COVER SHEET
for
AUDITED FINANCIAL STATEMENTS

SEC Registration Number: 1 8 4 0 4 4

COMPANY NAME

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

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

43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City

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

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)
1,003	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, 2022**

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 ₱328,019,562,021.

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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), was incorporated in November 1990 as the holding company for a group of companies with substantial stakes 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.

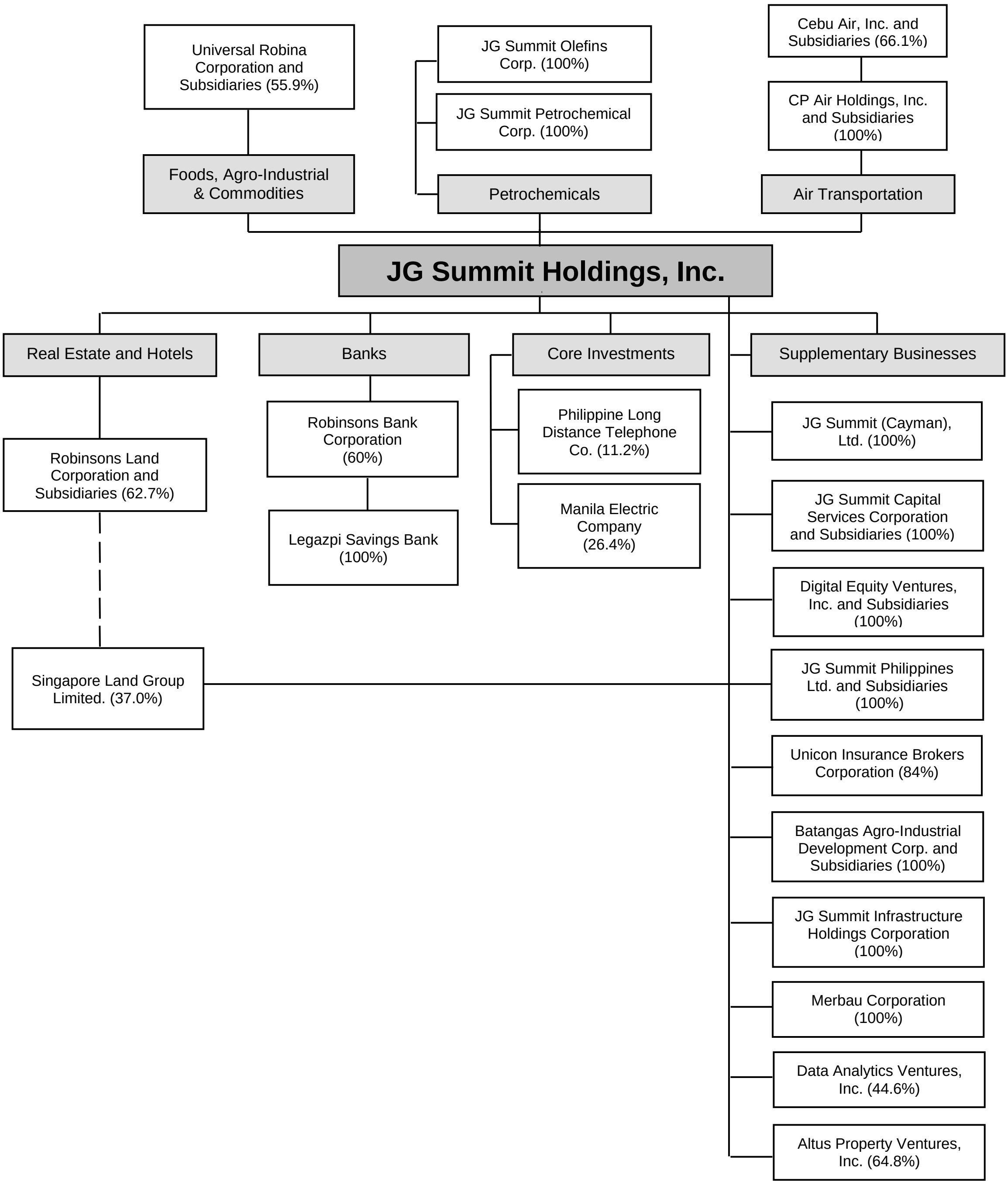
The Group also has a branded consumer foods business in the People's Republic of China (PRC), ASEAN, and a core investment in a property development company in Singapore.

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.**					
	2022		2021		2020		**2022**		2021		2020	
	Peso	**%**	Peso	%	Peso	%	Peso	%	Peso	%	Peso	%
Food, Agro-Industrial and Commodity Food Products	**149,605**	**50**	116,896	53	113,164	58	**7,783**		12,496		5,566	
Air Transportation	**56,638**	**19**	15,566	7	22,302	12	**(9,163)**		(17,150)		(15,092)	
Real estate and hotels	**48,241**	**16**	39,221	18	30,518	16	**9,158**		7,600		5,702	
Petrochemicals	**37,003**	**12**	41,806	19	22,297	11	**(14,904)**		(2,139)		(1,979)	
Other Supplementary Businesses	**11,690**	**4**	9,650	4	7,944	4	**6,699**		4,302		4,147	
Adjustments/eliminations	**(1,269)**	–	(1,860)	(1)	(1,181)	(1)	**140**		(1,220)		152	
Total from Continuing Operations	**301,908**	**100**	221,279	100	195,044	100	**(287)**		3,889		(1,504)	

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):

	2022		2021		2020	
	Amount	**%**	Amount	%	Amount	%
Domestic	**217,317**	**72**	161,322	73	152,103	78
Foreign	**84,591**	**28**	59,958	27	42,941	22
	301,908	**100**	221,280	100	195,044	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, 2022, 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 (2020-2022) 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 URC's largest segment contributing about 71.9% of revenues for the year ended December 31, 2022. 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 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 URC BOPP Packaging and URC 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 provides 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 21.5% of URC's sale of goods and services for the year ended December 31, 2022.

URC's agro-industrial and commodity food group segment operates three divisions: (1) agro-industrial group (AIG), (2) flour division; and (3) sugar and renewable division (SURE). This segment contributed approximately 28.1% of sale of goods and services in 2022.

URC-SURE is one of the biggest producers of diversified-sugarcane products in the Philippines. Its core businesses include production and sale of raw and refined sugar, molasses, power, alcohol and liquid carbon dioxide. URC-SURE's focus on improving factory and energy efficiency, product quality and building strong planter relationships are the key factors that helped it become the biggest sugar miller in the Philippines. The diversification into renewables and value-added businesses also gave the Company a long-term competitive advantage in terms of sustaining profitability.

URC Flour is one of the top three flour millers in the Philippines. It drives the growth of the industry by introducing new products that cater to different flour-based categories such as breads, buns, cakes, noodles, wrappers, biscuits, pizza, cookies and breading mix. It also supplies pasta and flour products to popular quick service restaurants in the country. Its state-of-the-art flour mills and blending facilities allow the division to manufacture customized products to fit the specific needs of its customers

The percentage contribution to the URC's sale of goods and services for each of the three years ended December 31, 2020, 2021 and 2022, by each of the URC's principal business segments is as follows:

	For the years ended December 31		
	2022	2021	2020
Branded Consumer Foods Group	**71.9%**	71.4%	73.9%
Agro-Industrial Group	**9.6%**	9.8%	10.5%
Commodity Foods Group	**18.5%**	18.8%	15.6%
	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, 2020, 2021 and 2022 is as follows:

	For the years ended December 31		
	2022	2021	2020
Philippines	**78.5%**	81.0%	81.2%
International	**21.5%**	19.0%	18.8%
	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. The URC branded consumer food products are distributed directly to over 300,000 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 the 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 allots a substantial amount of its expenditures to support advertising and branding to differentiate its products and further expand market share both in the Philippines and in its overseas markets. Expenses include funding for advertising campaigns such as television and radio commercials, print and digital advertisements, as well as trade and consumer promotions.

URC 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 Good Animal

Husbandry Practice accredited, and 100% compliant to Good Manufacturing Practices. 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 Kabalikat Farm Program covering Hog and Gamefowl and Kennel stakeholders.

URC-SURE is well-positioned in the sales and distribution of its products at a competitive price. URC has developed good and long-standing customer relationships with industrial users, key accounts and traders and has developed a niche market for its premium sugar products.

URC Flour has always believed in the huge potential of the local baking industry. Most of its marketing efforts are geared towards promoting local bread consumption and supporting young Filipino bakers through one of its initiatives, URC FLOURish Pilipinas. This innovative learning enhancement program aims to build a nation of entrepreneurs by supporting the skill, talent and passion of young bakers. Its nationwide distribution covers different trade channels such as commodity product dealers, bakery chains and institutional accounts. URC Flour intends to expand its distribution by increasing the number of institutional accounts in key areas and penetrate underserved areas in Southern Luzon.

Competition
The BCF business is highly competitive, with competition varying 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 the 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, Animal Nutrition and Health; and Food, Drugs and Disinfectants. This reorientation will allow URC AIG to pivot itself towards 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 Food, 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.

The Philippine sugar industry is characterized by a strong competition for cane supply. As such, URC puts a strong emphasis in addressing the needs of the planters so that being identified as "Partner ng Planter", URC-SURE will become the planters' mill of choice. URC continues to invest significant capital expenditures every year to improve efficiencies, maximize existing synergies and expand scale.

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. New products launched in the past three years (2020-2022) have seen strong growth and is contributing more than 9% of sales of total Branded Consumer Foods.

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 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.

For its Animal Nutrition and Health 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 Disinfectants 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 Farms segment, 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 Animal Nutrition and Health 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. The Company believes that alternative sources of supply of the raw materials that it uses are readily available. The Company's policy is to maintain approximately 30 to 110 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 URC's food products. In Philippine operations alone, about ₱218 million was spent for research and development activities in 2022 and approximately ₱209 million and ₱193 million in 2021 and 2020, 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, 2022, URC has invested about ₱475 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, 2022, JG Summit, RLC's controlling shareholder, owned approximately 62.66% 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 Divison) develops, leases and manages lifestyle commercial centers or shopping malls throughout the Philippines. As of December 31, 2022, RLC operates fifty-three (53) shopping malls, comprising nine (8) malls in Metro Manila and forty-five (45) malls in other urban areas throughout the Philippines, and has another two (2) new malls this year and one (1) mall ceased its operations to make way for its redevelopment.

Commercial Centers Division footfall and occupancy is nearing pre-pandemic levels. The resumption of face-to-face classes, increase in on-site work, and the full operations of restaurants, retail stores, amusement centers, gyms and personal care services significantly contributed to the upsurge in foot traffic and revenues.

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 2022, RLC has three (3) new malls and two (2) expansions in the planning and development stage for completion in the next two (2) years. RLC's business plan for Robinsons Malls 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 ₱3.3 billion and ₱2.4 billion for the calendar years ended December 31, 2022 and 2021, respectively.

b.) Residential Division
RLC's Residential Division develops and sells residential developments for sale/pre-sale. As of December 31, 2022, RLC's Residential Division has eighty-six (86) residential condominium buildings/towers/housing projects under its ***RLC Residences*** brand and forty (40) housing subdivisions under its ***Robinsons Homes*** brand, of which ninety-eight (98) have been completed and twenty-eight (28) 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-six (86) residential projects under its portfolio, of which sixty-nine (69) are completed while seventeen (17) 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, 2022, Homes Division has has forty (40) projects in its portfolio. Eleven (11) of these projects are on-going construction.

RLC's focuses in increasing the value of its exclusive subdivisions as well as expanding its housing portfolio.

c.) Robinsons Offices
Robinsons Offices (or Office Building Division) develops office buildings for lease. As of December 31, 2022, this division has completed thirty-one (31) office developments. These are located in Quezon City, Mandaluyong City, Cebu City, Ilocos Norte, Tarlac

City, Naga City, Davao City, Bacolod City and Iloilo City. RLC 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 in the next coming years.

Robinsons Offices is redefining workspaces by building the next generation of sustainable, world-class office buildings and engages third-party architects and engineers for the design of its office developments. It offers innovative and efficient business spaces that incorporate technology, making it the preferred address of Business Process Outsourcing (BPO) firms and multinational companies. Robinsons Offices continuously improves its developments with enhancements in building designs, office layouts, sustainable features and amenities, making Robinsons Offices one of the leading providers of office spaces in the Philippines.

In January 2022, the Office Buildings Division unveiled its new home at Robinsons Cyberscape Alpha. The bright and modern space was thoughtfully designed to integrate work and play in a seamless environment that inspires creativity, collaboration, and productivity. As a testament to this, it clinched the top accolade for Best Office Interior Design in the 10th PropertyGuru Philippines Property Awards in October 2022.

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).

Moving forward, Robinsons Office plans to apply and register upcoming buildings with LEED and existing buildings with Excellence in Design For Greater Efficiences (EDGE), which is a certification based on a program that enables developers to quickly identify the most cost-effective strategies to reduce energy use, water use and embodied energy in materials.

Sustainable practices deployed in buildings are waste segregation and energy conservation initiatives, such as the use of LED lights and the conversion of air-conditioning units to non-ozone depleting substance (Non-ODS) refrigerant. These initiatives enable Robinsons Offices to significantly reduce its carbon footprint. In addition, bike racks were installed in select office buildings to encourage employees to contribute to the protection of the environment, while promoting their own health. Adding to the overall wellness of its occupants, Robinsons Offices has taken the necessary steps to improve indoor air quality, exceeding government standards, which aims to boost productivity and ensure the health and well-being of employees and tenants. Heading into 2023, Robinsons Offices aims to provide the ideal workplace setting and will continuously add amenities that will benefit all stakeholders.

In 2022, Robinsons Offices completed three new offices namely Cybergate Galleria Cebu (located within the Galleria Cebu complex), Cybergate Bacolod 2 (located within the Robinsons Place Bacolod Complex) and Cybergate Iloilo 2 (located within the Robinsons Place Pavia complex). These three new offices increased net leasable area by 8% to approximately 740,000 square meters.

In 2023, Robinsons Offices is introducing a new generation of technologically-equipped, visually dynamic, and environment-friendly workspaces with the much-awaited completion of GBF Center 1 in RLC’s Bridgetowne Destination Estate — an iconic landmark in the making that will set a new standard for sustainable office developments and redefine the city skyline.

Robinsons Offices is committed to continue growing its portfolio with buildings that are equipped to support uninterrupted business operations, are accessible to major transportation modes and hubs, and are strategically situated in close proximity to lifestyle centers, residential developments, hotels, and other urban amenities. Driven by its promise in elevating the customer experience, Robinsons Offices is well-positioned for continued growth and success in the years to come.

Meanwhile, the Company continues to strengthen its portfolio of flexible workspace business with its own brand 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, 2022, the Company has eight (8) work.able centers located in Ortigas CBD in Pasig City, Quezon City and Taguig City. work.able closed and completed three (3) build-to-suit transactions in 2022 for a total of 307 private office seats which grew its portfolio size by 39%, These 3 centers are located in Giga Tower and Cyber Omega, located in Quezon City and Ortigas CBD, respectively. In December 2022, another build to suit deal with a multinational company for 350 seats at Cyber Omega, is slated for completion in the first half of 2023. This is a testament to the strong demand for plug and play offices and resiliency of the business.

Part of the achievements of work.able in 2022 is the award received from PropertyGuru Asia Property awards as the Best Coworking Facility for work.able Exxa – Zeta Centre, Country Winner. The work.able centres are carefully designed and backed by research to ensure customer centric features that would cater to a delightful experience from its customers.

As of December 31, 2022, the Company has four (4) office projects in the planning and development stage and for completion in the next 2 to 3 years.

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 has a diverse portfolio covering the following brand segments: Luxury Hotels, Upscale Deluxe Hotels, Mid-market Boutique City hotels, and Essential Service Value hotels. As of December 31, 2022, RLC owned twenty-five (25) hotels and resort for a total of 3,877 room keys in strategic metropolitan and urbanized locations consisting of thirteen (13) Go Hotels, seven (7) Summit Hotels and Resorts, one (1) Grand Summit Hotel, three (3) international brands, and one (1) Fili Hotel. In 2022, RLC launched four new hotels, namely Summit Hotel Naga, Go Hotels Plus Naga, Go Hotels Plus Tuguegarao, and Fili Hotel in Cebu. Go Hotels Plus features upgraded facilities of the Go Hotels brand, while Fili Urban Resort is the first homegrown luxury hotel of RLC. In the same year, RLC ramped up its F&B offerings and operations to complement its robust hotel pipeline. RLC unveiled Mott32 in Cebu City, the first and only in the Philippines. In the same year, RLC opened the following F&B outlets: Il Primo, Fina, Xin Tian Di, Fili Lobby Lounge, and Axis in Cebu City. For Summit Hotels, its own Café Summit expanded its footprint from three (3) outlets in 2021 to five (5) by the end of 2022. Finally, Dusit Thani Mactan Cebu re-opened its Benjarong restaurant last year. The Hotels and Resorts Division continued to deliver exceptional guest experience while innovating on its offerings. To cap off the year, RHR was Highly Commended in the Best Operational Hotel Portfolio category of the PropertyGuru Awards in 2022.

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 2022, the Philippine tourism landscape shifted towards normalcy from being under the COVID-19 pandemic for nearly two years. From providing quarantine accommodations to overseas Filipino workers, RHR has resumed offering regular hotel accommodations and services to its guests and patrons.

Committed to provide exceptional guest experience, RHR launched Go Hotels Plus in Naga and Tuguegarao, a modern version of the Go Hotels brand with added amenities. Summit Hotel Naga opened in the first quarter of 2022, offering Nagueños a place for recreation, dining, and memorable events with its generous amenities and events spaces. In the same year, RLC unveiled its very first homegrown 5-star luxury hotel brand, Fili Urban Resort, in Cebu City. The hotel was proudly designed with local contemporary décor and soft-opened in 2022 together with an array of casual and fine dining restaurant outlets in the same complex. These new developments brought RHR’s total property and room count to twenty-five (25) and 3,877, respectively.

Moving forward to 2023, RHR anticipates the opening of its newest international branded hotel, The Westin Sonata Place Hotel in Ortigas Business District. The remaining rooms for Fili Hotel and Go Hotels Plus Tuguegarao are slated for completion this year as well.

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, 2022, 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 presence within the National Capital Region, and in both the North and South of Metro Manila. RLX will work towards becoming the fastest growing logistics facility provider in the country with additional warehouses in the pipeline. As of December 31, 2022, total net leasable area reached 167,000 square meters.

