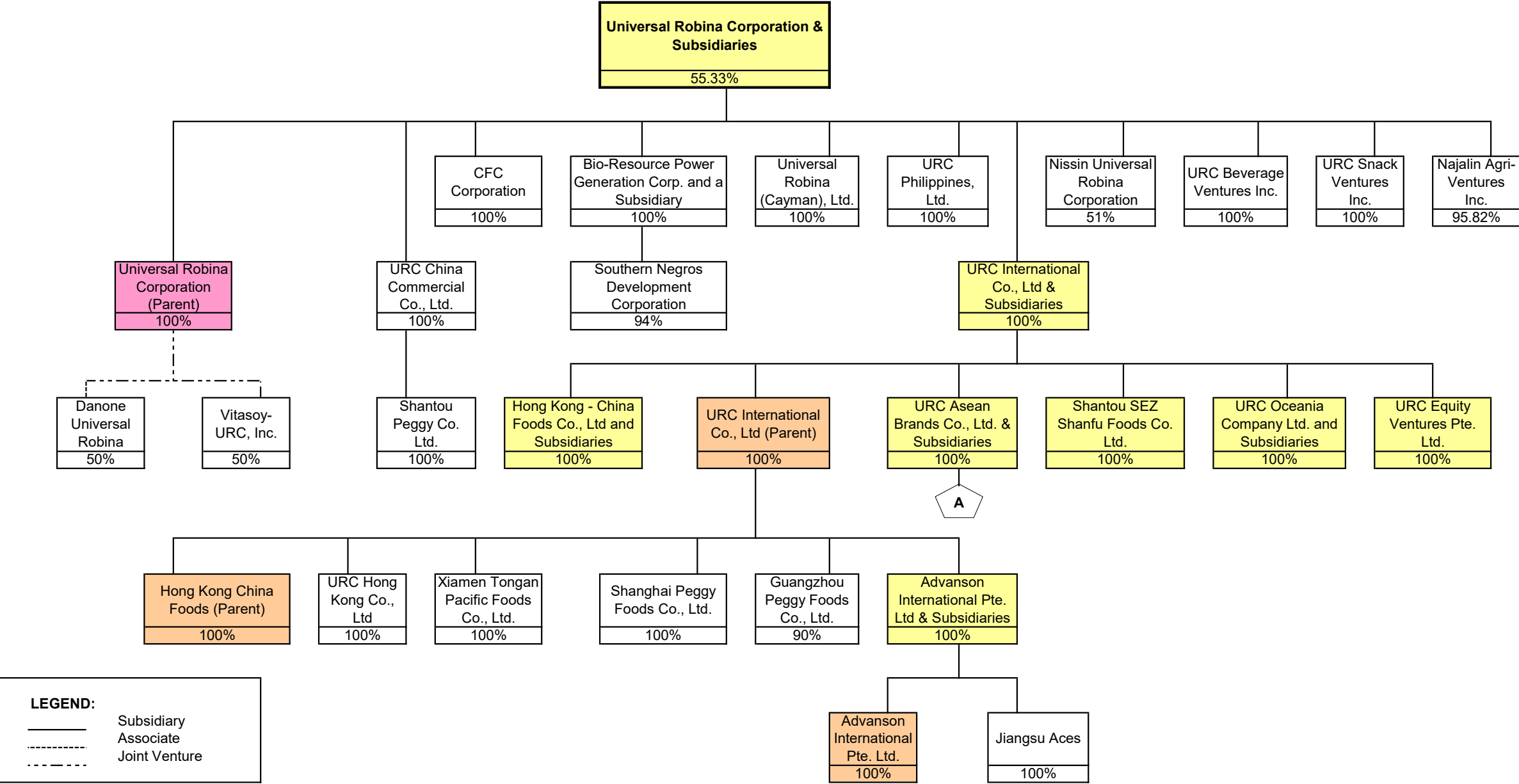
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