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 2022, RLX completed one (1) new logistics facility located in Calamba City, Province of Laguna. This new facility, along with previously completed projects have cemented RLX in key strategic locations. It now has presence within the National Capital Region, and in both the North and South of Metro Manila.

The new logistics facility increased gross leasable area to about 199,450 square meters, bringing the total count of industrial warehouses nationwide to seven (7). All RLX projects are fully leased out or committed to tenants.

RLX is on track to becoming the fastest growing logistics facility provider in the country with additional warehouses in the pipeline. To further accelerate the growth of GLA, RLX is exploring purchasing existing logistics facilities and upgrading these facilities to meet RLX design standards. 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 advanced with the development of its premier destination estates---the 32-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

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.

IDD will harness opportunities for synergies with RLC's other business units: Robinsons Malls, Residential, Robinsons Hotels and Resorts, and Robinsons Offices. 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.

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, 2022, 2021 and 2020 by each of its business segment is as follows:

	For the years ended December 31		
	2022	2021	2020
Commercial Centers	**28.6%**	23.2%	30.9%
Residential	**20.0%**	16.6%	43.5%
Office Buildings	**15.5%**	16.7%	20.3%
Hotels and Resorts	**5.1%**	3.4%	3.9%
Integrated Developments	**1.4%**	8.3%	1.4%
Logistics and Industrial Facilities	**1.2%**	1.0%	−
Chengdu Ban Bian Jie	**28.2%**	30.8%	−
	100.0%	100.0%	100.0%

Competition

Commercial Centers Division

RLC has two major competitors in its Commercial Centers Division—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-ranged 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 protect its market leadership through elevating its portfolio of hotel brands, investing in strategic locations and its people. With RLC's longstanding expertise in developing and managing hotels, the Company is focused on scaling the business while 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.

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 construction are provided by the contractors themselves in accordance with the underlying agreements, although sometimes the Company will undertake to procure the construction materials when it believes that it has an advantage in doing so. The Company 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 the Company. If the Company 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 to its affiliates, 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. As the country eases out of the pandemic, government restrictions on mobility and travel requirements have generally been lifted.

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 2022, a number of RLC malls and office buildings are PEZA-registered.

<u>Singapore Land Group Limited</u>
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 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, 2022, 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, CEB's initial public offering (IPO).

CEB has ten (10) special purpose entities (SPEs) that it controls, namely: Summit C Aircraft Leasing Limited (SCALL), Tikgi One Aviation Designated Activity Company (TOADAC), 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 CL, these are SPEs in which CEB does not have any equity interest but have entered into finance lease arrangements for the 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 10 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.

In August 2022, Summit D Aircraft Leasing Limited (SDALL) was dissolved following the repayment of last aircraft loan in 2021.

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, 2022, the CEB operates a route network serving 70 domestic routes and 22 international routes with a total of 2,694 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, 2022, the CEB operates a fleet of 76 aircraft which comprises of twenty-one (21) Airbus A320 CEO, seven (7) Airbus A321 CEO, nine (9) Airbus A320 NEO, ten (10) Airbus A321 NEO, five (5) Airbus A330 CEO, four (4) Airbus A330 NEO, six (6) 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 CEB's fleet is approximately 6.2 years as of December 31, 2022.

Aside from passenger service, the 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		
	2022	2021	2020
Passenger Services	**62.0%**	40.0%	55.8%
Cargo Services	**12.5%**	41.1%	23.9%
Ancillary Services*	**25.5%**	18.9%	20.3%
	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, CEB 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, 2022, 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, 2022, 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, 2022, 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 57%.

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 has used green fuel to power its brand-new Airbus A33NEO on its delivery flight from Airbus facilities in Toulouse, France, to the Ninoy Aquino International Airport (NAIA) in Manila, becoming the first low-cost carrier in Asia to incorporate sustainable aviation fuel (SAF) into its operations.

The new aircraft is CEB's third A330NEO and is the greenest aircraft in the industry given its fuel efficiency and carrying capacity. CEB's A330NEO is configured with 459 seats in a single-class layout and is fuel efficient, achieving 25% less fuel burn than previous-generation aircraft. The move to use SAF is a pillar of the Airline Group's sustainable journey. SAF will be used for aircraft delivery and is a major component of our fleet modernization. This strengthens CEB's drive to achieve its green goal of being carbon neutral by 2050.

SAF is a "drop-in" replacement for fossil fuels, produced from renewable resources. The use of SAF results in an up to 85% reduction in carbon emissions across the SAF lifecycle. The chemical and physical characteristics of SAF are almost identical to those of conventional jet fuel and these can be safely mixed with regular jet fuel to varying degrees. SAF does not require any adaptations to the aircraft or engines, and does not have any negative impact on performance or maintenance.

The airline's sustainability goal is aligned with global aviation's commitment to achieve net zero carbon emissions by 2050.

CEB's three major pillars on its sustainable journey are fleet modernization which aims, among others, having an all-Neo fleet by 2027; resource optimization, which includes pushing for fuel efficiency best practices; and utilizing SAF by launching green routes by 2025 and using SAF for its entire network by 2030.

CEB will lease five (5) aircraft in 2023 to address capacity and growing passenger demand. These are on top of the 10 new Airbus NEO aircraft that will be delivered in

2023 to expand the airline's entire fleet. These fleet are in addition to the orders that will be delivered from its Airbus contract. Three of the aircraft will be used to restart the Clark base. The two other aircraft will be used to support overall growth ambitions as it recovers fully from the pandemic.

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

<u>Trademarks</u>

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 CEB's branding campaigns such as WHY EVERYONE FLIES, WHY EVERYJUAN FLIES, SUPER SEAT FEST, TRAVEL SURE, and the logos used for such purposes;
- CEBU PACIFIC, CEB Travel Sure, and the Travel Sure logo;
- CEBGO and the Cebgo logo;
- A trademark for the strategic alliance entered into by CEB and TAH
- 1AV, 1AVIATION, and the 1AV name for its airport ground-handling services, needs, and other requirements.
- AVIATION PARTNERSHIP PHILIPPINES and A-plus logo

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 which have all been renewed last 9 September 2022, 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. On 21 June 2022, the IPOPhil also granted the renewal of the trademarks "It's time everyone flies" and "It's time every Juan flies".

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
- Foreign Air Operator Permit
- 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.

A-plus also obtains permits and licenses to operate as an approved aircraft maintenance organization from various local and foreign regulatory bodies such as the Civil Aviation Authority of the Philippines, Philippines Accreditation Bureau, Civil Aviation Authority of Singapore, Civil Aviation Authority of Malaysia and others.

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 Transport Services by Air
- Certificate of Public Convenience and Necessity
- Foreign Air Operator Permit
- 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 Transport Services by Air

Republic Act (R.A.) No. 7151 grants CEB the right to establish, operate and maintain transport services for the carriage of passengers, mail, goods and property by air, both domestic and international. It further provides that air transport services shall include the maintenance and operation of hangars and aircraft service stations and facilities and other services of similar nature which may be necessary, convenient or useful as an auxiliary to aircraft transportation.

Under Section 2 of the said Republic Act, CEB shall secure from the Civil Aeronautics Board the appropriate permits and licenses for its operations. Further, all aircraft used by CEB shall at all times be airworthy and the crew members shall be licensed by the government of the Philippines. The operation of such equipment shall at all times be subject to inspection and regulations by the Civil Aviation Authority of the Philippines.

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.

<u>Legislative Franchise to Operate a Public Utility</u>
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.

<u>Certificate of Public Convenience and Necessity</u>
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.

<u>Foreign Air Operator Permit</u>
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.

<u>Air Operator Certificate (“AOC”)</u>
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.

<u>Certificate of Registration</u>
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.

<u>Certificate of Airworthiness</u>
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.

R.A. No. 11659 – Public Service Act, as Amended

R.A. No. 11659, otherwise known as the Public Service Act, as Amended, was signed into law on March 21, 2022. The act amends Commonwealth Act No. 146, otherwise known as the Public Service Act passed in 1936.

Among others, the act distinguishes a public utility from a public service. The scope of a public utility is limited to persons who operate, manage and control for public use any of the following: (i) electricity distribution; (ii) electricity transmission; (iii) petroleum and petroleum products pipelines transmissions systems; (iv) water pipeline distribution systems and wastewater pipeline systems, including sewerage pipeline systems; (v) seaports; and (vi) public utility vehicles. It further provides that nationality requirements shall not be imposed by the relevant Administrative Agencies, as defined in the said act, on any public service not classified as a public utility.

CEB is considered as a public service and not a public utility, therefore, no longer subject to the foreign ownership restrictions on public utilities under the 1987 Philippine Constitution as public utilities are only those enumerated in the said act.

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 Olefins Corporation (JGSOC) is a pioneer in the petrochemical industry in the Philippines, with its fully integrated manufacturing complex in Batangas City. Previously there were two subsidiaries, JG Summit Petrochemical Corporation (JGSPC) established in 1994, which operated the polymer facilities, and JGSOC established in 2008, which operates the naphtha cracker plant. These two companies were collectively known as the JG Summit Petrochemicals Group (JGSPG). As of January 1, 2022, the two companies have been merged to a single corporate entity, with JGSOC as the surviving entity of the merger. JGSOC is 100% owned by the Company.

JGSOC operates the first and only naphtha cracker plant in the country, which produces the olefin raw materials ethylene and propylene used as feedstock by the downstream polymer plants. The cracker's products also include pyrolysis gasoline or 'pygas' and mixed C4, which are in turn the raw materials to produce C4 olefins and aromatics products from its butadiene and aromatics extraction plants, respectively.

The naphtha cracker plant started commercial operations in 2014 and employs proprietary Lummus Technology. The cracker was initially built to produce 320 Kilo Tons per Annum (KTA) of polymer-grade ethylene and 190 KTA of polymer-grade propylene. After its expansion was completed in 2020, the naphtha cracker can now produce 480 KTA of polymer-grade ethylene, 240 KTA of polymer-grade propylene, 180 KTA of mixed C4, and 250 KTA of pygas.

The olefin raw materials ethylene and propylene are used as feedstock for the downstream polymer plants to produce polyethylene (PE) and polypropylene (PP). As the largest manufacturer of polyolefins in the Philippines, JGSOC currently has production capacities of 320 kilo tons per annum (kTA) for PE and 300 kTA for PP. The current polyolefins manufacturing processes are based on widely-used UNIPOL™ PE and PP Process Technology licensed from Univation Technologies, LLC for the PE Process, and from W.R. Grace & Co. for the PP Process. JGSOC markets its world-class quality PE and PP resins under the brand name EVALENE® which is a dominant player in the local resins market and is likewise distributed in more than 30 countries all over the world.

The cracker's two other products, pygas and mixed C4, likewise undergo further extraction in respective downstream facilities to produce intermediate petrochemical derivatives. A new aromatics extraction unit, which started operations in July 2021, produces benzene, toluene, mixed xylenes and mixed aromatics using the cracker's pygas as feed. The unit's rated production capacity is around 90 KTA of benzene, 50 KTA of toluene, 30 KTA of mixed xylenes and 20 KTA of mixed aromatics. It is the first aromatics extraction plant in the Philippines to use GT-BTX® technology from Sulzer GTC.

In March 2022, JGSOC has started commercial operations of the first and only butadiene extraction unit in the Philippines, which uses BASF Process licensed from Lummus Technology. This facility processes mixed C4 from the naphtha cracker to produce butadiene and raffinate-1, with production capacities of 70 KTA for butadiene and 110 KTA for raffinate-1.

Last December 2022, JGSOC has started to commission its new 250 kTA PE plant which uses the MarTECH™ loop slurry process, licensed by Chevron Phillips Chemical. The MarTECH™ loop slurry process is also one of the world's leading processes for the manufacture of PE, and which will allow JGSOC to produce bimodal, metallocene and bimodal metallocene PE grades. Expected start of commercial operations of this unit is within 1H 2023.

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.

Peak Fuel Corporation (Peak Fuel) was incorporated in 2020 as a subsidiary and fuels trading arm of JGSPC. With the merger of JGSOC and JGSPC effective as of January 1, 2022, wherein JGSOC was the surviving entity, Peak Fuel Corp. became the subsidiary of JGSOC. Its mission is to support local industries through reliable supply of essential fuels, starting with liquefied petroleum gas (LPG). It started commercial operations in August 2021.

Peak Fuel supplies LPG from its facilities located inside the JG Summit Petrochemical Complex in Batangas City. Peak Fuel's current key markets are LPG importers and refillers across the Philippines. It also envisions serving the LPG industrial and commercial sectors.

With the combined volume of its two refrigerated tanks at 32,000 metric tons, Peak Fuel boasts of the largest LPG storage capacity in the Philippines. Additionally, it has two LPG bullet tanks designed for truck loading with combined capacity of 900 metric tons. For ship loading, it has a spherical pressurized tank with a capacity of 4,000 metric tons that can load into 2,000 to 2500 metric ton vessels through the jetty facility of the JGSPG complex.

Principal Products or Services

JGSOC manufactures Olefins, Aromatics, PE and PP products. For polymers, JGSOC's principal product lines 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, 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 pygas, benzene, toluene, mixed xylenes and mixed aromatics. Olefins refers to ethylene, propylene, mixed C4, butadiene and raffinate-1.

The percentage contribution to JGSOC's and Peak Fuel's combined revenues for the three years ended December 31, 2022, 2021 and 2020 by each of its principal product categories is as follows:

	For the years ended December 31		
	2022	2021	2020
Polyethylene (PE)	**34.3%**	42.7%	51.8%
Polypropylene (PP)	**22.6%**	29.1%	37.3%
LPG	**17.7%**	4.1%	–
Aromatics	**15.9%**	14.5%	–
Olefins	**9.5%**	9.6%	10.9%
	100.0%	100.0%	100.0%

** Olefins, Aromatics and PE and PP products sold by JGSPC in 2020 and 2021; LPG sold by Peak Fuel Corp. starting in 2021*

JGSOC'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, JGSOC 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

For its polymer products, JGSOC sells directly to small, medium and large plastic converters in the Philippines through its in-house Commercial Polymer Sales group. For its aromatics products, JGSOC sells to bulk chemicals traders and end-users through its in-house Commercial Aromatics Sales group. Product distribution to the domestic market is handled directly by JGSOC in coordination with third party trucking services. JGSOC 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, JGSOC is committed to produce consistently good quality products using world-class technology and by employing highly competent personnel. Continuous product and process improvements and research and development is conducted in-house with the assistance of the different technology licensors.

JGSOC 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 JGSOC's primary competition. JGSOC 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.

For bulk petrochemical products, Petron Corp. based also in Bataan province is the only other domestic manufacturer in the country, with capabilities to produce propylene, benzene, toluene and mixed xylenes.

Raw Materials/Suppliers
The principal raw materials used by JGSOC 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 JGSOC's Naphtha Cracker Plant, JGSPC purchased olefins from international sources though suppliers such as petrochemicals traders.

Since November 2014, the naphtha cracker has been directly supplying previously imported raw materials ethylene and propylene. Per design, the olefins output capacity of the cracker matches the feedstock volume requirements of the polymer plants.

Starting 2021, the naphtha cracker also started supplying pyrolysis gasoline as feedstock for the aromatics extraction unit and as of 2022, mixed C4 as feedstock for the butadiene extraction unit.

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

Customers
JGSOC 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 JGSOC. JGSOC also exports PE and PP worldwide.

Related Party Transactions
JGSOC, 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, JGSOC has emphasized the importance of fully developing the petrochemical industry to help with the sustainable development of the Philippine economy. The BOI has granted JGSOC projects registrations and under its certificates of registration, JGSOC shall be entitled to certain tax and nontax incentives such as: (a) income tax holiday (ITH) from actual start of commercial operations (6 years for pioneer projects and 3 years for expansion projects); 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.

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

Costs and Effects of Compliance with Environmental Laws

JGSOC takes pride in consistently undertaking projects to help preserve the environment. The safety of employees and the community is foremost and is never compromised. JGSOC 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 JGSOC's opinion, is not expected to have a material effect upon JGSOC's capital expenditures, earnings or competitive position.

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 fully absorbed the business operations of both JGSOC and JGSPC, and assumed all assets, liabilities, rights and obligations of JGSPC, from the effective date of the merger. On November 16, 2022, JG Summit made additional investment in JGSOC amounting to ₱5.0 billion.

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.).

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.

On February 11, 2021, the Bank subscribed to 85,667 common shares worth ₱8,566,700 of Unicon Insurance Brokers Corporation ("Unicon") which is equivalent to 40% ownership in Unicon. Likewise, on August 24, 2021, the BSP approved the Bank's ₱250 million equity investment in GoTyme Bank Corporation ("GoTyme") which is equivalent to 20% ownership in GoTyme, a digital bank.

On September 30, 2022, the Board of Directors (BOD) of RBC approved the plan of merger of RBC and Bank of Philippine Islands (BPI), with BPI as the surviving entity. The merger is seen as a strategic move that will unlock various synergies across businesses, expand customer bases, and enhance the overall banking experience of the Bank's customers with the combined network.

On January 17, 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC.

On January 26, 2023, the Articles of Merger and the Plan of Merger were executed by BPI and RBC. The Supplement to the Agreement for the Merger of BPI and RBC was likewise executed on the same date by and among BPI, RBC and RBC Shareholders - Robinsons Retail Holdings, Inc. (RRHI) and JG Summit Capital Services Corp (JG Capital) which states that upon the effectivity of the Merger and receipt of all necessary corporate and regulatory approvals, RBC Shareholders will collectively hold approximately 6% of the resulting outstanding capital stock of BPI. The exact number of BPI common shares to be issued to RBC Shareholders will be subject to final determination on or before closing date. The parties have yet to secure regulatory approvals for the merger from the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

Based on the BSP data, as of September 30, 2022, of the forty-five (45) universal and commercial banks operating in the Philippines, the Bank ranked 16th in terms of Total Assets; 14th in terms of Total Loans (net); 17th in terms of Total Deposits; and 16th in terms of Return on Equity (ROE).

Principal Products or Services

As of December 31, 2022, RBC's products and services are made available to its corporate, commercial and retail clients through multiple channels: 168 branch networks in 2022 (of which 154 belongs to the Bank; 14 are LSB branches); 22 Branch-Lites (8 Bank, 14 LSB); 399 ATMs (197 are onsite and 183 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 2022:

PRODUCTS AND SERVICES	DATE LAUNCHED
RBank Remit	February 2021
Hongkong Dollar Savings	March 31, 2022
Instabale GoRewards	June 22, 2022
Payroll with Insurance	July 31, 2022
Bank Sponsorship	September 22, 2022
QR PH (Person to Merchant Send)	November 23, 2022
TD On-Demand	December 6, 2022

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, 2022, there are 45 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 2018 to 3Q2022, 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
2018	121.4 billion	18th
2019	128.1 billion	18th
2020	148.9 billion	18th
2021	176.9 billion	17th
3Q2022	174.8 billion	16th

Total Loans (Net)	Ranking
67.7 billion	17th
79.7 billion	16th
87.7 billion	15th
109.7 billion	15th
107.4 billion	14th

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.

In 2022, 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
Simple Savings	January 10, 2022	Ten years (until January 10, 2032)
RBank Mo	February 07, 2022	Ten years (until February 07, 2032)
Rkansya	September 10, 2022	Ten years (until September 10, 2032)
RBank Instabale	November 3, 2022	Ten years (until November 3, 2032)
Robinsons Bank GO!Auto Loan	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Housing Loan	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Small Biz Loan	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Consumer Loans	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Motorsiklo Loan	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Salary Loan	November 21, 2022	Ten years (until November 21, 2032)
Robinsons Bank GO!Peso Bonds	November 21, 2022	Ten years (until November 21, 2032)

In 2022 and 2023, 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	March 01, 2022
RBank Top Up Loan	March 14, 2022
Top Up Loan	March 14, 2022
DOS	February 17, 2023
UNO	February 17, 2023

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%. On July 28, 2022, the BOD of the Company approved the holding of an overnight block trade for the sale of its 36.0 million common shares in Meralco. On the same day, the Company entered into a Secondary Block Trade Agreement with UBS AG, Singapore Branch (UBS) whereby it appointed UBS, to procure purchasers for the 36.0 million common shares of Meralco at a price of ₱344 per share for a total consideration of ₱12.4 billion together with all dividends, distributions and other benefits attaching to the shares. The sale represents 3.2% of Meralco's total

outstanding shares which resulted to the change in the Company's equity interest over Meralco from 29.56% to 26.37%.

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 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.

GoTyme Bank Corporation
On February 18, 2021, RBC and RLC entered into a joint venture agreement with 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 ₱200.00 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.

In February 2022, GoTyme's BOD approved the additional capital infusion from the shareholders totaling ₱1.6 billion to support the pre-launch and operations of GoTyme and to comply with the ₱1.0 billion BSP-mandated minimum regulatory capital for digital banks.

h) SUPPLEMENTARY BUSINESSES

JGDEV and DAVI
Part of the Group's digital transformation was the establishment of 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, continues to invest in promising early-stage startups in the Southeast Asian region that will potentially generate returns while also creating value for the Gokongwei Group's ecosystem.

In 2022, JGDEV deployed capital more cautiously, cognizant of the challenging market conditions, particularly for the start-up industry. Despite this, we note that DEV Fund I is now effectively fully deployed, resulting in the launch of DEV Fund II in 2022.

Outside of follow-on investments in existing start-ups, key investments in 2022 include:

- Locad, a cloud logistics platform offering end-to-end e-commerce fulfillment with operations in several countries across the region, and;
- Wavemaker Impact, an ESG-focused venture builder that aims to build climate tech companies in various sectors that will reduce global carbon emissions.

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., Aboitiz Land Inc. and Cebu Landmasters Inc., Alliance Global Group Inc., Double Dragon Properties Corp,

Industry Segment	Principal Competitors
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, 2022 is shown in the following table:

Company	No. of Employees
Branded Consumer Foods, Agro-industrial and Commodities	13,510
Airlines	4,308
Property Development and Hotel Management	2,810
Finance	1,618
Petrochemicals	1,308
Supplementary Businesses	428
	23,982

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. *Strategic Risk*

The Group's top Strategic risks cover areas of capital allocation, business performance and competition, which could affect the Company's market capitalization, or pose an unfavorable view in the Group's value creation, and limit growth prospects. To mitigate these risks, the Company conducts sector analysis in relation to customer trends, regular review of capital allocation decisions, and incorporates risk management in the OGSM process of the Group's businesses.

b. *Reputational Risk*

The Group's reputational risk pertains to how third-party views and ratings affect the corporate image and brands. Misinformation about JGSHI and/or its subsidiaries and unfavorable public opinion could impact the Company's license to operate, as well as market capitalization. The Company performs active scanning of mainstream social media outlets and continuously monitor its business positioning in the market and external reputation.

c. *Governance Risk*

The Group's Governance risk relates to compliance with company policies and processes. Unintended or intentional breaches of company policies and ethical standards may result in operational inefficiencies, significant financial losses, loss of stakeholder trust, or reputational damage. The Company addresses this by strengthening the internal control measures and functions, reinforcing good corporate governance practices, and regularly conducting training on code of business conduct and ethics.

d. *Emerging Risk*

Emerging risks refer to new or developing risks that the Company has little to no experience in, such as climate change, biodiversity loss, and pandemic. The Company considers geopolitical tensions as one of the top emerging risks, given the continuing conflict in the global order, causing economic volatility and severely affecting the international commerce and flow of goods and labor. Potential impact to the Company includes difficulty in sourcing raw materials, decreased profits due to higher input costs, and reduced growth prospects. The Company incorporates geopolitical risk analysis and strategic foresight planning in market and transaction evaluation to reduce the impact of this risk. The Company also takes into consideration the potential adverse impact of climate change on human and ecological systems. Climate risks can have economic, social and cultural impact and may also affect infrastructure, assets, and disrupt services provision that can result in financial losses. Realizing the urgency and importance of climate risks, the Group aims to improve its climate resilience, manage the negative physical and transition impacts and take advantage of the opportunities to stay ahead of the curve.

e. *Operational Risk*

Geohazards is considered one of the most important Operational risks across the Group, along with supply chain disruptions, safety and product quality, and equipment and process management. Geohazards impact physical assets, operations, and personnel, while the quality of the Company's products and services influences the relationship with its customers and the latter's perception of the company. The Group, however, is always on top of these risks and ensures that proper operations management and product quality management systems are in place, and there is diversity in raw materials sourcing and adequate insurance coverage for facilities, assets, and people. The Company has a supplier accreditation system in place to ensure continuous supply of quality goods and services by reputable and reliable suppliers who are compliant with applicable government rules and regulations like environmental, labor, health and safety, etc.

f. *IT and Digitalization*

Cyber security risk remains to be the most relevant IT and Digitalization risk for the Group. The consequences related to this risk include loss of information, disruptions in business operations, increased cost of added security or disaster recovery, and potential loss of credibility and damage to brand and company image. This risk could also lead to significant regulatory violations. Instances of data breaches could place the Company's sensitive or confidential information at risk of being used against it or used to gain an unfair advantage over it. Nonetheless, this is well-mitigated as the Company continues to strengthen its security posture with pragmatic and holistic solutions to proactively identify, protect, detect, respond and recover, as well as improve our system and data access controls.

g. *People Risk*

The Group's top People risk pertains to the intense competition for key talents, particularly for those with digital aptitude. This could result in business disruptions and compromised service quality. High attrition also results in increased cost of talent acquisition and training. This is addresses by continually upgrading the Company's talent acquisition strategies, conducting wages and benefits benchmarking, and employing data insights and advanced analytics in developing HR programs for employees' professional growth and development.

h. *Financial Risk*
The Group's key Financial risks are primarily related to sudden changes in market variables and liquidity. In the past two years, businesses have experienced drastic increases in interest rates and commodity prices, and foreign exchange volatility which significantly impacted the Group's financial performance. This includes margin compression due to higher input costs, higher cost of debt, and lower returns from financial investments. To counter this financial risk, the Group manages and maintains a good balance of foreign-denominated financial assets, local currency borrowings, risk-appropriate instruments, while strengthening both onshore and offshore banking relationships.

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
San Jose, Batangas(1)	Poultry farm	Rented	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

Location (Number of facilities)	Type of Facility	Owned/Rented	Condition
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
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 ₱141 million in 2022.

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, 2022, the following are locations of RLC'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

Luzon		
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall/Warehousing Facility	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	Residential/Mall/Warehousing Facility	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/Warehousing Facility	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
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/Hotel	No encumbrances
Lanao Del Norte	Mixed-use (mall/hotel)	No encumbrances
Mindanao		
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/Mall	No encumbrances
Pangasinan	Mall	No encumbrances
Bulacan	Mall	No encumbrances
Nueva Ecija	Mall	No encumbrances
Pampanga	Mall/Warehousing facility	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/Warehousing facility	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/Warehousing facility	No encumbrances
Visayas		
Iloilo	Mall/Mixed-use (mall/hotel)/Office building	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
Mindanao		
Misamis Oriental	Mall/Residential	No encumbrances
Davao Del Sur	Mall/Hotel/Office Building	No encumbrances
South Cotabato	Mall/Residential/Hotel	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, 2022, 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, 202, CEB has 76 aircraft consisting of 46 aircraft financed under lease liabilities, 24 aircraft financed under debt arrangements (including finance leases), and 6 (six) 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.

SOC's complex is located 120 km south of Metro Manila, in Barangays Simlong and Pinamucan Ibaba, Batangas City, overlooking Batangas Bay. At present, JGSOC has a 250-hectare fully integrated, world-class manufacturing complex that houses the Naphtha Cracker Plant, the Polymer Plants, the Aromatics Extraction Plant and the Butadiene Extraction Plant.

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:

	High	Low
2022		
First Quarter	₱63.80	₱54.15
Second Quarter	60.90	47.90
Third Quarter	56.80	42.05
Fourth Quarter	52.00	40.90
2021		
First Quarter	₱74.50	₱57.00
Second Quarter	63.00	49.40
Third Quarter	67.65	55.00
Fourth Quarter	66.50	52.65
2020		
First Quarter	₱78.10	₱41.29
Second Quarter	63.33	43.05
Third Quarter	66.38	56.48
Fourth Quarter	74.00	58.09

The stock price of the Company's shares as of March 30, 2023 is ₱53.20.

Cash Dividends per Share

On May 12, 2022, JGSHI declared a regular cash dividend of P0.40 per common share from the Unrestricted Retained Earnings as of December 31, 2021, to all stockholders of record as of May 26, 2022 and paid on June 14, 2022.

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.

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 2022 and 2021.

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; (b) settlement of Parent Company loan obligations; and (c) 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, 2022 was 1003. Total common shares outstanding as of December 31, 2022 were 7,520,983,658 common shares with a par value of P1.00.

Top 20 stockholders as of December 31, 2022

	Name	No. of Common Shares Held	% to Total Outstanding (Common)
1.	Gokongwei Brothers Foundation, Inc.	2,096,930,273	27.88
2.	PCD Nominee Corporation (Filipino)	1,902,192,937	25.29
3.	RSB-TIG No. 030-46-000001-9	1,084,985,186	14.43
4.	PCD Nominee Corporation (Non-Filipino)	867,584,265	11.54
5.	Lance Yu Gokongwei	323,672,732	4.30
6.	Ego Investments Holdings Limited	280,946,400	3.74
7.	Robina Gokongwei Pe	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
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

	Name	No. of Common Shares Held	% to Total Outstanding (Common)
15.	Richard Yap	8,998,880	0.12
16.	Quality Investments & Securities Corp.	8,794,498	0.12
17.	Rowena G. Alano	5,717,411	0.08
17.	Ruth Tiu Gotao	5,717,411	0.08
18.	Maxwell G. Ahyong and/or Christine Y. Ahyong	4,410,000	0.06
19.	Manuel Go Ahyong, Jr. and/or Vivian Yu Ahyong	4,147,500	0.06
20.	Marites G. Ahyong	3,570,000	0.05
	Other stockholders	51,682,396	0.75
		7,520,983,658	100.00

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, 2022, 2021 and 2020, 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:

- On September 30, 2022, the Board of Directors (BOD) of RBC approved the plan of merger of RBC and Bank of Philippine Islands (BPI), with BPI as the surviving entity. The merger is seen as a strategic move that will unlock various synergies across businesses, expand customer bases, and enhance the overall banking experience of the Bank’s customers with the combined network.

  On January 17, 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC. In accordance with PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations*, the results of RBC operations are to be presented as discontinued operations, separately from continuing operations, in the consolidated statements of comprehensive income. Accordingly, the consolidated statements of income for the years ended December 31, 2021 and 2020 have been restated to present the results of operations of RBC as ‘Net income from discontinued operations’.

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

RESULTS OF OPERATIONS

2022 vs. 2021

I. Consolidated Operations

JG Summit hit record-high revenues in 2022 and doubled core profits YoY

JG Summit Holdings, Inc. (JGS), one of the leading Philippine conglomerates, posted a 36% year-on-year (YoY) surge in its total consolidated revenues to ₱312.4 billion in 2022, already surpassing its pre-pandemic level and thus hitting a new record high. Consolidated revenues from continuing operations (excluding Robinsons Bank which is part of Discontinued Operations) amounted to ₱301.9 billion in 2022, or a 36.4% increase from ₱221.3 billion last year.

The agile efforts of its consumer-facing businesses delivered double-digit topline growth on the back of a reopening economy. Despite the margin pressures from unprecedented levels of fuel and commodity prices, such strong revenue performance plus the Group's cost-saving programs translated to significant profit improvements in most of its strategic business units. This was most evident in JGS' air transport subsidiary, which also benefited from relaxed travel restrictions. Meanwhile, its petrochemical unit's new product lines cushioned the adverse impact of subdued industrial demand globally. All in all, including the portfolio management gain that the Parent Company realized from the sale of some of its Meralco shares, JGS registered a two-fold increase in core net income to ₱6.2 billion in 2022.

Incorporating the impact of the 9% YoY devaluation of the peso on the Group's USD-denominated debt, consolidated full-year 2022 net income settled at ₱0.7 billion. This is lower than the reported 2021 net income of ₱5.1 billion, which had ₱6.0 billion of gains and contributions from its food manufacturing arm's discontinued Oceania operations.

Consolidated cost of sales and services in 2022 increased by 41.7% from ₱164.2 billion last year to ₱232.6 billion this year mainly driven by higher sales volume and elevated input costs of URC, increase in average naphtha costs of Petrochem, as well as higher fuel consumption of CEB from increased flight activities during the period coupled with the increase in average published fuel MOPS price to US$126.65 per barrel in 2022 from US$75.09 per barrel in 2021.

The Group's operating expenses increased by 8.2% to ₱51.1 billion in 2022 from ₱47.2 billion in 2021 due to higher selling, general and administrative expenses from increased operations of the Group. As a result, Consolidated Operating Income or EBIT from continuing operations amounted to ₱18.3 billion in 2022, an 84.2% increase from ₱9.9 billion in 2021. Consolidated EBITDA from continuing operations amounted to ₱46.0 billion in 2022, an 18.1% increase from ₱38.9 billion in 2021.

The Group's financing costs and other charges, net of interest income, increased by 17.6% to ₱9.4 billion this year from last year's ₱8.0 billion due to higher interest expense on short-term debts, trust receipts payables and lease liabilities.

Market valuation gains recognized from financial assets and derivative instruments in 2022 amounted to ₱705 million, a turnaround from ₱1.1 billion market valuation losses in 2021 mainly attributable to CEB's valuation gains on embedded derivative arising from its convertible bonds and interest rate derivatives, net of the decline in market values of the Group's equity investments.

The Group recognized a net foreign exchange (FX) losses of ₱7.4 billion in 2022 from ₱3.1 billion in 2021 primarily driven by the higher depreciation of Philippine Peso vis-à-vis US dollar this year compared to last year.

Other income amounted to ₱7.1 billion in 2022 versus ₱462 million in 2021 primarily due to the ₱3.0 billion gain on the sale of some MER shares, ₱1.2 billion net gain on CEB's sale and lease back, buyback and swap transactions on aircrafts and ₱3.3 billion gain on URC's sale of property.

Provision for income tax increased to ₱2.8 billion in 2022 from ₱81.9 million in 2021 due to higher taxable income this year coupled with last year's reduction in income taxes as a result of the enactment of CREATE, but partly offset by the increase in deferred tax assets of CEB this year.

The Group's net income after tax from continuing operations in 2022 amounted to ₱6.5 billion, a turn-around from last year's consolidated net loss after tax of ₱1.9 billion mainly driven by higher operating income, market valuation gains and other income, partly offset by higher interest expense and foreign exchange losses.

The Group's net income after tax from discontinued operations amounted to ₱1.6 billion in 2022 which pertains to the result of operations of RBC, versus last year's ₱12.7 billion which includes both the discontinued operations of RBC and URC's Oceania business.

II. Segment Operations

Foods generated a consolidated sale of goods and services of ₱149.9 billion for the year ended December 31, 2022, ahead by 28.2% against last year. Sale of goods and services performance by business segment follows:

- Sale of goods and services in URC's BCFG segment, excluding packaging division, increased by ₱24.0 billion or 29.3% to ₱105.9 billion in 2022 from ₱81.9 billion registered in 2021. BCF domestic operations posted an increase in net sales from ₱59.7 billion in 2021 to ₱73.6 billion in 2022 coming from better volume and prices.

  BCF international operations reported a 45.7% increase in net sales from ₱22.2 billion in 2021 to ₱32.3 billion in 2022 with double-digit growth from major markets coupled with uplift from Munchy's acquisition. In constant US dollar (US$) terms, sales increased by 45.3% on the back of Indochina leads expansion across the region, and Munchy continues to deliver synergies. Vietnam sales grew by 21.7% driven by the solid performance of the beverage category with strong growth and market share of C2 and recovery of Rong Do. Thailand improved with 8.3% sales growth coming from growth across all categories particularly Candies, Snacks, and Bakery.

  Sale of goods and services of BCFG, excluding packaging division, accounted for 70.7% of total URC consolidated sale of goods and services for 2022.

  Sale of goods and services in URC's packaging division increased by 13.1% to ₱1.832 billion in 2022 from ₱1.619 billion recorded in 2021 due to better volume.

- Sale of goods and services in URC's Agro-Industrial and Commodities (AIC) group amounted to ₱42.1 billion in 2022, an increase of 26.0% from ₱33.4 billion recorded last year.