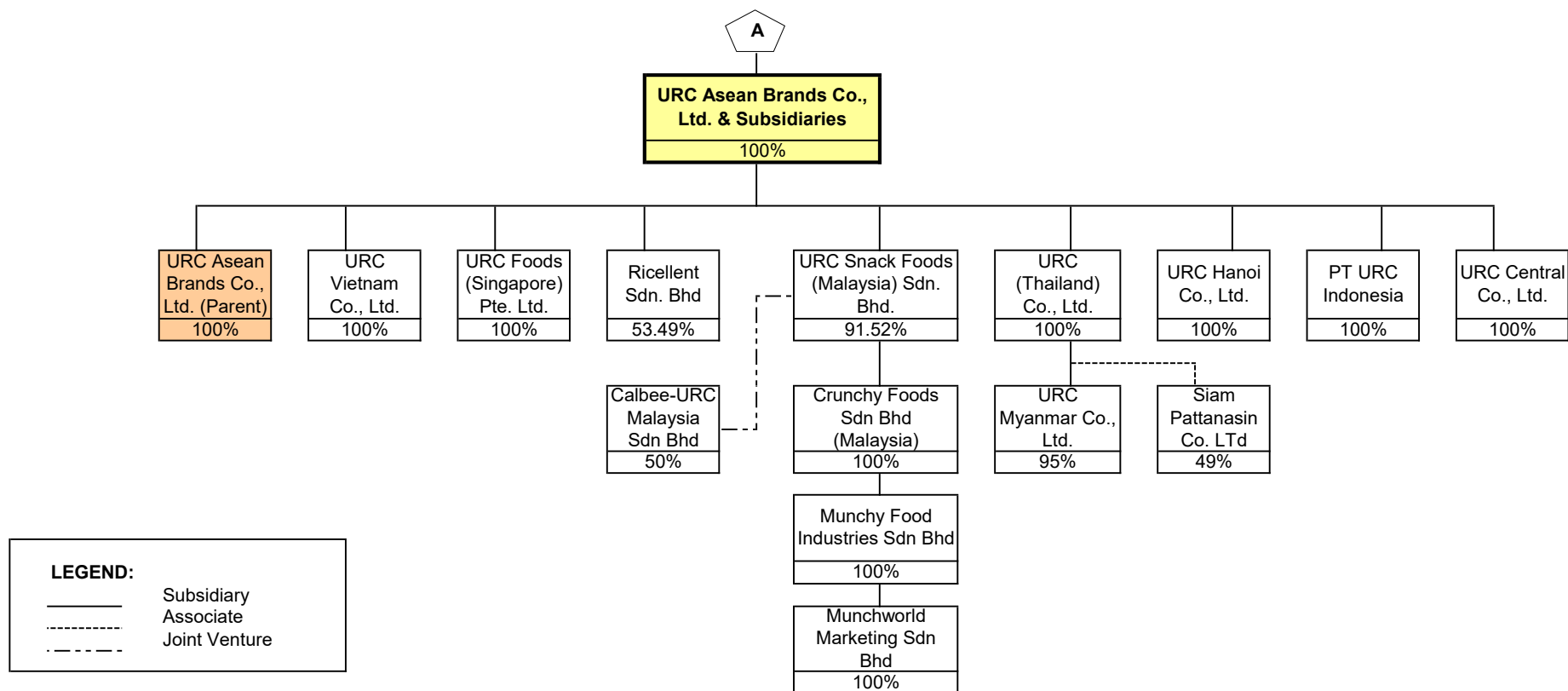


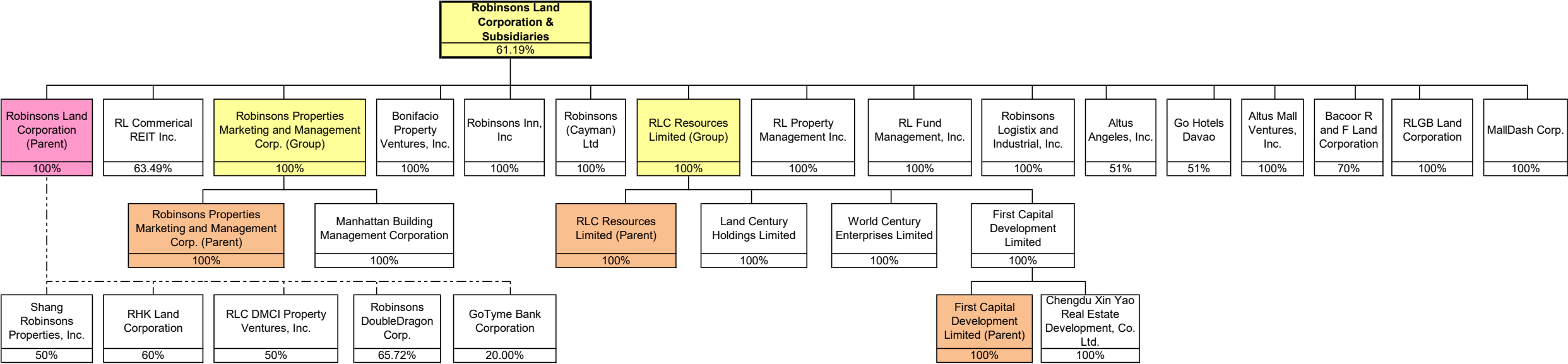
LEGEND:

- Subsidiary
- Associate
- Joint Venture

NOTE: Please see separate sheets for the organizational structures of the various consolidation groups.

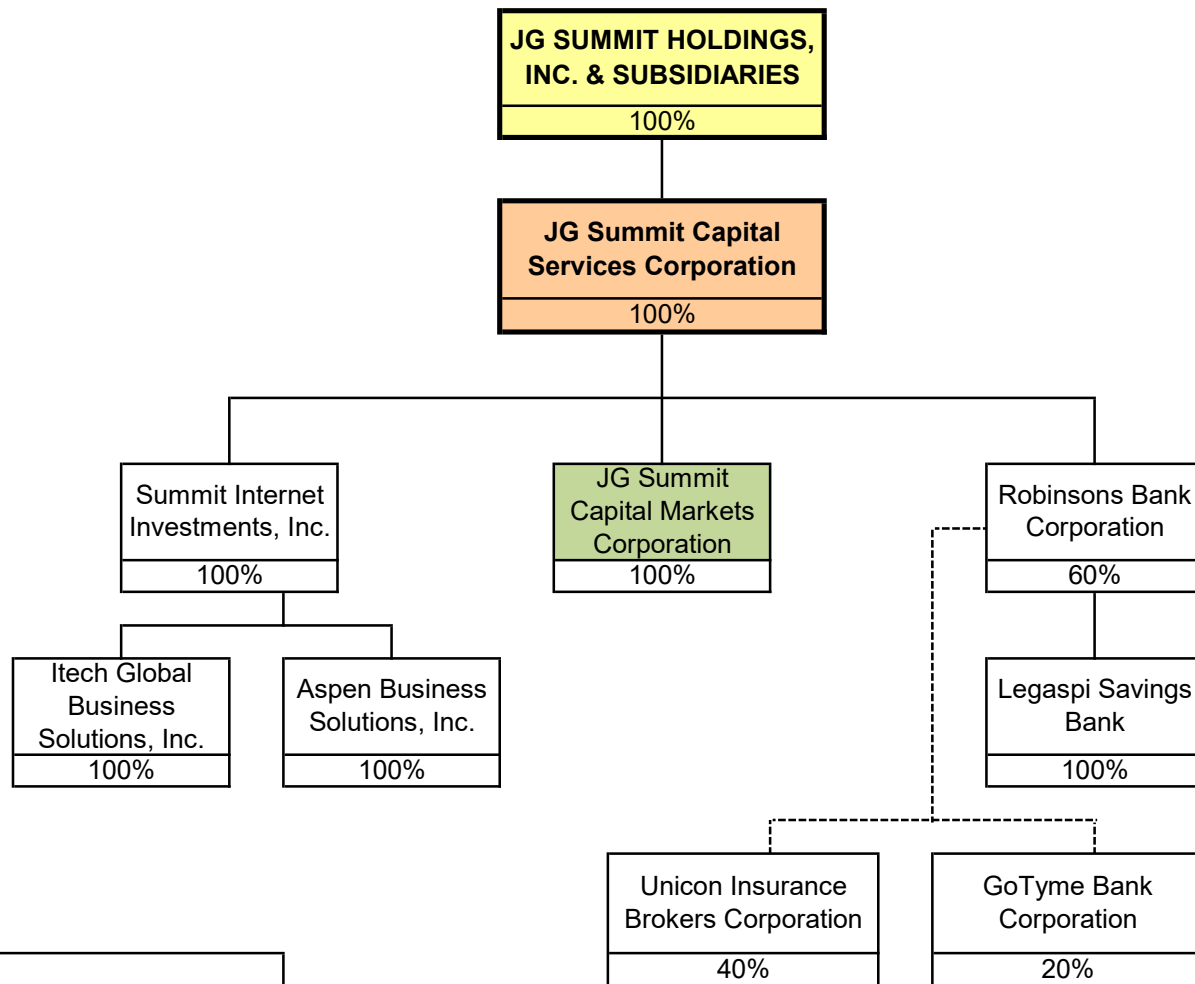