  - Sale of goods and services in URC's AIG segment amounted to ₱14.4 billion in 2022, a growth of 25.7% from ₱11.5 billion recorded in 2021. Feeds business increased by 31.0% due to double-digit growth in pet food and hog feeds. Farms business declined by 4.6% due to lower volume.

  - Sale of goods and services in URC's commodity foods group (CFG) amounted to ₱27.7 in 2022, a 26.2% increase from ₱21.9 billion reported in 2021. Sugar business grew by 34.9% driven by better prices across all categories while the renewables business grew by 17.9%. Flour business continues to manage at a 14.0% increase due to improved prices amidst a surge in wheat prices and foreign exchange depreciation this year.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by ₱27.2 billion or 32.6% to ₱110.7 billion in 2022 from ₱83.5 billion recorded in 2021 due to higher volume and elevated input costs.

URC's gross profit for 2022 amounted to ₱39.2 billion, higher by ₱5.8 billion or 17.2% from ₱33.5 billion reported in 2021. Gross profit margin decreased by 245 basis points from 28.61% in 2021 to 26.16% in 2022.

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 ₱3.2 billion or 15.6% to ₱24.0 billion in 2022 from ₱20.7 billion registered in 2021. This increase resulted primarily from the following factors:

- 31.8% or ₱2.1 billion increase in freight and other selling expense to ₱8.8 billion in 2022 from ₱6.7 billion in 2021 due to higher volume.

- 17.6 % or ₱705 million increase in personnel expense to ₱4.7 billion in 2022 from ₱4.0 billion in 2021 due to annual merit increase and Munchy's contribution.

- 12.8% or ₱110 million increase in depreciation and amortization to ₱966 million in 2022 from ₱856 million in 2021 due to capital expenditure during the year.

As a result of the above factors, operating income increased by ₱2.5 billion or 19.7% to ₱15.2 billion in 2022 from ₱12.7 billion reported in 2021. URC's operating income by segment was as follows:

- Operating income in URC's BCFG segment, excluding packaging division, increased by ₱1.4 billion or 14.8% to ₱10.7 billion in 2022 from ₱9.3 billion in 2021. BCFG's domestic operations grew by 6.2% to ₱8.1 billion in 2022 from ₱7.6 billion in 2021 driven by strong volume coupled with aggressive pricing moves and a cost-savings program. International operations posted a ₱2.6 billion operating income, a 53.5% growth from ₱1.7 billion in 2021, on the back of Munchy's acquisition and quarter-on-quarter margin expansion. Aggressive direct and indirect pricing moves for core SKUs and geographies coupled with structural movements in some smaller markets have helped support absolute growth. In constant US dollar terms, international operations posted an operating income of US$48 million, a 47.3% increase from last year.

  URC's packaging division reported an operating income of ₱85 million in 2022 from an operating income of ₱99 million reported in 2021 coming from higher input cost.

- Operating income of AIC group amounted to ₱7.131 billion in 2022, an increase of 29.3% from ₱5.5 billion recorded last year.

  - Operating income in URC's AIG segment decreased by ₱36 million or 3.1% to ₱1.1 billion in 2022 from ₱1.2 billion in 2021 driven by higher input costs.

  - Operating income in URC's CFG segment increased by ₱2.0 billion or 46.0% to ₱6.4 billion in 2022 from ₱4.4 billion in 2021. Flour business decreased by 49.7% due to surging wheat prices. Sugar grew by 89.3% on the back of higher selling prices as well as mill operating efficiencies, while renewables decline by 14.7%.

URC's finance costs consist mainly of interest expense, which increased by ₱233 million to ₱806 million in 2022 from ₱573 million recorded in 2021 due to a higher level of interest-bearing financial liabilities and interest rates.

URC’s finance revenue consists of interest income from investments in financial instruments, smoney market placements, savings and dollar deposits, and dividend income from investments in equity securities. Finance revenue increased by ₱40 million to ₱295 million in 2022 from ₱255 million in 2021 due to higher dividend income

Equity in net losses of joint ventures increased to ₱379 million in 2022 from ₱91 million in 2021 due to equity take-up in net losses of VURCI.

Net foreign exchange gain increased by ₱37 million to ₱383 million in 2022 from the ₱346 million in 2021 driven by combined effects of local currency devaluations vis-à-vis US dollar this year versus local currency revaluations last year particularly Philippine Peso, Indonesian Rupiah, and Myanmar Kyat.

Market valuation gain on financial instruments at fair value through profit or loss decreased to ₱70 million in 2022 from ₱87 million in 2021 driven by lower increase in fair values of financial instruments compared last year.

Impairment losses decreased to ₱245 million in 2022 from ₱572 million in 2021 due to lower provisions for impairment losses on fixed assets and spare parts during the year.

Other income (losses) - net consists of gain (loss) on sale of fixed assets, rental income, and miscellaneous income and expenses. Other income - net amounted to ₱3.0 billion in 2022, higher than the ₱2.4 billion reported in 2021 mainly coming from a higher gain on sale of fixed assets recognized this year.

URC recognized a provision for income tax of ₱3.0 billion in 2022, a 90.0% increase from ₱1.6 billion in 2021 due to higher taxable income from sale of properties.

URC’s net income from continuing operations amounted to ₱14.5 billion in 2022, higher by ₱1.5 billion or 11.6%, from ₱13.0 billion in 2021, driven by higher operating income coupled with gain on sale of idle assets.

URC’s net income from discontinued operations amounted to ₱11.3 billion in 2021 coming from gain recognized from the divestment of Oceania businesses.

URC reported total net income of ₱14.5 billion in 2022, lower by ₱9.8 billion or 40.3% from ₱24.2 billion in 2021.

Net income attributable to equity holders of the parent decreased by ₱9.4 billion or 40.2% to ₱14.0 billion in 2022 from ₱23.3 billion in 2021 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) from continuing operations of ₱21.5 billion in 2022, 16.4% higher than ₱18.5 billion posted in 2021.

Real estate and hotels generated total gross revenues of ₱43.4 billion for calendar year 2022, an increase of 22% from ₱35.6 billion the previous year spurred by growing demands from RLC’s recurring business units and amplified by revenues from Phase 2 of its Chengdu Ban Bian Jie project in China. EBIT and EBITDA continue to improve coming in for a 45.3% increase to ₱14.1 billion and 29.3% increase to ₱19.3 billion, respectively. This translated to a record consolidated net income of ₱11.1 billion, 31.0% higher versus the same period last year. Meanwhile, net income attributable to equity shareholders of the parent entity rose by 20.9% to ₱9.75 billion.

The Commercial Centers Division accounted for 29% of total RLC revenues to close at ₱13.0 billion in 2022, 57.9% higher versus previous year as a result of improved consumer spending and retail sales lifted mall revenues. Amusement revenues increased significantly by 12,801.5% due to partial re-opening of cinemas during calendar year 2022. Meanwhile, EBITDA increased by 70.4% to ₱6.6 billion while EBIT increased by 1,484.3% to ₱3.0 billion on the back of flattish growth in depreciation expense. Robinsons Malls continues to assert itself as the second largest mall operator in the country highlighted xby its 53 lifestyle centers.

Robinsons Offices sustained its upward trajectory in 2022 with an 8.9% growth from the previous year, posting revenues at ₱7.1 billion and contributed 16% to consolidated revenues. This steady performance is primarily driven by the strength of its portfolio, which consists of 31 quality assets in strategic locations boosted by the successful leasing activities in new buildings namely, Cyber Omega in Ortigas Center, Cybergate Iloilo 1 and Bridgetowne East Campus One. EBITDA increased by 9.6% to ₱6.2 billion due to cost efficiency while EBIT grew by 11.5% to ₱5.3 billion due to lower depreciation.

RLC Residences and Robinsons Homes posted combined realized revenues of ₱9.1 billion in 2022, contributing 20% to consolidated revenues. The robust performance was driven by increased collections from RLC home/unit buyers, faster completion of the Company's residential projects and remarkable contribution from its joint venture equity earnings. EBITDA and EBIT surged by 54% and 60% to ₱3.5 billion and ₱3.4 billion, respectively.

Chengdu Ban Bian Jie, accounted for 28% or ₱12.8 billion of the RLC's total revenues from Phase 2 which has been 100% completed. Both EBITDA and EBIT ended at ₱1.9 billion. 96% of the entire project have been sold. Furthermore, RLC has recovered 99.8% of its invested capital with the repatriation of US$224.5 million as of December 31, 2022.

With the significant easing of travel restrictions, resurgence of domestic tourism, and re-opening of international borders, Robinsons Hotels and Resorts' revenues rose 93.7% versus last year to ₱2.3 billion, accounting for 5% of RLC's consolidated revenues. Higher average room rates, increased food and beverage sales and the resurgence of MICE events positioned RLC's hospitality business for a strong recovery. Notwithstanding pre-operating expenses from new hotel developments, EBITDA climbed 12.7% to ₱0.3 billion on the back of operational efficiencies; while depreciation from new hotels dragged EBIT to a loss of ₱0.2 billion.

Robinsons Logistics and Industrial Facilities continues to capitalize on the rising opportunities in the industrial and logistics sector. Industrial leasing revenues jumped by 56.9% versus last year to ₱0.6 billion in 2022 due to full year contribution of new industrial facilities that were completed last year in Sucat and in Pampanga. EBITDA and EBIT escalated 48.1% and 40.9% to end at ₱0.5 billion and ₱0.4 billion, respectively.

Robinsons Integrated Developments realized revenues registered at ₱0.7 billion in 2022 from the deferred gain on the sale of parcels of land to joint venture entities yielding an EBITDA and EBIT of ₱0.4 billion. Realized revenues were down by 78% due to last year's 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. 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 ₱0.1 billion from ₱0.2 billion last year due to lower average balance of cash and cash equivalents during the calendar year 2022.

Cost of real estate sales went up by 5.9% to ₱14.1 billion from ₱13.3 billion last year due to increase as a function of increased realized sales. Cost of amusement services notably increased by 12,757.0% from the previous year to ₱205.2 billion, also as a function of significantly higher amusement revenues. Cost of hotel operations increased by 85.8% to ₱2.6 billion due to higher level of operations with the resurgence of tourism and also due to newly opened hotels in 2022.

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 ₱56.8 billion for the year ended December 31, 2022, 260.5% higher than the ₱15.7 billion revenues earned in the same period last year. The overall increase in revenues was primarily driven by significant increase in passenger volume, cargo services and flight activities as the COVID-19 restrictions already eased by March 2022. Starting second quarter of 2022, most parts of the country have remained to be classified under the more relaxed Alert Level classification and this was retained until the end of the year. As a result, CEB has restored almost the same level of its pre-pandemic system-wide capacity following the continuous ramp-up of its domestic and international routes. Currently, CEB is expecting the level of demand to increase further for airline services not just within the Philippines but even abroad. The positive development has not only allowed CEB to carry more passengers, but also boosted CEB's cargo services. The increase in revenues is accounted for as follows: (1) Passenger revenues increased by ₱28.9 billion or 458.70% to ₱35.1 billion for the year ended December 31, 2022 from ₱6.3 billion generated in 2021. This was mainly attributable to the 335.1% increase in passenger volume from 3.4 million to 14.8 million brought about by higher number of flights by 214.3% together with a 14.7 ppts increase in seat load factor from 60.6% to 75.3%. An increase in average fares by 28.4% to ₱2,367 in 2022 from ₱1,844 from last year also contributed to the increase in passenger revenues; (2) Cargo revenues grew by ₱0.6 billion or 10.0% to ₱7.1 billion for the year ended December 31, 2022 from ₱6.5 billion for the year ended December 31, 2021 mostly due to increase in kilograms carried by about 7.3% and higher yield by 2.54%; and (3) Ancillary revenues increased by ₱11.5 billion or 386.3% to ₱14.5 billion for the year ended December 31, 2022 from ₱3.0 billion recorded in the same period last year mainly due to higher passenger volume and flight activity during the period

CEB incurred operating expenses of ₱68.2 billion for the year ended December 31, 2022, higher by 75.3% compared to the ₱38.9 billion operating expenses incurred for year ended December 31, 2021.This was mostly driven by the increase in CEB's operations due to the eased COVID-19 restrictions, since a material portion of its expenses are based on flights and flight hours. The weakening of the Philippine peso against the U.S. Dollar as referenced by the depreciation of the Philippine peso to an average of ₱54.50 per U.S. Dollar for the year ended December 31, 2022 from an average of ₱49.27 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 increase in operating expenses.

As a result of the foregoing, CEB sustained an operating loss of ₱11.4 billion for the year ended December 31, 2022, 50.6% lower than the ₱23.2 billion operating loss incurred for the same period last year.

Interest income increased by ₱271.8 million or 745.1% to ₱308.3 million for the year ended December 31, 2022 from ₱36.5 million earned in the same period last year largely due to higher cash balance and significantly higher average interest rates for cash in bank and short term placements.

CEB recognized market valuation gains amounting to ₱997.9 million for the year ended December 31, 2022 originated from the market valuation gains recognized for CEB's embedded derivative arising from its convertible bonds and interest rate derivatives. As compared to same period last year, CEB incurred a loss of ₱1.3 billion.

CEB had equity in net loss of joint ventures and associates of ₱113.3 million for the year ended December 31, 2022, ₱61.1 million lower than the ₱174.4 million equity in net loss of joint venture and associates incurred in the same period last year. The decrease is due to lower net loss recognized by CEB's joint ventures and associates.

Interest expense and accretion expense from lease liability increased by ₱870.6 million or 34.6% to ₱3.381 billion for the year ended December 31, 2022 from ₱2.511 billion for the same period last year due to the addition of one (1) A321 NEO, three (3) A330 NEO, three (3) A320 NEO and one (1) ATR 72-600 delivered mostly in the latter part of 2021 and 2022 plus sale and leaseback of seven (7) A320 aircraft in December 2021 offset by the return of two (2) A320 CEO and two (2) A330 CEO aircraft to the lessor in 2021. The increase is coupled with the effect of depreciation of the Philippine Peso against the U.S. Dollar to an average of ₱54.50 per U.S. Dollar for the year ended December 31, 2022 from an average of ₱49.27 per U.S. Dollar for the same period last year based on PH BVAL weighted average rates.

As a result of the foregoing, Net loss for the year ended December 31, 2022 amounted to ₱14.0 billion, 43.9% lower than the ₱24.9 billion net loss incurred for the year ended December 31, 2021.

Petrochemicals posted a total revenue of ₱35.9 billion for the year ended December 31, 2022, 11% lower from the ₱40.3 billion revenues generated in the same period last year.

Acting on the subdued global demand with China's borders being closed on one hand, and the cost push from the record-high input prices and shipping charges on the other, both resulting in negative petrochemical spreads, JGSOC strategically implemented a three-month facility shutdown in mid-2022 along with other petrochemical players in the region. Nonetheless, contributions from its recently commissioned Aromatics and Butadiene extraction units cushioned the 11% decline in total revenues. Peak Fuel, its LPG trading unit, also provided an additional revenue stream and continued to expand. Its newly-completed PE3 plant will also allow JGSOC to seize opportunities and capture value through more innovative product offerings.

EBITDA saw a sharp decline to negative ₱8.0 billion as geopolitical tensions in Europe pushed up raw materials and logistics costs to unprecedented levels. Incorporating higher interest expense and forex losses, JGSOC ended 2022 with a ₱14.9 billion net loss.

Equity in net earnings of associated companies and joint ventures amounted to ₱11.9 billion for the year ended December 31, 2022, a 22% increase from last year's ₱9.7 billion driven primarily by higher equity in net earnings of Meralco from ₱6.7 billion in 2021 to ₱7.8 billion in 2022 mainly caused by higher profits from its Singapore power generation unit and larger sales volumes from its domestic energy distribution business. The 15% YoY increase in JGS' equity income already took into account JGS' reduced stake arising from its 3% share sale in July 2022.

For Singapore Land Group, the surge in hotels revenues and higher residential property sales, plus a larger share in the profits of its associates and joint ventures outpaced the slight decline in its leasing business. As a result, equity earnings contribution to JGS ended at ₱3.0 billion, 10% higher vs 2021.

The group also received higher dividends from PLDT amounting to ₱2.8 billion in 2022, a 43% growth YoY. For regular dividends, the telecommunications company distributed a total of

₱89 per share vs ₱82 per share last year. Aside from this, additional dividends of ₱28 per share were declared from the proceeds of PLDT's tower sale.

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 ₱221.3 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 19.2% from ₱137.7 billion last year to ₱164.2 billion this year due to higher sales and increasing input costs particularly of URC, RLC and Petrochem. The Group's operating expenses decreased by 4.3% resulting to a consolidated Operating Income or EBIT of ₱9.9 billion in 2021, a 17.7% increase from ₱8.4 billion in 2020. EBITDA from continuing operations amounted to ₱38.9 billion versus ₱38.2 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 ₱462 million in 2021 mainly due to CEB's gain on sale of aircraft.

Consolidated provision for income tax amounted to ₱81.9 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.

The Group's net loss after tax from continuing operations amounted to ₱1.9 billion, albeit smaller from last year's net loss of ₱1.8 billion.

The Group's net income from discontinued operations, which includes both results and contributions from banking business and from the food manufacturing arm' discontinued Oceania Operations, amounted to ₱12.6 billion and ₱2.2 billion for the period ended December 31, 2021 and 2020, respectively.

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% increased 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 Php2.5B 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 P49.27 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-subsidiary 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

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 ₱195.0 billion, 29.6% 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 22.1% from ₱176.7 billion last year to ₱137.7 billion this year consistent with the decline in revenue of core businesses. The Group's operating expenses decreased by 2.4% resulting to a consolidated Operating Income or EBIT amounting to ₱8.4 billion in 2020 from ₱53.0 billion in 2019. EBITDA amounted to ₱38.3 billion versus ₱79.0 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 ₱2.7 billion in 2020 from ₱848 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 ₱146.3 million in 2020 mainly due to CEB's loss on sale of aircraft.

The Group's net loss after tax from continuing operations amounted to ₱1.8 billion, a significantl turn-around from ₱41.2 billion net income after tax from continuing operations last year due to the impact of COVID-19.

The Group's net income from discontinued operations, which includes both results and contributions from banking business and from the food manufacturing arm' discontinued Oceania Operations, amounted to ₱2.2 billion and ₱1.2 billion for the period ended December 31, 2020 and 2019, respectively.

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 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-subsidiary 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%.

FINANCIAL CONDITION

2022 vs 2021

The Group's balance sheet provides enough financial flexibility to support further growth and weather any headwinds amidst a highly volatile global landscape. As of December 31, 2022, consolidated assets amounted to ₱1.073 trillion from ₱1.024 trillion as of December 31, 2021. Current ratio stood at 0.98. The Company's indebtedness remains manageable with a gearing ratio of 0.77, well within the financial covenant of 2.0. Net debt stood at ₱238.1 billion, bringing our net debt to equity ratio to 0.56.

Cash and cash equivalents amounted to ₱85.7 billion (including Robinsons Bank's) as of December 31, 2022 from ₱82.9 billion as of December 31, 2022. The Group's cash requirements have been sourced through cash flow from operations. The net cash flow provided by operating activities in 2022 amounted to ₱6.8 billion. Net cash used in investing activities amounted to ₱7.8 billion mainly which were substantially used for the Group's capital expenditures partially offset by the proceeds from the sale of MER shares, dividends received, and proceeds from sales and lease-back transactions. Net cash provided by financing activities amounted to ₱3.8 billion mainly from net availment of debts and bills payable, partially offset by dividend and lease payments, and subsidiaries' purchase of treasury shares.

The Group's capital expenditures totaling ₱44.8 billion in 2022 include URC's capacity expansion, sustainability projects, and systems automation; RLC's development of malls, offices, hotels, and warehouse facilities, acquisition of land and construction costs; CEB's acquisition of buyer furnished equipment, rotables, assemblies & capitalized overhaul expenses; JGSOC's Butadiene and PE3 expansion projects and RBC's business development initiatives.

As of December 31, 2022, the Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Group's operations and/or financial condition.

As of December 31, 2022, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Material Changes in the 2022 Financial Statements
(Increase/Decrease of 5% or more versus 2021)

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

Consolidated Statements of Financial Position- December 31, 2022 versus December 31, 2021

67.5% decrease in Receivables (including Noncurrent Portion)
Due to the reclassification of the banking business' finance receivables amounting to ₱112.9 billion to 'Assets held for sale' as a result of the merger agreement of RBC with the Bank of Philippine Islands (BPI) *(see Note 44 of the consolidated financial statements)*

48.0% decrease in Financial Assets (including Noncurrent Portion)
Due to (i) decrease in market values of the Group's investment securities particularly our PLDT investment; and (ii) the reclassification of the banking business' investments in fair value through profit and loss (FVTPL), fair value though other comprehensive income (FVOCI), and investment securities at amortized cost totaling ₱40.5 billion to 'Assets held for sale' as a result of the merger agreement of RBC with BPI.

12.8% increase in Inventories
Due to (i) increases in raw materials inventory, finished goods, and work-in-process on the back of higher input cost and volumes of URC; (ii) higher finished goods inventory of JGSOC; and (iii) offset by decline in RLC's condominium and residential units for sale due to the sale of Chengdu Phase 2 project in 2022.

37.8% increase in Biological Assets (including Noncurrent Portion)
Due to the increase in hogs population coupled with improvement in hog mortalities

14.0% increase in Other Current Assets
Due to increase in URC's advances to suppliers and RLC's advances to lot owners

38.9% increase in Right-of-Use Assets
Due to CEB's delivery of one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO in 2022 offset by the return of one (1) A320 CEO and depreciation during the period

60.8% decrease in Accounts Payable and Accrued Expenses
Primarily due to the reclassification of the banking business' current portion of deposit liabilities amounting to ₱113.8 billion to 'Liabilities directly associated with assets held for sale' as a result of the merger agreement of RBC with BPI.

39.3% increase in Short Term Debt
Due to higher level of short-term debt and trust receipts payable of URC and JGSOC.

43.4% increase in Lease Liabilities (including Noncurrent Portion)
Due to CEB's additional lease liability set up for one (1) A321 NEO, two (2) A320 NEO and (1) A330 NEO delivered in 2022 plus the recognition of the related lease liability of five (5) A321 CEO reclassified from property and equipment to right of use assets offset by payments made during the period.

87.0% increase in Income Tax Payable
Due to additional tax provisions of URC and RLC, net of payments.

21.5% decrease in Other Current Liabilities
Due to (i) RLC's lower deposits from real estate buyers, partially offset by (ii) CEB's higher unearned transportation revenue from increased forward bookings as of December 31, 2022 compared to December 31, 2021 in line with the increased airline services demand during the period.

37.4% decrease in Other Noncurrent Liabilities
Primarily due to the reclassification of the banking business' noncurrent portion of deposit liabilities amounting to ₱12.1 billion to 'Liabilities directly associated with assets held for sale' as a result of the merger agreement of RBC with BPI.

284.8% increase in Other Comprehensive Loss
Due to market valuation losses on the Group's investments in FVOCI securities primarily driven by lower PLDT share price from ₱1,812 per share as of end-December 2021 to ₱1,317 per share as of end-December 2022.

Stockholders' equity, excluding minority interest, stood at ₱319.9 billion as of December 31, 2022 from ₱335.3 billion last year.

Book value per share amounted to ₱42.54 as of December 31, 2022 from ₱44.58 as of December 31, 2021.

2021 vs 2020

The Group's balance sheet continues to be healthy and robust, with the capacity to further support post-pandemic recovery. As of December 31, 2021, consolidated assets amounted to ₱1.024 trillion from ₱1.0 trillion as of December 31, 2020. Current ratio stood at 1.03. The Group's consolidated gearing and net debt to equity ratios remained healthy at 0.68 and 0.48, respectively.

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.

As of December 31, 2021, the Group is not aware of any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Group with unconsolidated entities or other persons created during the reporting period that would have a significant impact on the Group's operations and/or financial condition.

As of December 31, 2021, except as otherwise disclosed in the financial statements and to the best of the Group's knowledge and belief, there are no events that will trigger direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation.

Material Changes in the 2021 Financial Statements
(Increase/Decrease of 5% or more versus 2020)

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

Consolidated Statements of Financial Position- December 31, 2021 versus December 31, 2020

26.0% increase in Financial Assets (including Noncurrent Portion)
Our financial assets, including those investments at FVTPL, FVOCI and at amortized cost, increased due to higher market values and additional investments in private bonds and government securities.

9.2% increase in Receivables (including Noncurrent Portion)
Mainly due to the increase in finance receivables of the banking business.

7.7% increase in Inventories
Due to 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.

27.3% increase in Biological Assets (including Noncurrent Portion)
Due to increase in poultry population.

12.2% increase in Other Current Assets
Mainly due to decline in input VAT of the petrochemicals business and decrease in cash under escrow of RLC.

12.5% increase in Investment Properties
Due to land acquisitions, ongoing construction and development of real estate properties, net of depreciation during the year

40.1% increase in Right-of-Use Assets
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.

30.9% decrease in Goodwill and 69.3% decrease in Intangible Assets
Due to divestment of Oceania businesses, partly offset by acquisition of Munchy's.

6.2% decrease in Other Noncurrent Assets
Mainly due to CEB's transfer of noncurrent advances to suppliers to current assets.

5.2% increase in Accounts Payable and Accrued Expenses
Due to higher level of deposit liabilities and bills payable of the banking business, as well as CEB's increase in travel funds payable.

48.6% increase in Short Term Debt
Mainly due to URC and Petrochem's higher short-term debt and trust receipts payable.

14.6% decrease in Long-term Debt (including Current Portion)
Primarily due to divestment of Oceania businesses, coupled with the debt settlements made by JG Parent and RLC during the year.

37.4% decrease in Income Tax Payable
Mainly due to income tax payments during the year, net of current tax provision.

604.4% increase in Derivative Liabilities
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.

14.6% decrease in Lease Liabilities (including Noncurrent Portion)
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.

29.9% decrease in Other Current Liabilities
Primarily due to decrease in RLC's deposits from real estate buyers.

47.5% decrease in Deferred Tax Liabilities
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.

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, 2022, 2021 and 2020.

Key Financial Indicators	**2022**	2021	2020
Revenues	₱301.9 billion	₱221.3 billion	₱195.0 billion
EBIT	₱18.3 billion	₱9.9 billion	₱8.4 billion
EBITDA	₱46.0 billion	₱38.9 billion	₱38.3 billion
Core net income after taxes	₱6.2 billion	₱3.1 billion	₱78.1 million
Net income attributable to equity holders of the Parent Company	₱650.6 million	₱5.1 billion	(₱468 million)
Liquidity Ratio:			
Current ratio	0.98	1.03	1.02
Solvency ratios:			
Gearing ratio	0.77	0.68	0.78
Net debt to equity ratio	0.56	0.48	0.60
Asset-to-equity ratio	2.51	2.31	2.45
Interest rate coverage ratio	4.13	4.27	4.52
Profitability ratio:			
Operating margin	0.06	0.04	0.05
Book value per share	₱42.54	₱44.58	₱40.99

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

Commitments and Contingent Liabilities

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.

In addition, the Group has capital expenditure commitments which principally relate to the acquisition of aircraft which will be funded through CEB's internally generated cash from operations and borrowings (see Note 43 of the Consolidated Financial Statements).

Trends, Events or Uncertainties

There are (i) no known trends, events or uncertainties that have had or that are reasonably expected to have a material effect on revenues or income from continuing operations, (ii) no significant elements of income or loss that did not arise from the Company's continuing operations, or (iii) no event that may trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

Except for income generated from our retail leasing, and our airline's business which generally records higher revenues in January, March, April, May, and December due to festivals and school holidays in the Philippines, there are no seasonal aspects that have a material effect on the Group's financial conditions or results of operations.

Impact of COVID-19

As of December 31, 2022, the Group's operations have significantly improved due to the easing of COVID-19 restrictions which started during the second quarter. In line with this, the Group's liquidity position has been augmented, mainly sourced from the enhanced cash flows from operating activities during the period. Accordingly, the Group will have sufficient financial resources to enable the Group to subsequently finance its operations and pay its debts as and when they fall due. However, the Group's airline business balance sheet was significantly affected by the revaluation of its foreign currency-denominated provisions and debts due to the depreciation of the local currency against foreign currencies. Consequently, CEB's equity position has declined due to the net loss recognized during the period. The net loss recognized was mostly attributable to significantly higher fuel prices, foreign exchange losses and interest costs. Nevertheless, the continuous growth in demand for domestic and international airline services which started during the second quarter has provided the Group with the positive outlook to regain its strong balance sheet and equity position in the subsequent periods. This is coupled by the Group's effort to manage the impact of COVID-19 pandemic in its business operations. Hence, despite the continuing impact of the COVID-19 pandemic, the Group still believes that it remains a resilient airline company.

The COVID-19 pandemic has continuously affected the operations of the Group as its scale and duration remain uncertain as at the report date. In response, the Group is actively engaged in planning and executing various measures to mitigate the impact of the COVID-19 pandemic on its business operations. Further, the Group is still monitoring the recent developments as these situations may subsequently result to a material impact on the Group's financial results for 2023 and even periods thereafter. The Group, however, is encouraged by the strong demand for airline services and anticipates the same to continue as a result of the easing of COVID-19 restrictions in most parts of the country.

DISCLOSURE OF EFFECTS OF PESO DEPRECIATION AND OTHER CURRENT EVENTS

Refer to Management Discussion and Analysis on pages 61-87 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 103) are filed as part of this report.

Item 8. Information on Independent Accountant and other Related Matters

A. External Audit Fees and Services

<u>Audit and Audit - Related Fees</u>

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.,

	2022	2021	2020
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	**₱4,780,000**	₱4,200,000	₱3,790,000
All Other Fees	**None**	None	5,500,000
Total	**₱4,780,000**	₱4,200,000	₱9,290,000

No other service was provided by external auditors to the Company for the calendar years 2022, 2021 and 2020.

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	83	Director, Chairman	Filipino
Lance Y. Gokongwei	56	Director, President and Chief Executive Officer	Filipino
Robina Gokongwei Pe	61	Director	Filipino
Patrick Henry C. Go	52	Director	Filipino
Johnson Robert G. Go, Jr.	58	Director	Filipino
Jose T. Pardo	83	Director (Independent)	Filipino
Renato T. De Guzman	72	Director (Independent)	Filipino
Antonio L. Go	83	Director (Independent)	Filipino
Artemio V. Panganiban	86	Director (Independent)	Filipino

2. Executive Officers

Name	Age	Position	Citizenship
Michael P. Liwanag	49	Chief Strategy Officer	Filipino
Bach Johann M. Sebastian	61	Senior Advisor, Corporate Finance and Strategy	Filipino
Maria Celia H. Fernandez-Estavillo	51	Senior Vice President, General Counsel and Corporate Secretary	Filipino
Renato T. Salud	59	Senior Vice President, Corporate Affairs and Sustainability	Filipino

Name	Age	Position	Citizenship
Aldrich T. Javellana	49	Senior Vice President and Treasurer	Filipino
Lisa Y. Gokongwei-Cheng	54	Senior Vice President, Digital Transformation and Corporate Services	Filipino
Alan D. Surposa	59	Senior Vice President and Chief Procurement Officer	Filipino
Brian M. Go	49	Chief Finance and Risk Officer	Singaporean
David Gulliver G. Go	51	Chief Human Resources Officer, Corporate Human Resources	Filipino
Michele F. Abellanosa	52	Vice President, Corporate Controllership	Filipino
Rya Aissa S. Agustin	42	Chief Audit Executive, Corporate Internal Audit	Filipino
Laurinda R. Rogero	46	Chief Compliance Officer	Filipino
Ian Pajantoy	57	Data Protection Officer	Filipino
Andre Ria B. Buzeta-Acero	43	Assistant Corporate Secretary	Filipino

All of the above directors and officers have served their respective offices since May 13, 2022.

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***, 83, is the Chairman of JGSHI. He is also the Chairman and Chief Executive Officer of Oriental Petroleum and Minerals Corporation, the Vice Chairman of Robinsons Retail Holdings, Inc., and a Board Advisor of Cebu Air, Inc. since January 1, 2023. 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. ("PLDT") since November 3, 2011, and serves as an Advisor to the Audit Committee, and as a member of the Risk Committee and the Technology Strategy Committee of PLDT. He was elected a Director of Manila Electric Company ("MERALCO") on December 16, 2013 and is a member of the Executive Committee, Finance Committee, Nomination and Governance Committee, Audit Committee, Risk Management Committee, and Related Party Transactions Committee of MERALCO. 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***, 56, is the President and Chief Executive Officer of JGSHI. He is also the Chairman of Cebu Air, Inc., Universal Robina Corporation, Robinsons Land Corporation, Robinsons Retail Holdings, Inc., Altus Property Ventures, Inc., Robinsons Bank Corporation, and JG Summit Olefins Corporation. He is a Director and a Vice Chairman of the Executive Committee of Manila Electric Company. He is also 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 Pe Gokongwei***, 61, 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, 27 and Joan, 17. 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 also heads the URC Packaging (BOPP) Division and Flexible Packaging Division. 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.***, 58, has been a Director of JGSHI since August 18, 2005. He is also 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***, 83, 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, and the Philippine Seven Corporation. He is also a Director of Del Monte Philippines, Inc., and Advisory Board Chair of Bank of Commerce. Mr. Pardo also serves in various private and non-listed enterprises and is the Chairman of the Securities Clearing Corporation of the Philippines, a Director of 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 especially because of his extensive experience in public service. Mr. Pardo has served in varying leadership capacities in civic and other various organizations and his insights as the Chair of JGSHI's Corporate Governance and Sustainability Committee is very valuable and instrumental in helping the Corporation realize its purpose and ambition to deliver efficient and prudent management of the Corporation that will deliver long term success 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 the following: 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 that the extensive experience of its directors and senior management is crucial in future proofing the Corporation and its businesses and in ensuring that customers are provided with better choices and that successes are shared with stakeholders.

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,** 72, 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***, 83, has been an Independent Director of JGSHI since May 23, 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., Pin-An Holdings, Inc., Equicom Information Technology,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***, 86, 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***, 49, is the Chief Strategy Officer of JGSHI. Prior to his current role, he was the Senior Vice President, Investor Relations, and Chief of Staff of JGSHI until August 14, 2022. He also served as URC's Senior Vice President until December 2020 and Vice President for Corporate Strategy and Development until May 14, 2018. Before joining URC in 2001, he was exposed to different business functions such as Portfolio & Strategy 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 alumnus of the Harvard Business School (AMP).

2. ***Bach Johann M. Sebastian***, 61, is the Senior Advisor, Corporate Finance and Strategy of JGSHI. Prior to his current role, he was the Senior Vice President, Strategic Investment of JGSHI until August 14, 2022. 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. ***Maria Celia H. Fernandez-Estavillo***, 51, is the Senior Vice President, General Counsel, and since September 30, 2020, Corporate Secretary of JGSHI. She is also the Corporate Secretary of Universal Robina Corporation and JG Summit Olefins Corporation and the Assistant Corporate Secretary of Gokongwei Brothers Foundation, Inc. She is a member of The British School Manila Board of Governors since 2020 and the Solar Village Foundation Board of Trustees since 2022. 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 the 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 secured her Juris Doctor (Cum Laude) from the same school. 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.

4. ***Renato T. Salud***, 59, 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.

5. ***Aldrich T. Javellana***, 49, 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.

6. ***Lisa Y. Gokongwei-Cheng,*** 54, 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), the Chairman of Data Analytics Ventures, Inc. (2022 to present), and the General Manager of Gokongwei Brothers Foundation (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.

7. ***Alan D. Surposa,*** 59, 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.

8. ***Brian M. Go***, 49, is the Chief Finance and Risk Officer of JGSHI. He is also the Managing Director of URC Equity Ventures Pte Ltd., as well as serving on the Investment Committee of JG Digital Equity Ventures (JGDEV), a Senior Advisory Board member of Robinsons Bank and a Board Director for Maxicare. 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. He was also the Vice President for URC's International Trading Operations/Global Exports based in Singapore from 2019 to 2022. Brian graduated from Harvard College in 1996. He completed an Executive MBA with Kellogg-HKUST in 2007, and is a CFA charter holder.

9. ***David Gulliver "Gully" G. Go***, 51, is 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.

10. ***Michele F. Abellanosa*** 52, is the Vice President, Corporate Controllership of JGSHI. She was also elected Treasurer of DHL Summit Solutions, Inc. on February 15, 2022. She was Chief Compliance Officer of JGSHI from July 1, 2021 until March 30, 2022. 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 controllership 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.