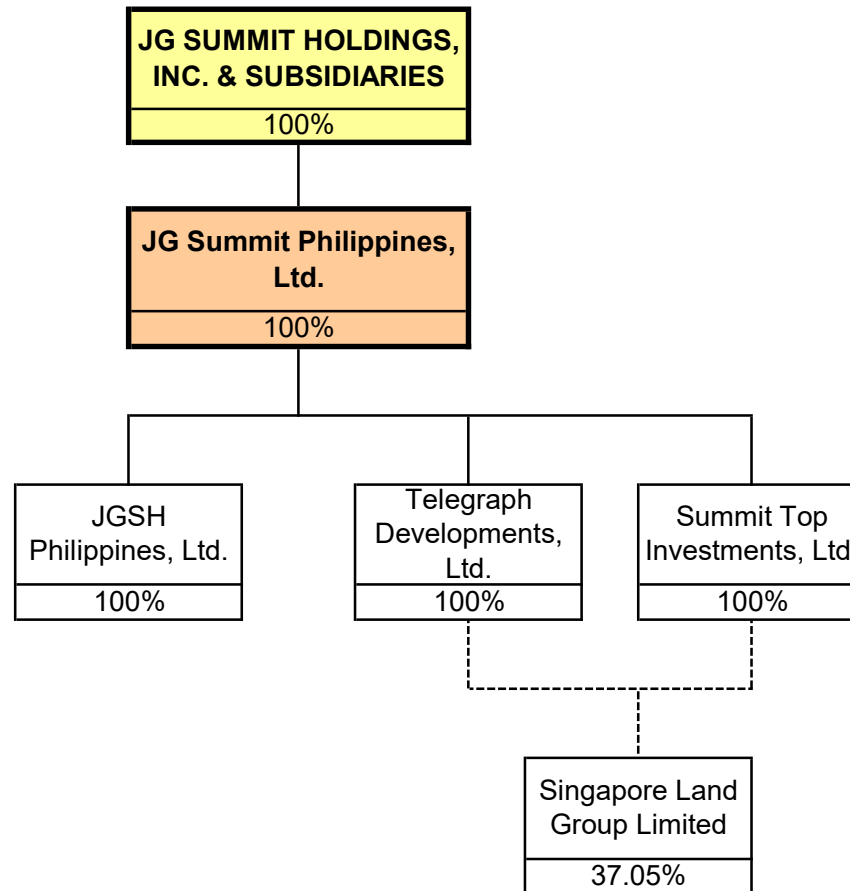
LEGEND:

- Subsidiary
- Associate
- - - - - Joint Venture

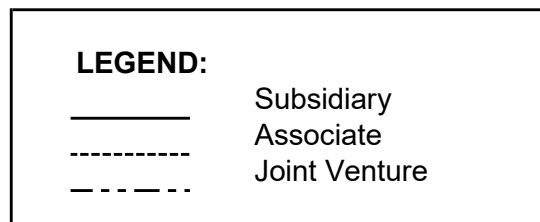
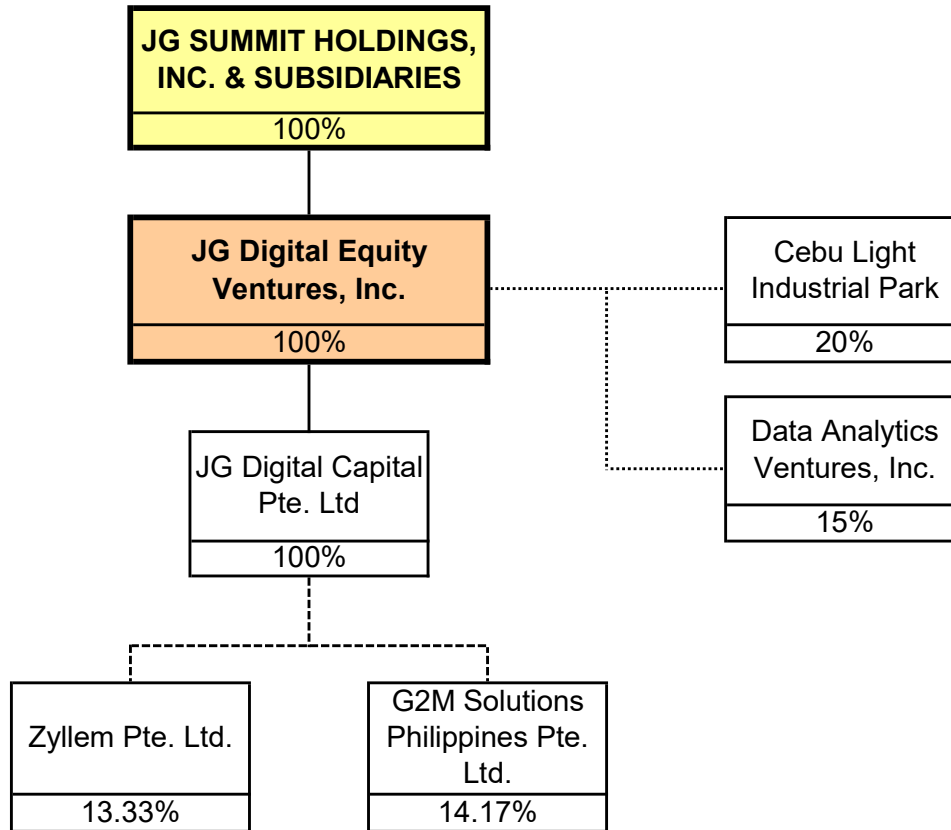


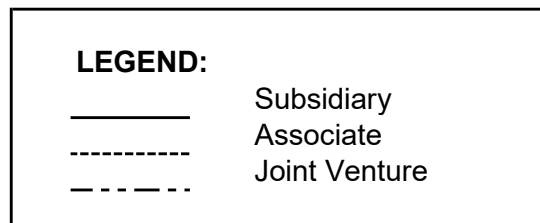
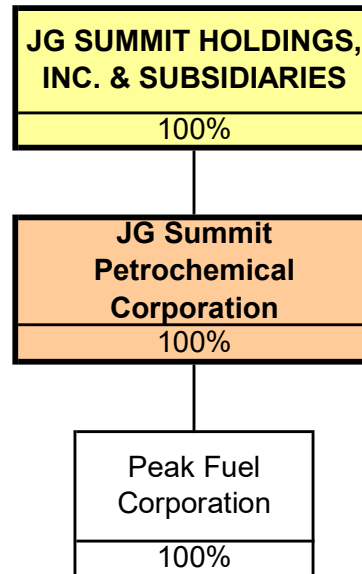
LEGEND:

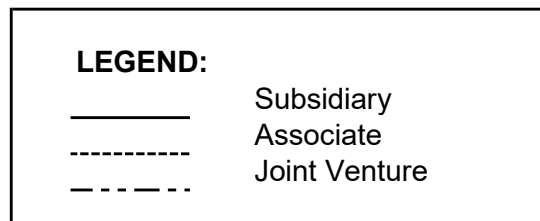
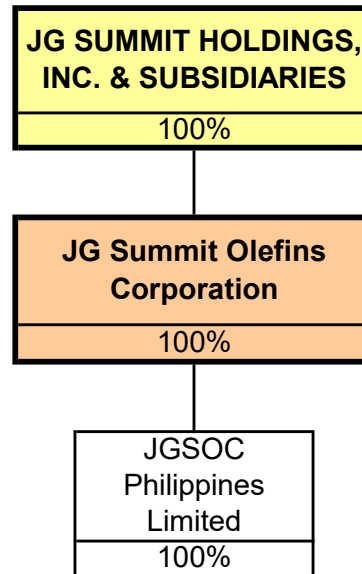
- Subsidiary
- - - Associate
- . - . Joint Venture
- Inactive company

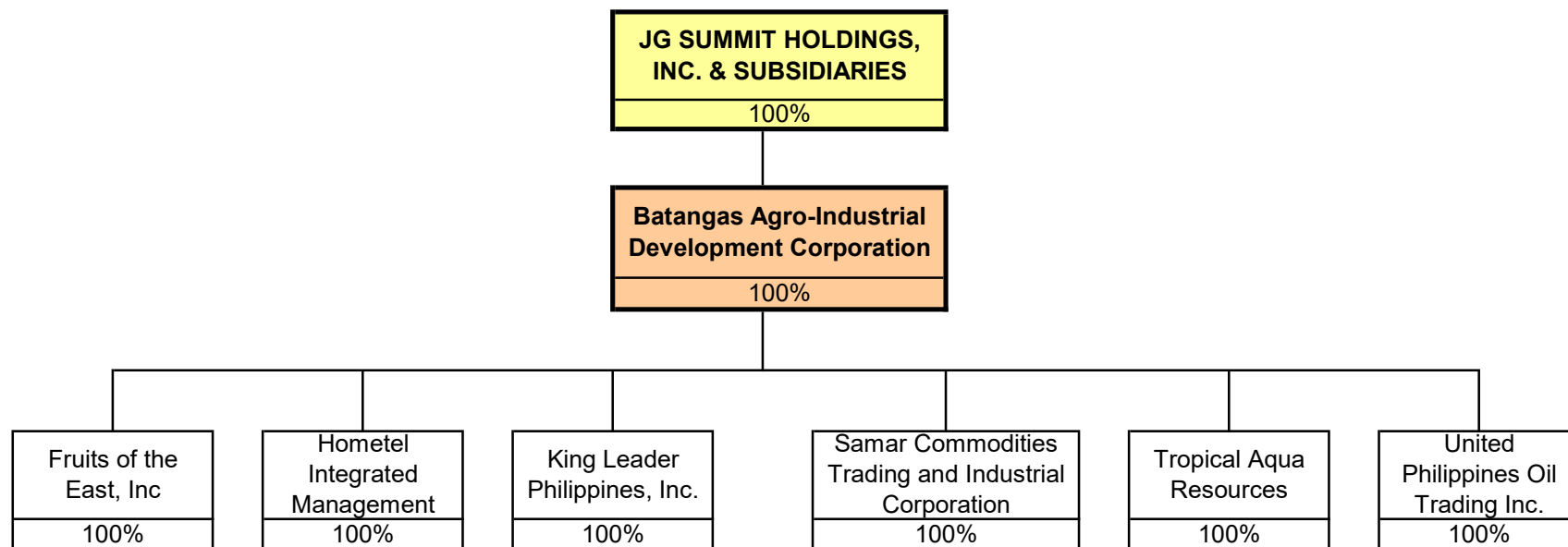


| LEGEND: | |
|-----------|---------------|
| ———— | Subsidiary |
| ----- | Associate |
| - - - - - | Joint Venture |