11. ***Rya Aissa S. Agustin***, 42, is the Chief Audit Executive of JGSHI. 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.

12. ***Laurinda R. Rogero***, 46, was appointed Chief Compliance Officer of JGSHI on March 30, 2022 and is currently the Vice President and Compliance Head of JGSHI's General Counsel Group, a role she has held since May 2017. Prior to joining JGSHI, she was Vice President and Head of the Anti-Money Laundering Department under the Legal and Regulatory Affairs Group of Rizal Commercial Banking Corporation. She also served as Legal Associate in ACCRA Law and as Court Attorney in the Supreme Court under Associate Justice Consuelo Ynares-Santiago. Atty. Rogero secured her Juris Doctor from the University of the Philippines and a Master of Laws from the University of Melbourne. She was admitted to the Philippine Bar in 2004.

13. ***Ian Pajantoy***, 57, is the Data Protection Officer (DPO) of JGSHI since May 30, 2019. He is also the Common DPO for other JGSHI business units like Universal Robina Corporation (URC), Summit Media Group, JG Summit Olefins Corporation, and Aspen Business Solutions, Inc. (ABSI). He was tapped as one of the Core Team of the Business Process Outsourcing (Shared Services) arm of JGSHI established in 2013. Prior to joining & handling the Procurement Operations of the Shared Services Group (now ABSI), 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 - Dasmarinas City, Cavite.

14. ***Andre Ria B. Buzeta-Acero,*** 43, is the Assistant Corporate Secretary of JGSHI. She is also the Assistant Corporate Secretary of JG Summit Olefins Corporation, and JG Digital Equity Ventures, Inc. She is concurrently the Corporate Secretary of JG Summit Capital Services Corp., JG Summit Infrastructure Holdings Corporation, JG Summit Capital Markets Corp., Chic Centre Corporation, Peak Fuel Corporation, Merbau Corporation and DHL Summit Solutions, Inc. 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.

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 given to officers and directors of the Company for the last 2 years and projected for the ensuing year (2023) are as follows:

	PROJECTED 2023				**ACTUAL**	
	Salary	Bonus	Others	Total	**2022**	**2021**
CEO and Four (4) most highly compensated executive officers	₱95,064,844	₱600,000	₱240,000	₱95,904,844	₱90,858,972	₱86,492,329
All other officers and directors as a group unnamed	₱69,491,298	₱4,800,000	₱3,000,000	₱77,291,298	₱69,143,545	₱63,339,653

The following constitute JG Summit's CEO and four (4) most highly compensated executive officers:
1. Mr. Lance Y. Gokongwei is the President and Chief Executive Officer
2. Ms. Maria Celia H. Fernandez-Estavillo is the Senior Vice President, General Counsel and Corporate Secretary
3. Mr. Renato T. Salud is the Senior Vice President, Corporate Affairs and Sustainability
4. Mr. Bach Johann M. Sebastian is the Senior Advisor, Corporate Finance and Strategy
5. Mr. Aldrich T. Javellana is the Senior Vice President and Treasurer

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, 2022, 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	1,902,192,937 (See note 3)	25.29%
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	867,584,265 (See note 3)	11.54%
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:

1. 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.
2. PCD Nominee Corporation is the registered owner of the shares in the books of the Corporation's transfer agent. PCD Nominee Corporation is a corporation wholly-owned by Philippine Depository and Trust Corporation, Inc. (formerly the Philippine Central Depository) ("PDTC"), whose sole purpose is to act as nominee and legal title holder of all shares of stock lodged in the PDTC. PDTC is a private corporation organized to establish a central depository in the Philippines and introduce scripless or book-entry trading in the Philippines. Under the current system of the PDTC, only participants (brokers and custodians) are recognized by PDTC as the beneficial owners of the lodged shares. Each beneficial owner of shares through his participant is the beneficial owner to the extent of the number of shares held by such participant in the records of the PCD Nominee.
3. 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, 2022:

	No. of shares	% to Outstanding
Citibank N.A.	1,038,317,584	13.81%
Maybank ATR Kim Eng Securities, Inc.	333,287,196	4.43%

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

4. 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
Common	1. James L. Go	Chairman	156,288,580(D)	Filipino	2.08%
Common	2. Lance Y. Gokongwei	Director, President and Chief Executive Officer	570,962,279(D)	Filipino	7.59%
Common	3. Patrick Henry C. Go	Director	133,164(D)	Filipino	*
Common	4. Robina Y. Gokongwei-Pe	Director	190,464,774(D)	Filipino	2.53%
Common	5. Johnson Robert G. Go, Jr.	Director	43,737(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	146,018,275(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	*
Common	13. David Gulliver G. Go	Chief Human Resources Officer, Corporate Human Resources	43,735(D)	Filipino	*
			1,064,035,144		14.14%

Notes:

D - Direct

* 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, 2022, namely:

1. Bach Johann M. Sebastian - Senior Vice President
2. Renato T. Salud - Senior Vice President
3. Aldrich T. Javellana - Senior Vice President and Treasurer
4. Alan D. Surposa - Senior Vice President
5. Brian M. Go - Chief Finance and Risk Officer
6. Michele F. Abellanosa - Vice President
7. Rya Aissa S. Agustin - Chief Audit Executive
8. Laurinda R. Rogero - Chief Compliance Officer
9. Ian Pajantoy - Data Protection Officer
10. Andre Ria B. Buzeta-Acero - Assistant Corporate Secretary

(2) Voting Trust Holders of 5% or More

As of December 31, 2022, 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 Company upholds its commitment to doing business in accordance with good corporate governance and the highest ethical standards of always acting in good faith and in the best interest of all stakeholders. This is aligned with the Company's core values of entrepreneurial mindset, stewardship and integrity, and embodied in its Articles of Incorporation, By-Laws, Revised Corporate Governance Manual and Code of Business Conduct.

The Company complies with corporate governance standards enshrined in the Securities and Exchange Commission's ("SEC") Code of Corporate Governance for Publicly-Listed Companies, among other SEC regulations and applicable laws. It likewise continuously seeks to improve and strengthen its corporate governance practices through policy engineering and implementation. Moreover, the Company consistently strives to raise its financial reporting standards by adopting and implementing prescribed Philippine Financial Reporting Standards (PFRSs).

To know more about the Company's corporate governance and compliance programs and initiatives, please refer to the Corporate Governance Section in the annexed Sustainability Report.

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 103)

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, 2022 to December 31, 2022:

Date of Disclosure	Description
Jul 29, 2022	Material Information Transaction regarding Overnight Block Trade
Aug 11, 2022	Press Release entitled “JG Summit’s core profits improved in 2Q22, surging 48% YoY”
Aug 11, 2022	Material Information Transaction regarding “JG Summit’s core profits improved in 2Q22, surging 48% YoY”
Aug 11, 2022	Change in Directors and/or Officers
Sep 30, 2022	Clarification of News Report regarding “Ayalas, Gokongweis to merge bank units”
Sep 30, 2022	Press Release entitled "JG Summit Capital, a wholly-owned subsidiary of JGS, approves merger of BPI and RBank"
Sep 30, 2022	Material Information Transaction regarding "JG Summit Capital, a wholly-owned subsidiary of JGS, approves merger of BPI and RBank"
Oct 11, 2022	Amendments to Articles of Incorporation
Nov 10, 2022	Acquisition or Disposition of Shares of Another Corporation.
Nov 10, 2022	Press release entitled "JG Summit’s core net income grew more than ten-fold YoY in 9M22”
Nov 10, 2022	Material Information Transaction regarding "JG Summit’s core net income grew more than ten-fold YoY in 9M22”
Nov 11, 2022	Acquisition or Disposition of Shares of Another Corporation
Nov 25, 2022	Change in Shareholdings of Directors and Principal Officers
Dec 8, 2022	Changes in Beneficial Ownership of Securities
Dec 8, 2022	Material Information Transaction regarding “Partial Repurchase and Cancellation of JGSH Philippines, Limited’s 4.375 per cent Bonds due 2023”
Dec 15, 2022	Update on Corporate Actions, Material Transactions - Merger of BPI and RBank

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 QUEZON CITY on MAR 3 1 2023, 2023.

By:

JAMES L. GO
Chairman of the Board
Date: March 29, 2023

LANCE Y. GOKONGWEI
President and
Chief Executive Officer
Date: March 29, 2023

BRIAN M. GO
Chief Finance and Risk Officer
Date: March 29, 2023

MARIA CELIA H. FERNANDEZ-ESTAVILLO
General Counsel and Corporate Secretary
Date: March 29, 2023

SUBSCRIBED AND SWORN to before me this MAR 3 1 2023 day of ______ 2023 affiant(s) exhibiting to me his/their Passport numbers, as follows:

NAMES	PASSPORT NO.	DATE OF ISSUE
James L. Go	P2019464B	June 20, 2019
Lance Y. Gokongwei	P5236422B	February 5, 2021
Brian M. Go	K2114080N	January 11, 2021
Maria Celia H. Fernandez-Estavillo	P5542345A	January 6, 2018

Notary Public

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Book No. 75
Page No. 66
Series of 2023

ATTY. CONCEPCION P. VILLAREÑA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167803 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)
TIN NO. 131-942-754

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

CONSOLIDATED COMPANY FINANCIAL STATEMENTS

SUPPLEMENTARY SCHEDULES

JG SUMMIT
HOLDINGS, INC.
43rd FLOOR ROBINSONS EQUITABLE TOWER ASB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-7631, 637-1670, 240-8801 FAX NO.: 633-9387 OR 633-9207

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of JG Summit Holdings, Inc. and Subsidiaries (collectively referred to as the Group) is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, for the years ended December 31, 2022, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as 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.

The Board of Directors (BOD) is responsible for overseeing the Group's financial reporting process.

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

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

James L. Go Chairman of the Board	**Lance Y. Gokongwei** President & Chief Executive Officer	**Brian M. Go** Chief Finance & Risk Officer

Subscribed and Sworn to before me in the City of QUEZON CITY this MAR 3 1 2023, 2023 affiants(s) exhibiting to me his Passport numbers, as follows:

Names	Passport No.
James L. Go	P2019464B
Lance Y. Gokongwei	P5236422B
Brian M. Go	K2114080N

Doc. No. 368
Book No. 75
Page No. 105
Series of 2023

ATTY. CONCEPCION P. VILLARENA
Notary Public for Quezon City
Until December 31, 2023
PTR No. 3716371 / January 3, 2023 Q.C
IBP No. 167803 / November 25, 2021 Q.C
Roll No. 30457 / 05-09-1980
MCLE VII-0006994 / 09-21-2021
ADM. MATTER No. NP-005 (2022-2023)
TIN NO. 131-942-754

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and for each of the three years in the period ended December 31, 2022 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 2022 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 the application of significant judgment and estimation in the following areas: (1) assessment of the probability that the Group will be able to 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 costs to obtain a contract. In the Group's China operations, revenue is recognized at the end of the project when the contract has been completed and acceptance of the buyer of the real estate inventory sold.

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 collection 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 the 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 the percentage-of-completion (POC) method in amortizing sales commission consistent with the Group's revenue recognition policy.

In 2022, the Group's real estate revenue and costs include revenue recognition from the Group's real estate operations in China. In recording its revenues, taking into account the contract terms, business practice and the legal and regulatory environment in China, it uses Completed Contract method (CCM) in accordance with PFRS 15. Under this method, all the revenue and profit associated with the sale of the real estate inventories is 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 real estate revenue recognition process, policies and procedures.

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

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 compared 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 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 percentage of completion 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 cost of real estate sales, we obtained an understanding of the Group's cost accumulation process and performed tests of the relevant controls. For selected projects, we traced costs accumulated, including those incurred but not yet billed, to supporting documents such as invoices and accomplishment reports from the contractors and official receipts.

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.

For the revenue recognition of the Group's real estate operations in China reported under CCM, we coordinated with the non-EY auditors of the Group in China on certain audit procedures and shared information that may be relevant to their audit. However, we have no responsibility for the procedures they performed or for their report. Also, we coordinated with our EY network firm in China (EY Hua Ming Chengdu Office) to perform planning, risk identification and review of audit procedures performed by the non-EY auditors of the Group in China. Based on the reports obtained and reviewed, the non-EY 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, 2022, the Group's goodwill attributable to the acquisition of Crunchy Foods Sdn. Bhd. and Subsidiaries and other acquired entities amounted to ₱20.1 billion. The Group's intangible assets with indefinite useful lives consist of trademarks and brands, trade secrets and product formulation amounting to ₱3.0 billion, ₱2.2 billion and ₱0.4 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) the determination of the recoverable amount of the cash-generating units (CGUs) to which goodwill is attributed, and as it relates to the other intangible assets with indefinite useful lives, involves significant management judgment and assumptions about the future results of business. The significant assumptions used in determining the recoverable amounts of these assets, specifically revenue growth rate, discount rate and the terminal growth rate that are applied to the cash flow forecasts, are subject to higher level of estimation uncertainty due to the current economic conditions.

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 evaluated the methodologies and the assumptions used in the value in use calculations. These assumptions include revenue growth rate, discount rate and the terminal growth rate. We compared the key assumptions used against the historical performance of the cash generating unit (CGU), industry/market outlook and other relevant external data. 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. In all cases as applicable, we considered the impact associated current economic conditions. 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 Business

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, 2022 for the Banking Business amounted to ₱2.8 billion. Provision for credit losses of the Banking Business in 2022 amounted to ₱927.5 million.

The disclosures related to the allowance for credit losses on loans and receivables of the banking business are included in Notes 3 and 44 to the consolidated financial statements.

Audit response

We obtained an understanding of the board approved methodologies and models used for the Banking Business' 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 Business' 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, 2022, the Group's share in the net income of Meralco amounted to ₱7.8 billion and accounts for 11.2% 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, 2022 and recomputed the Group's share in net income and other comprehensive income for the year ended December 31, 2022.

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, 2022, the Group has property and equipment relating to its petrochemicals business amounting to ₱114.9 billion and property and equipment and right-of-use assets relating to its airline business amounting to ₱64.6 billion and ₱43.4 billion, respectively. The disruption caused by the current economic conditions and the COVID-19 pandemic to the Group's petrochemicals and airline operations, which reported significant net losses in 2022, are 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.

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. We also reviewed the Group's disclosures about the assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect on the determination of the recoverable amount of property and equipment and right-of-use assets.

Other Information

Management is responsible for the other information. The other information comprises the SEC Form 17-A for the year ended December 31, 2022 (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the SEC Form 20-IS (Definitive Information Statement) and Annual Report for the year ended December 31, 2022, which 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.

If, based on the work we have performed on the other information that we obtained prior the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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. 9564639, January 3, 2023, Makati City

March 29, 2023

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

	December 31	
	2022	2021 (As Restated - Note 19)
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱79,071,733,366**	₱82,890,121,521
Financial assets at fair value through profit or loss (Note 9)	**7,245,929,014**	6,461,016,163
Financial assets at fair value through other comprehensive income (Note 10)	**9,249,939,997**	39,258,310,300
Receivables (Note 11)	**41,427,326,370**	72,223,652,647
Inventories (Note 12)	**92,052,099,659**	81,611,906,817
Biological assets (Note 17)	**205,303,346**	132,144,916
Assets held for sale (Note 44)	**166,382,403,340**	–
Other current assets (Note 13)	**27,005,300,986**	23,689,960,612
Total Current Assets	**422,640,036,078**	306,267,112,976
Noncurrent Assets		
Financial assets at fair value through other comprehensive income (Note 10)	**34,822,127,154**	44,506,905,999
Receivables (Note 11)	**6,594,189,921**	75,487,480,442
Investment securities at amortized cost (Note 10)	**–**	8,474,858,779
Investments in associates and joint ventures (Note 14)	**143,294,924,167**	146,034,119,456
Property, plant and equipment (Note 16)	**256,035,706,144**	250,050,355,407
Investment properties (Note 15)	**123,082,820,865**	117,761,485,499
Right-of-use assets (Note 42)	**44,825,772,311**	32,280,314,606
Goodwill (Note 19)	**20,084,733,064**	19,717,685,873
Intangible assets (Note 18)	**5,889,940,321**	7,160,676,673
Biological assets (Note 17)	**205,740,429**	166,105,594
Other noncurrent assets (Note 20)	**15,725,800,694**	15,627,551,559
Total Noncurrent Assets	**650,561,755,070**	717,267,539,887
	₱1,073,201,791,148	₱1,023,534,652,863
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Notes 21 and 42)	**₱70,279,441,735**	₱179,069,039,804
Short-term debts (Note 23)	**91,917,480,341**	65,995,583,482
Current portion of:		
Long-term debts (Note 23)	**70,460,432,880**	19,501,714,468
Lease liabilities (Note 42)	**6,281,321,598**	5,716,633,360
Income tax payable	**623,359,279**	333,400,913
Liabilities directly associated with assets held for sale (Note 44)	**146,616,161,440**	–
Other current liabilities (Note 22)	**21,170,096,789**	26,974,866,810
Total Current Liabilities	**407,348,294,062**	297,591,238,837
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debts (Note 23)	**153,779,908,527**	200,830,478,415
Lease liabilities (Note 42)	**44,642,212,638**	29,772,830,961
Bonds payable (Note 23)	**13,423,322,594**	12,184,836,126
Deferred tax liabilities (Note 38)	**5,252,972,283**	5,337,999,578
Other noncurrent liabilities (Note 24)	**21,390,398,012**	34,186,286,386
Total Noncurrent Liabilities	**238,488,814,054**	282,312,431,466
Total Liabilities	**645,837,108,116**	579,903,670,303

(Forward)

	December 31	
	2022	2021
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱52,749,051,069**	₱52,775,553,415
Retained earnings (Note 25)	**243,815,586,710**	246,190,700,415
Equity reserve (Note 25)	**39,128,890,681**	40,341,545,330
Reserves of disposal group held for sale (Note 44)	**(373,832,657)**	–
Other comprehensive losses (Note 36)	**(15,387,707,176)**	(3,998,907,945)
	319,931,988,627	335,308,891,215
Non-controlling interests (Note 25)	**107,432,694,405**	108,322,091,345
Total Equity	**427,364,683,032**	443,630,982,560
	₱1,073,201,791,148	₱1,023,534,652,863