LEGEND:

_____ Subsidiary
 Associate
 - - - - - Joint Venture

G SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2021

| 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 |
|--|--|--|--------------------------------|
| Financial Assets (Liabilities) at Fair Value Through Profit or Loss | | | |
| Various / Government Bonds | P1,912,412 | P1,912,412 | P252,927,020 |
| Investment in Convertible Note | 4,020,115,416 | 4,020,115,416 | — |
| Various Equity Quoted Securities | 2,438,988,335 | 2,438,988,335 | 113,331,401 |
| | 6,461,016,163 | 6,461,016,163 | 366,258,421 |
| Financial Assets at Fair Value Through Other Comprehensive Income | | | |
| Various / Private Bonds | 21,514,353,455 | 21,514,353,455 | 976,528,666 |
| Various / Government Bonds | 15,713,379,337 | 15,713,379,337 | 221,851,580 |
| Philippine Long Distance Telephone Corp. | 44,108,530,272 | 44,108,530,272 | 1,996,081,310 |
| Various Equity Quoted Securities | 608,783,816 | 608,783,816 | 30,445,937 |
| Various Equity Unquoted Securities | 1,820,169,419 | 1,820,169,419 | — |
| | 83,765,216,300 | 83,765,216,299 | 3,224,907,493 |
| Financial Assets at Amortized Cost | | | |
| Private debt securities | 1,819,331,441 | 1,819,331,441 | 78,438,619 |
| Government debt securities | 6,655,527,338 | 6,655,527,338 | 226,762,092 |
| | 8,474,858,779 | 8,474,858,779 | 305,200,711 |
| | P98,701,091,241 | P98,701,091,241 | P3,896,366,625 |

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE B – AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES, RELATED PARTIES
AND PRINCIPAL STOCKHOLDERS (OTHER THAN RELATED PARTIES)
DECEMBER 31, 2021

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Collections | Write-Offs | Balance at End of Period | | |
|--------------------------------|--------------------------------------|-----------|-------------|------------|--------------------------|-------------|-------|
| | | | | | Current | Non-Current | Total |

- NONE TO REPORT

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE C – AMOUNTS RECEIVABLE FROM RELATED PARTIES WHICH ARE ELIMINATED
DURING THE CONSOLIDATION OF FINANCIAL STATEMENTS
DECEMBER 31, 2021

| Name and Designation of Debtor | Balance at Beginning of Period | Additions | Amounts Collected | Amounts Written-Off | Balance at End of Period | | |
|--|--------------------------------|----------------|-------------------|---------------------|--------------------------|-------------|----------------|
| | | | | | Current | Non-Current | Total |
| Batangas Agro-Industrial Development Corporation (<i>Subsidiary</i>) | P270,256,036 | P– | P– | P– | P270,256,036 | P– | P270,256,036 |
| Cebu Air, Inc. (<i>Subsidiary</i>) | 61,600,059 | 52,567,034 | (107,626,369) | – | 6,540,724 | – | 6,540,724 |
| Data Analytics Ventures, Inc. (<i>Subsidiary</i>) | 38,746,650 | 74,892,723 | (113,433,399) | – | 205,974 | – | 205,974 |
| JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc.) | – | 178,949,500 | (178,940,937) | – | 8,563 | – | 8,563 |
| JG Summit Holdings, Inc. (<i>Parent</i>) | 3,418,457,204 | 147,237,158 | (39,569,976) | – | 3,526,124,386 | – | 3,526,124,386 |
| JG Summit Infrastructure Holdings Corporation (<i>Subsidiary</i>) | 2,399,990 | 80,841 | – | – | 2,480,831 | – | 2,480,831 |
| Robinsons Bank Corporation (<i>Subsidiary</i>) | 161,259,936 | 82,456,519 | (71,107,964) | – | 172,608,491 | – | 172,608,491 |
| Robinsons Land Corporation and Subsidiaries (<i>Subsidiary</i>) | 276,447,754 | 321,482,865 | (453,326,626) | – | 144,603,993 | – | 144,603,993 |
| Summit Internet Investments, Inc. and Subsidiaries (<i>Subsidiary</i>) | 104,553,211 | – | (2,661,483) | – | 101,891,728 | – | 101,891,728 |
| Universal Robina Corporation and Subsidiaries (<i>Subsidiary</i>) | 352,075,030 | 409,542,779 | (368,404,180) | – | 393,213,629 | – | 393,213,629 |
| | P4,685,795,870 | P1,267,209,419 | (P1,335,070,934) | P– | P4,617,934,355 | P– | P4,617,934,355 |

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D – LONG-TERM DEBT
DECEMBER 31, 2021

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown under Caption “Current Portion of Long-Term Debt” in Related Balance Sheet | Amount Shown under Caption “Long-Term Debt in Related Balance Sheet | Remarks |
|---|---|--|--|----------------|
| Fixed Rate Term Loans Due 2022, 2024 and 2025 | P– | P4,987,350,590 | P8,828,070,906 | |
| Floating Rate Term Loans Due 2023 and 2024 | – | (34,455,098) | 21,970,624,157 | |
| Guaranteed Notes Due 2023 | – | (32,701,765) | 31,150,291,158 | |
| Guaranteed Notes Due 2030 | – | (13,384,141) | 30,478,433,316 | |
| CAI - Commercial Loans | – | 3,883,078,638 | 42,072,020,978 | See |
| RLC - Fixed Rate Retail Bonds Due 2022, 2023 and 2025 | – | 10,576,961,564 | 14,518,960,197 | Notes |
| RLC - Fixed Rate Term Loans | – | 134,864,680 | 21,812,077,703 | Below |
| Petrochem - Floating Rate Term Loans | – | – | 18,508,000,000 | |
| Petrochem - Fixed Rate Term Loans | – | – | 11,492,000,000 | |
| | P– | P19,501,714,468 | P200,830,478,415 | |

| Title of Issue and Type of Obligation | Amount Authorized by Indenture | Amount Shown under Caption “Bonds Payable” in Related Balance Sheet |
|--|---|--|
| Convertible bonds | P– | P12,184,836,126 |

NOTES:

- 1) The terms, interest rate, collaterals and other relevant information are shown in the Notes to Consolidated Financial Statements.
- 2) The negative amounts represent debt issuance costs to be amortized the following year

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE E – INDEBTEDNESS TO RELATED PARTIES (LONG-TERM LOANS FROM RELATED COMPANIES)
DECEMBER 31, 2021

| Name of Related Party | Balance at Beginning of the Period | Balance at End of the Period |
|-----------------------|------------------------------------|------------------------------|
|-----------------------|------------------------------------|------------------------------|

- NONE TO REPORT -

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE F – GUARANTEES OF SECURITIES OF OTHER ISSUERS
DECEMBER 31, 2021

| Name of issuing entity of securities guaranteed by the Company for which this statement is filed | Title of issue of each class of securities guaranteed | Total amount guaranteed and outstanding | Amount owned by person for which this statement is filed | Nature of guarantee |
|--|---|---|--|---------------------|
|--|---|---|--|---------------------|

- NONE TO REPORT -

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE G – CAPITAL STOCK
DECEMBER 31, 2021

| Title of Issue | Number of Shares Authorized | Number of Shares Issued and Outstanding | Number of Shares Reserved for Options, Warrants, Conversion and Other Rights | Number of Shares Held by | | |
|--|-----------------------------------|---|---|--------------------------|--------------------------------------|---------------|
| | | | | Affiliates | Directors, Officers and Employees | Others |
| Common Shares at ₱1 par value | 12,850,800,000 | 7,520,983,658 | – | 284,267,025 | 1,070,235,625 | 6,166,481,008 |
| Preferred Voting Shares at ₱0.01 par value | 204,000,000,000 | 4,200,000,000 | – | – | – | 42,000,000 |