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2022	2021 (As Restated - Note 44)	2020 (As Restated - Notes 2 and 44)
REVENUE (Note 26)			
Sale of goods and services:			
Foods	**₱149,903,643,832**	₱116,954,788,444	₱113,161,785,302
Air transportation	**56,751,365,857**	15,740,756,855	22,617,967,165
Real estate and hotels	**43,379,718,149**	35,561,985,340	27,518,406,639
Petrochemicals	**35,960,997,584**	40,323,467,713	21,275,283,602
Equity in net earnings of associates and joint ventures (Note 14)	**11,852,000,562**	9,730,623,868	7,584,634,408
Dividend income (Note 28)	**3,069,481,794**	2,126,820,554	1,996,230,783
Supplementary businesses	**991,040,335**	841,464,699	889,855,356
	301,908,248,113	221,279,907,473	195,044,163,255
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**156,478,111,734**	122,294,514,585	100,432,212,372
Cost of services (Note 30)	**76,075,386,257**	41,856,956,887	37,295,434,804
	232,553,497,991	164,151,471,472	137,727,647,176
GROSS INCOME	**69,354,750,122**	57,128,436,001	57,316,516,079
NET OPERATING EXPENSES			
General and administrative expenses (Note 31)	**50,622,342,708**	46,501,463,757	48,575,674,465
Provision for impairment losses and others (Note 34)	**468,436,281**	713,760,729	318,425,478
	51,090,778,989	47,215,224,486	48,894,099,943
OPERATING INCOME	**18,263,971,133**	9,913,211,515	8,422,416,136
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(11,133,490,485)**	(9,111,084,606)	(8,913,379,991)
Finance income (Note 27)	**1,705,900,004**	1,094,584,901	1,213,910,835
Foreign exchange gains (losses)	**(7,367,661,264)**	(3,107,872,656)	2,659,820,149
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	**(272,598,626)**	223,603,728	(307,614,214)
Market valuation gains (losses) on derivative financial instruments - net (Note 8)	**977,907,504**	(1,318,117,077)	(2,025,330,184)
Others (Notes 14, 15, 21 and 29)	**7,054,660,092**	461,982,160	(146,275,192)
INCOME (LOSS) BEFORE INCOME TAX	**9,228,688,358**	(1,843,692,035)	903,547,539
PROVISION FOR INCOME TAX (Note 38)	**2,750,347,423**	81,948,817	2,734,953,243
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	**6,478,340,935**	(1,925,640,852)	(1,831,405,704)
NET INCOME FROM DISCONTINUED OPERATIONS (Note 44)	**1,563,040,343**	12,659,665,024	2,228,612,063
NET INCOME	**8,041,381,278**	10,734,024,172	397,206,359

(Forward)

	Years Ended December 31		
	2022	2021 (As Restated- Note 44)	2020 (As Restated - Notes 2 and 44)
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Cumulative translation adjustments	**₱1,804,270,571**	₱1,652,006,232	(₱1,910,864,049)
Net gains (losses) on financial assets at FVOCI (debt securities) (Note 10)	**(2,016,930,591)**	(1,743,564,389)	457,815,933
Net gains (losses) from cash flow hedges (Note 8)	**558,616,927**	51,509,875	(230,922,782)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (debt securities) (Note 14)	**(48,773,496)**	77,748,060	29,562,000
Items that will not be reclassified to profit or loss:			
Net gains (losses) on financial assets at FVOCI (equity securities) (Note 10)	**(12,108,519,210)**	12,022,272,326	8,599,375,242
Remeasurements of the net defined benefit liability (Note 37)	**164,467,133**	679,789,817	(65,080,677)
Share in the net unrealized gains (losses) on financial assets at FVOCI of associates (equity securities) (Note 14)	**(68,477,578)**	(43,264,137)	26,101,285
Share in remeasurements of the net defined benefit liability of associates (Note 14)	**1,182,749,536**	1,918,720,561	(1,083,403,985)
	(10,532,596,708)	14,615,218,345	5,822,582,967
TOTAL COMPREHENSIVE INCOME	**(₱2,491,215,430)**	₱25,349,242,517	₱6,219,789,326
NET INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱650,622,166**	₱5,108,229,771	(₱468,159,528)
Non-controlling interests (Note 25)	**7,390,759,112**	5,625,794,401	865,365,887
	₱8,041,381,278	₱10,734,024,172	₱397,206,359
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO			
Equity holders of the Parent Company	**(₱11,112,009,722)**	₱19,124,074,421	₱6,246,468,718
Non-controlling interests (Note 25)	**8,620,794,292**	6,225,168,096	(26,679,392)
	(₱2,491,215,430)	₱25,349,242,517	₱6,219,789,326
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings (loss) per share	**₱0.08**	₱0.68	(₱0.06)
Earnings (Loss) Per Share Attributable to Equity Holders of the Parent Company from Continuing Operations (Note 39)			
Basic/diluted earnings (loss) per share	**(₱0.04)**	₱0.52	(₱0.20)

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, 2022, 2021 and 2020

	Attributable to Equity Holders of the Parent Company																
	Paid-up Capital (Note 25)				**Retained Earnings** (Note 25)				**Other Comprehensive Income** (Note 36)								
	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)**	**Reserves of Disposal Group Held for Sale** (Note 44)	**Total**	**Non-Controlling Interests** (Note 25)	**Total Equity**
Balance at January 1, 2022	**₱7,562,983,658**	**₱45,212,569,757**	**₱–**	**₱52,775,553,415**	**₱127,906,371,016**	**₱118,284,329,399**	**₱246,190,700,415**	**₱40,341,545,330**	**(₱47,179,126)**	**(₱4,039,360,496)**	**₱–**	**₱87,631,677**	**(₱3,998,907,945)**	**₱–**	**₱335,308,891,215**	**₱108,322,091,345**	**₱443,630,982,560**
Total comprehensive income	–	–	–	–	**650,622,166**	–	**650,622,166**	–	**935,044,834**	**(14,348,483,366)**	**369,271,764**	**1,281,534,880**	**(11,762,631,888)**	–	**(11,112,009,722)**	**8,620,794,292**	**(2,491,215,430)**
Reclassification to reserves of disposal group held for sale	–	–	–	–	–	–	–	–	**(19,245,831)**	**402,115,501**	–	**(9,037,013)**	**373,832,657**	**(373,832,657)**	–	–	–
Cash dividends	–	–	–	–	**(3,024,393,463)**	–	**(3,024,393,463)**	–	–	–	–	–	–	–	**(3,024,393,463)**	**(6,022,484,461)**	**(9,046,877,924)**
Change in non-controlling interest without loss of control	–	–	–	–	–	–	–	**134,779,828**	–	–	–	–	–	–	**134,779,828**	**(244,133,521)**	**(109,353,693)**
Tranfer of asset to a subsidiary (by a subsidiary)	–	–	–	–	–	–	–	**(1,080,644,498)**	–	–	–	–	–	–	**(1,080,644,498)**	**1,080,644,498**	
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**43,500,000**	**43,500,000**
Increase in subsidiaries' treasury shares	–	**(3,427,015)**	–	**(3,427,015)**	–	–	–	**(274,103,382)**	–	–	–	–	–	–	**(277,530,397)**	**(4,408,994,938)**	**(4,686,525,335)**
Stock issue costs of subsidiaries	–	**(23,075,331)**	–	**(23,075,331)**	**(1,342,408)**	–	**(1,342,408)**	–	–	–	–	–	–	–	**(24,417,739)**	**(1,247,592)**	**(25,665,331)**
Acquisition of new subsidiary by a subsidiary	–	–	–	–	–	–	–	**7,313,403**	–	–	–	–	–	–	**7,313,403**	**5,907,514**	**13,220,917**
Subsidiary's share-based payments (Note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	**36,617,268**	**36,617,268**
Balance at December 31, 2022	**₱7,562,983,658**	**₱45,186,067,411**	**₱–**	**₱52,749,051,069**	**₱125,531,257,311**	**₱118,284,329,399**	**₱243,815,586,710**	**₱39,128,890,681**	**₱868,619,877**	**(₱17,985,728,361)**	**₱369,271,764**	**₱1,360,129,544**	**(₱15,387,707,176)**	**(₱373,832,657))**	**₱319,931,988,627**	**₱107,432,694,405**	**₱427,364,683,032**
Balance at January 1, 2021	₱7,560,983,658	₱45,148,987,817	₱122,600,000	₱52,832,571,475	₱124,406,517,121	₱118,284,329,399	₱242,690,846,520	₱30,870,428,825	(₱924,884,392)	(₱14,794,597,877)	(₱23,730,026)	(₱2,329,328,169)	(₱18,072,540,464)	₱–	₱308,321,306,356	₱99,789,050,002	₱408,110,356,358
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	25,349,242,517
Cash dividends	–	–	–	–	(2,873,173,790)	–	(2,873,173,790)	–	–	–	–	–	–	–	(2,873,173,790)	(4,420,473,375)	(7,293,647,165)
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	21,424,109,419
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	(4,210,312)	–	(4,210,312)	–	–	–	–	–	–	–	(4,210,312)	(473,539,688)	(477,750,000)
Issuance of shares by subsidiaries	–	–	–	–	–	–	–	159,533,787	–	–	–	–	–	–	159,533,787	3,021,843,474	3,181,377,261
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)	(859,608,034)
Stock issue costs of subsidiaries	–	(56,317,815)	–	(56,317,815)	(6,499,629)	–	(6,499,629)	–	–	–	–	–	–	–	(62,817,444)	(11,519,640)	(74,337,084)
Sale of business by a subsidiary (Note 44)	–	–	–	–	1,333,295,724	–	1,333,295,724	(1,333,295,724)	–	–	–	–	–	–	–	(6,244,876,706)	(6,244,876,706)
Acquisition of new subsidiary by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	341,291,632	341,291,632
Subsidiary's share-based payments (Note 45)	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	174,824,362	174,824,362
Balance at December 31, 2021	₱7,562,983,658	₱45,212,569,757	₱–	₱52,775,553,415	₱127,906,371,016	₱118,284,329,399	₱246,190,700,415	₱40,341,545,330	(₱47,179,126)	(₱4,039,360,496)	₱–	₱87,631,677	(₱3,998,907,945)	₱–	₱335,308,891,215	₱108,322,091,345	₱443,630,982,560
Balance at January 1, 2020	₱7,202,841,657	₱23,553,025,157	₱–	₱30,755,866,814	₱149,688,466,157	₱118,284,329,399	₱267,972,795,556	₱30,870,148,859	₱135,082,929	(₱23,832,621,540)	₱121,882,506	(₱1,211,512,605)	(₱24,787,168,710)	₱–	₱304,811,642,519	₱103,835,500,348	₱408,647,142,867
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)	6,219,789,326
Cash dividends	–	–	–	–	(2,737,084,847)	–	(2,737,084,847)	–	–	–	–	–	–	–	(2,737,084,847)	(4,494,502,566)	(7,231,587,413)
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)	(44,760,662)
Acquisition of non-controlling interest by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	327,772,240	327,772,240
Issuance of shares by a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	192,000,000	192,000,000
Balance at December 31, 2020	₱7,560,983,658	₱45,148,987,817	₱122,600,000	₱52,832,571,475	₱124,406,517,121	₱118,284,329,399	₱242,690,846,520	₱30,870,428,825	(₱924,884,392)	(₱14,794,597,877)	(₱23,730,026)	(₱2,329,328,169)	(₱18,072,540,464)	₱–	₱308,321,306,356	₱99,789,050,002	₱408,110,356,358

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Income (loss) before income tax from continuing operations	**₱9,228,688,358**	(₱1,843,692,035)	₱903,547,539
Income before income tax from discontinued operations (Note 44)	**1,901,172,455**	13,259,244,646	2,357,709,655
Income before income tax	**11,129,860,813**	11,415,552,611	3,261,257,194
Adjustments for:			
Depreciation and amortization (Notes 15, 16, 18, 33, 42 and 44)	**27,842,266,472**	30,332,169,190	31,607,025,151
Equity in net earnings of associates and joint ventures (Notes 14 and 44)	**(11,682,935,111)**	(9,685,312,139)	(7,616,221,319)
Interest expense (Notes 35 and 44)	**10,764,263,698**	9,593,703,923	9,498,175,745
Foreign exchange losses (gains) (Note 44)	**7,222,690,092**	3,045,695,579	(2,584,645,951)
Provision for asset retirement obligation (ARO) and heavy maintenance visits (HMV) (Note 24)	**6,767,055,563**	4,416,054,451	3,478,203,919
Gain on sale of investment properties (Notes 15 and 29)	**(3,492,347,351)**	–	(193,846,467)
Gain on sale and disposal of investments in associates and joint ventures (Notes 14 and 29)	**(3,069,676,791)**	(261,944,949)	(105,789,465)
Dividend income (Note 28)	**(3,078,397,869)**	(2,139,858,648)	(2,011,120,839)
Finance income (Notes 27 and 44)	**(1,705,900,004)**	(1,111,625,185)	(1,232,992,615)
Provision for impairment losses (Notes 34 and 44)	**1,435,877,364**	1,908,857,830	1,420,479,998
Earned and expired portion of travel fund/deferred revenue on rewards program	**(1,121,830,228)**	(13,740,128)	(172,850,095)
Market valuation losses on derivative financial instruments - net (Note 8)	**(977,907,504)**	1,318,117,077	2,025,330,184
Loss (gain) on sale and retirement of property, plant and equipment (Notes 16 and 29)	**(1,083,828,087)**	(1,214,494,973)	370,195,060
Market valuation losses (gains) on financial assets at fair value through profit or loss - net (Note 9)	**272,598,626**	(223,603,728)	307,614,214
Gain on sale of financial assets at fair value through OCI (Notes 10 and 29)	**(19,948,028)**	(348,808,663)	(23,850,313)
Gain arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**(311,493)**	(2,550,156)	(37,039,948)
Gain on sale of business (Note 44)	–	(10,100,438,582)	–
Loss on extinguishment of debt (Note 23)	–	77,337,557	–
Inventory obsolescence and market decline (Note 34)	–	109,167,827	–
Write-down of biological assets (Note 17)	–	–	550,573,074
Gain on sale of investment securities at amortized cost (Note 10)	–	–	(190,914,608)
Operating income before changes in working capital accounts	**39,201,530,162**	37,114,278,894	38,349,582,919
Changes in operating assets and liabilities:			
Decrease (increase) in			
Financial assets at fair value through profit or loss	**(1,058,030,366)**	(672,395,451)	(1,487,986,228)
Receivables	**(14,887,025,578)**	(14,962,575,864)	(16,557,142,519)
Inventories	**(10,449,607,532)**	(6,604,816,148)	(6,606,036,520)
Biological assets	**(228,333,481)**	(149,317,080)	102,612,963
Other current assets	**(5,144,045,892)**	2,581,704,792	(3,622,276,914)
Increase (decrease) in			
Accounts payable and accrued expenses	**17,281,014,915**	9,968,083,282	4,496,100,601
Unearned revenue	**6,990,465,673**	897,172,809	(8,210,131,825)
Other current liabilities	**(11,258,307,563)**	(11,824,776,665)	13,334,767,937
Net cash generated from operations	**20,447,660,338**	16,347,358,569	19,799,490,414
Interest paid	**(10,518,586,348)**	(10,070,737,832)	(8,684,256,122)
Income taxes paid	**(4,678,164,797)**	(3,978,870,270)	(4,600,167,595)
Interest received	**1,559,349,192**	1,125,220,015	682,902,238
Net cash provided by operating activities	**6,810,258,385**	3,422,970,482	7,197,968,935

(Forward)

	Years Ended December 31		
	2022	2021	2020
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Financial assets at fair value through other comprehensive income (Note 10)	**(₱12,713,582,946)**	(₱25,384,597,804)	(₱29,694,236,608)
Property, plant and equipment (Note 16)	**(32,215,950,471)**	(32,282,201,440)	(27,046,779,261)
Investment properties (Note 15)	**(12,631,223,335)**	(13,453,825,400)	(10,302,106,286)
Investment securities at amortized cost	**(8,908,192,295)**	(912,516,473)	(860,922,314)
Investments in associates and joint ventures (Note 14)	**(1,462,314,062)**	(655,599,541)	(412,556,393)
Intangible assets (Note 18)	**(182,970,231)**	(301,587,921)	(519,916,914)
Subsidiaries, net of cash acquired (Notes 14 and 19)	**(486,014,975)**	(22,565,594,339)	(200,877,673)
Dividends received on investments in associates and joint ventures (Note 14)	**5,862,376,373**	4,985,370,666	7,227,674,931
Refund of pre-delivery payments (Note 16)	**5,807,816,618**	5,911,374,086	1,231,661,595
Dividends received (Note 28)	**3,084,416,493**	2,793,840,024	2,011,120,839
Decrease (increase) in the amounts of other noncurrent assets	**647,515,669**	3,893,982,808	(3,259,614,783)
Acquisition of equity interest in a subsidiary (by a subsidiary) (Note 2)	**43,500,000**	(477,750,000)	–
Proceeds from sale/maturity of:			
Investment in associate and joint venture (Note 14)	**12,163,281,484**	–	373,377,600
Property, plant and equipment (Note 16)	**11,504,220,578**	11,975,974,647	7,382,224,579
Financial assets at fair value through other comprehensive income (Note 10)	**9,405,541,030**	17,489,322,420	20,343,881,852
Investment securities at amortized cost (Note 10)	**8,681,762,270**	487,023,117	4,359,732,740
Investment properties	**3,593,452,005**	65,815,075	–
Business (Note 44)	**–**	22,292,159,390	–
Assets held for sale (Note 14)	**–**	9,090,600,000	–
Net cash used in investing activities	**(7,806,365,795)**	(17,048,210,685)	(29,367,336,096)
CASH FLOWS FROM FINANCING ACTIVITIES			
Availments of:			
Short-term debts (Note 47)	**167,173,587,690**	108,323,336,278	114,373,521,775
Long-term debts (Note 47)	**35,000,000,000**	–	66,185,040,215
Dividends paid to non-controlling interests (Note 25)	**(6,022,484,461)**	(4,420,473,375)	(4,494,502,566)
Increase (decrease) in other noncurrent liabilities	**3,089,471,736**	(2,769,664,118)	(9,299,715,907)
Settlements of:			
Short-term debts (Note 47)	**(141,550,939,493)**	(87,105,805,043)	(118,820,360,881)
Long-term debts (Notes 23 and 47)	**(38,292,471,559)**	(25,562,742,347)	(10,489,146,497)
Principal portion of lease liabilities (Note 42)	**(7,870,511,855)**	(7,160,310,932)	(6,729,663,842)
Dividends paid on:			
Common shares (Note 25)	**(3,008,393,463)**	(2,857,973,790)	(2,721,884,847)
Preferred shares (Note 25)	**(16,000,000)**	(15,200,000)	(15,200,000)
Purchase of treasury shares by subsidiaries	**(4,686,525,335)**	(859,608,034)	(44,760,662)
Proceeds from issuance of bonds payable, net of bond issue cost (Note 23)	**–**	11,782,473,335	–
Cash received from non-controlling interest for newly incorporated subsidiary (Note 25)	**–**	–	327,772,240
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 (Note 44)	**–**	22,519,263,729	–
Net cash provided by financing activities	**3,815,733,260**	15,023,948,956	28,463,099,028
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,819,625,850**	1,398,708,753	17,148,163,606
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**82,890,121,521**	81,491,412,768	64,343,249,162
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱85,709,747,371**	₱82,890,121,521	₱81,491,412,768

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

JG Summit Holdings, Inc. ("JGSHI" or "the Parent Company"), was incorporated in the Philippines on November 23, 1990. The Parent Company was listed on the Philippine Stock Exchange in 1993. The registered office address of the Parent Company is at 43rd Floor, Robinsons-Equitable Tower, ADB Avenue corner Poveda Road, Pasig City, Metro Manila.

JGSHI is the ultimate parent of the JG Summit Group (the Group) and is a holding company with substantial business interests in branded consumer foods, agro-industrial and commodity food products, real estate and hotel, air transportation, banking and financial services, and petrochemicals. The Group also has core investments in telecommunications and power generation and 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 the 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

<u>Basis of Preparation</u>
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		
URC Asean Brands Co. Ltd. (UABCL)	British Virgin Islands	US Dollar
Hong Kong China Foods Co. Ltd. (HCFCL)	- do -	- do -
URC International Co. Ltd. (URCICL)	- do -	- do -
Shanghai Peggy Foods Co., Ltd.(Shanghai Peggy)	China	Chinese Renminbi
URC China Commercial Co. Ltd. (URCCCL)	- do -	- do -
Xiamen Tongan Pacific Food Co., Ltd.	- do -	- do -
Guangzhou Peggy Foods Co., Ltd.	- do -	- do -
Shantou SEZ Shanfu Foods Co., Ltd.	- do -	- do -
Jiangsu Acesfood Industrial Co., Ltd.	- do -	- do -
Shantou Peggy Co. Ltd.	- do -	- do -
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC Snack Foods (Malaysia) Sdn. Bhd. (URC Malaysia)	Malaysia	Malaysian Ringgit
Ricellent Sdn. Bhd.	- do -	- do -
Crunchy Foods Sdn. Bhd (Malaysia)	- do -	- do -
Munchy Food Industries Sdn. Bhd	- do -	- do -
Munchworld Marketing Sdn Bhd	- do -	- do -
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd. (Advanson)	- do -	- do -
Pan Pacific Investments Co. Ltd. (PPICL)	- do -	- do -
URC Equity Ventures Pte. Ltd.	- do -	- do -
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	- do -	- do -
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyat
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	- do -	- do -
URC Central Co. Ltd.	- 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:

a. Exclusion of land in the determination of percentage of completion (POC) discussed in PIC Q&A No. 2018-12-E
b. Accounting for significant financing component discussed in PIC Q&A No. 2018-12-D
c. 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 2022	2021
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.90**	55.33
CFC Corporation	-do-	-do-	**55.90**	55.33
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.90**	55.33
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.51****	28.22**
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	**55.90**	55.33
URC Beverage Ventures Inc. (formerly, Hunt-URC (HURC))	-do-	-do-	**55.90**	55.33
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**59.90**	55.33
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.90**	55.33
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	**55.90**	55.33
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.90**	55.33
Najalin Agri-Ventures, Inc. (NAVI) (Note 16)	Philippines	CAC Compound, La Carlota City, Negros Occidental	**53.56****	53.02**
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-	**66.10**	66.56
CEBGO, Inc. (CEBGO)	-do-	AO-08-09 Mezzanine Level, Passenger Terminal Building, Clark International Airport, Clark Freeport Zone, Pampanga	**66.10**	66.56
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	**62.66**	61.19
Robinson's Inn, Inc.	-do-	-do-	**62.66**	61.19
RL Commercial REIT, Inc. (RCR) (formerly Robinsons Realty and Management Corporation)	-do-	-do-	**41.44****	38.85**
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**62.66**	61.19
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**62.66**	61.19
Manhattan Buildings and Management Corp	-do-	-do-	**62.66**	61.19
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**31.96****	31.20**

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2022	2021
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**31.96****	31.20**
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	**62.66**	61.19
Land Century Holdings, Ltd.	China	Hong Kong	**62.66**	61.19
World Century Enterprise Ltd.	-do-	Hong Kong	**62.66**	61.19
First Capital Development, Ltd	-do-	Hong Kong	**62.66**	61.19
Chengdu Xin Yao Real Estate Development Co. Ltd.	-do-	China	**62.66**	61.19
Bacoor R and F Land Corporation (BRFLC)	Philippines	Philippines	**43.86****	42.83**
Bonifacio Property Ventures, Inc.	-do-	Philippines	**62.66**	61.19
Altus Mall Ventures, Inc.	-do-	Philippines	**62.66**	61.19
RLGB Land Corporation (RLGB)	-do-	Philippines	**62.66**	61.19
Robinsons Logistix and Industrials, Inc. (RLII)	-do-	Philippines	**62.66**	61.19
RL Property Management, Inc. (RLPMI)	-do-	Philippines	**62.66**	61.19
RL Fund Management, Inc. (RLFMI)	-do-	Philippines	**62.66**	61.19
Malldash Corp.	-do-	Philippines	**62.66**	61.19
Staten Property Management, Inc.	-do-	Philippines	**62.66**	–
RL Digital Ventures, Inc.	-do-	Philippines	**62.66**	–
Altus Property Ventures, Inc. (APVI)	-do-	Brgy. 1 San Francisco, San Nicolas, Ilocos Norte	**64.80**	64.70
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**–**	100.00
JG Summit Olefins Corporation (JGSOC)	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00
Peak Fuel Corporation	-do-	10th Floor Robinsons Cybergate Gamma, Bldg., Topaz and Ruby Roads, 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	**44.57****	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

(Forward)

Subsidiaries	Country of Incorporation	Principal Place of Business	Effective Percentage of Ownership 2022	2021
Unicon Insurance Brokers Corporation (UIBC)	Philippines	25F Robinsons Equitable Tower, ADB Ave. corner Poveda St., San Antonio, Pasig City	**84.00**	84.00
JG Summit Infrastructure Holdings Corporation	-do-	43rd 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.*

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.

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, ensuing 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.

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.

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.

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.

Incorporation of Staten Property Management
On January 25, 2022, Staten Property Management, Inc. was incorporated to manage, own, operate, and carry on the business of providing management services to residential subdivisions, residential and office buildings, commercial, estate, facility, and industrial developments, repairs and maintenance services, lease and tenancy management services, outsourcing services, asset, condotel, parking and apartment management services, treasury and general accounting, billing and collection services, and property consulting services in various residential, commercial, industrial, recreational buildings and developments.

Incorporation of RL Digital Ventures
On February 17, 2022, RL Digital Ventures, Inc. was incorporated to engage in, develop, operate, maintain, and/or provide any form of digital activity and service Information technology (I.T.) solution, e-commerce business or platform, internet or cyberspace activity.

Investment in BRFLC
In 2022, BRFLC issued 1,450,000 additional common shares from its registered share capital of 10,000,000 common shares at par of ₱100 per share, 70% of which or 1,015,000 common shares was subscribed and paid up by RLC.

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, 2022. The Group did not early adopt any other 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 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.

- Amendments to PAS 16, *Property, 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.

- 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 Group applies 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 in the parent's consolidated financial statements, based on the parent's date of transition to PFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

  - 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 Group applies 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.

  - 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.

Significant Accounting Policies

Current versus Noncurrent Classification
The Group presents assets and liabilities in the consolidated statement of financial position based on current or noncurrent classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalents, unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as noncurrent.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Fair Value Measurement
The Group measures certain financial instruments and nonfinancial assets at fair value at each reporting date. Fair values of financial instruments measured at amortized cost and investment properties carried at cost are disclosed in Note 5.

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 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.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

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.

Restricted cash
Restricted cash are cash in bank set aside as security for letters of credit issued to aircraft lessors and held at separate escrow account for the purchase of land properties. The nature of restriction is assessed by the Group to determine its eligibility to be classified as cash and cash equivalents. The Group classifies restricted cash as current and noncurrent assets depending on the tenure of the restriction.

Financial Instruments – 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 unlikeliness 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.

<u>Write-off of Financial Assets</u>
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).

<u>Offsetting Financial Instruments</u>
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.

<u>Classification of Financial Instruments Between Debt and Equity</u>
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.

Debt Issuance Costs
Debt issue costs are amortized using the effective interest method. The unamortized debt issuance costs are offset against the related carrying value of the loan of the Group's statement of financial position. When a loan is paid, the related unamortized debt issuance costs at the date of repayment are charged against current operations.

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.

Biological Assets
The biological assets of the Group are divided into two major categories with sub-categories as follows:

Swine livestock	-	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	-	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.

Assets and Disposal Groups Held for Sale
The Group classifies assets and disposal groups as held for sale when their carrying amount will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets, and its sale must be highly probable.

For the sale to be highly probable, (a) an appropriate level of management must be committed to a plan to sell the asset, (b) an active program must have been initiated, (c) the asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value, (d) the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification and (e) actions required to complete the plan should indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn. Asset and disposal groups classified as held for sale are measured at the lower of their previous carrying amount, net of any impairment, and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (or disposal group), excluding finance costs and income tax expense.

In circumstances where certain events have extended the period to complete the sale of a disposal group beyond one year, the disposal group continues to be classified as held for sale if the delay is caused by events or circumstances beyond the Group's control and there is sufficient evidence that the Group remains committed to its plan to sell the disposal group. Otherwise, if the criteria for classification of a disposal group as held for sale are no longer met, the Group ceases to classify the disposal group as held for sale.

Initial and subsequent measurement
Immediately before the initial classification of the asset (or disposal group) as held for sale, the carrying amount of the asset (or all the assets and liabilities of the disposal group) shall be measured in accordance with applicable standards.

An entity shall present a disposal group held for sale separately from other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale shall be presented separately from other liabilities in the statement of financial position. These assets and liabilities shall not be offset and presented as a single amount.

Assets and disposal groups held for sale are measured at the lower of their carrying amount or fair value less costs to sell. Impairment losses are recognized for any initial or subsequent write-down of the assets held for sale to the extent that these have not been previously recognized at initial recognition. Reversals of impairment losses for any subsequent increases in fair value less cost to sell of the assets held for sale are recognized as a gain, but not in excess of the cumulative impairment loss that has been previously recognized. Liabilities directly related to assets held for sale are measured at their expected settlement amounts.

Discontinued Operation
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to a separate major line of business or geographical area of operations , or
- is a subsidiary acquired exclusively with view to resale.

The related results of operations and cash flows of the disposal group that qualify as discontinued operations are separated from the results of those that would be recovered principally through continuing use, and the prior years' profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows are re-presented. Results of operations and cash flows of the disposal group that qualify as discontinued operations are presented in profit or loss in the consolidated statement of comprehensive income and consolidated statement of cash flows as items associated with discontinued operations.

Additional disclosures are provided in Note 44. All other notes to the consolidated financial statements include amounts of disposal group, unless otherwise mentioned.

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

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.

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 improvements	5 to 40 years
Buildings and improvements	10 to 50 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years or the lease term, whichever is shorter
Passenger aircraft	15 years
Other flight equipment	3 to 5 years
Transportation, furnishing and other equipment	3 to 5 years

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.

Asset Retirement Obligation (ARO)

The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. 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.

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

Travel Fund
Travel fund is a virtual wallet that can be used as a form of payment for booking new flights and purchasing add-ons. Travel fund is offered for cancelled flights or for flights with schedule changes of more than 60 minutes. Prior to March 15, 2020 (pre-COVID), the validity of travel fund was only 90 days from the travel fund creation date. However, due to the COVID-19, the Group extended the validity of travel fund from 90 days to two (2) years to give guests enough time to plan on their next trip.

The Group further provided an option for guest to refund their travel fund if unused after one (1) year but this is specific only for flights affected by COVID-19 between March 15, 2020 to July 31, 2020.

Starting August 1, 2020, refund of travel fund is no longer an option for flights yet the validity of travel fund remains two (2) years.

However, as subsequently amended, effective April 1, 2022, in line with the Group's recovery efforts and continuous updating of Customer Flexible Options, all created travel fund starting the said date shall be valid for six (6) months from the date of creation or conversion to travel fund.

Moreover, effective April 6, 2022, selected guests will now be able to use their travel fund to book for anyone, regardless whether the member is part of the new booking's passenger list or not.

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

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

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

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.

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 dation 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.

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 and Trade Secrets	Product Formulation and Brands	Software Costs	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 to 10 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', 'Property, plant and equipment', 'Investment properties', 'Right-of-Use assets', 'Goodwill', 'Intangible assets', and 'Biological assets'.

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 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.

Member Redemption Liability
The Group operates a reward program that issues loyalty points to its members for purchases made at any participating partner establishment that can be redeemed against any future purchases, subject to a minimum number of points obtained. The Group receives the cost per points issued (CPP) and service fees from the participating partner establishments based on agreed terms and conditions upon issuance of points to program members. The CPP of outstanding issued and unredeemed points are recognized as 'Membership redemption liability' and is presented under 'noncurrent liabilities' in the statement of financial position while the service fees are recognized as 'Revenues' in the statement of comprehensive income.

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 and services
Revenue from sale of goods and services is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods and services. 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. If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception using the expected value method and is constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of goods and services provide customers with a right to return the goods within a specific period.

Sale of sugar and molasses
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 of delivery and acceptance by the customers. Sale of molasses is recognized upon (a) surrendering of molasses certificates (warehouse receipts for molasses) or (b) delivery and acceptance by the customer for physical molasses, whichever comes first.

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.

Revenue from estimated breakage (expiration) of unused travel funds
Revenue from estimated breakage (expiration) of unused travel funds are recognized based on the historical expiration experience of the Group on the unused travel funds.

Other ancillary revenue
Other revenue such as refund surcharges, service income and cancellation fees are recognized when the services are provided.

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.

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.

Costs and Expenses
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decreases in equity, other than those relating to distributions to equity participants. Cost and expenses are recognized when incurred.

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.

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

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

Where the terms of a share-based award are modified, at a minimum, an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification, which increases the total fair value of the share-based payment agreement, or is otherwise beneficial to the eligible persons as measured at the date of modification.

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

Income Taxes

Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the 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.

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, 2023

- 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.

- 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 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.

Effective beginning on or after January 1, 2024

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify:
  - That only covenants with which an entity must comply on or before reporting date will affect a liability's classification as current or non-current.
  - 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, 2024 and must be applied retrospectively. The Group is currently assessing the impact the amendments will have on current practice.

- Amendments to PFRS 16*, Lease Liability in a Sale and Leaseback*
  The amendments specify how a seller-lessee measures the lease liability arising in a sale and leaseback transaction in a way that it does not recognize any amount of the gain or loss that relates to the right of use retained.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024 and must be applied retrospectively. Earlier adoption is permitted and that fact must be disclosed.

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 and Sustainability 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:

  a. The accounting policies applied.
  b. Discussion of the deferral of the subject implementation issues in the PIC Q&A.
  c. Qualitative discussion of the impact on the financial statements had the concerned application guidelines in the PIC Q&A been adopted.
  d. 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 consolidated 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, 2022.

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.

<u>Judgments</u>
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

<u>Existence of a contract</u>
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
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, 2022, 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 10.0% 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 5.0% 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

Chengdu Xin Yao Real Estate Development Co. Ltd. secured the license to sell the condominium units in Phase 1 and Phase 2 of its residential development in Chengdu Xin Yao Ban Bian Jie, and the related revenue has been recognized as of December 31, 2022 and 2021.

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. Under this method, 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 'unlikeliness to pay' criteria, which indicates the customer is in significant financial difficulty. These are instances where: Qualitative criteria - the customer meets 'unlikeliness 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*

As of December 31, 2022, the total assets of the Banking Segment were reclassified under 'Assets held for sale' in the consolidated statements of financial postion (Note 44).:

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.

In March 2022, the Bank's BOD approved the change in the PFRS 9 business model of the Bank due to the overall change in strategy brought about by significant internal and external factors. Strategically aligned with the shift in the Bank's original long-term direction and positioning under its enhanced five-year plan, the Bank redesigned its business model to also include the BOD-approved plan to purchase certain assets (including 12 branches subject to regulatory approval) and assumption of certain liabilities of its subsidiary as this impacts the Bank's growth path, operations, new target market, and new customer base. The change in strategy will allow the Bank to cross-sell loan products. The Bank has embarked on transformation strategy which includes digitization initiatives, among others. With the change in strategy, the Bank's subsidiary has changed its business operations and processes to fit for purpose a one-product, least-cost operation, focusing only to the Automatic Payroll Deduction System (APDS) market nationwide. The change in strategy will allow the Bank to scale up the APDS business in a timely and efficient manner. The renewed focus to one product will also help the Bank's subsidiary better manage credit risk. The planned purchase of the Bank of the twelve (12) branches was approved by the PDIC on March 1, 2022. On the same day, the Bank submitted the application to the BSP. As a result, the Bank acquired certain assets including 12 branches and assumption of certain liabilities of its subsidiary. The transfer of the 12 branches of its subsidiary, which is subject to regulatory approval, will expand the distribution center of the Bank. New processes and incentive system will be introduced to manage and market the new deposit products and services to expand the Bank's capacity to offer new deposit products and services. This significant change in the Bank's operational activity is expected to generate additional funding from the group necessitating a change in the way the matched assets in the banking book are being managed. Based on the new strategy of the Bank, its operational liquidity requirement will be served by funding from deposits and maturing investment portfolio.

As a result, on April 1, 2022, the Bank reclassified a portfolio of USD-denominated and peso-denominated debt securities with aggregate fair value of ₱21.4 billion from FVOCI to HTC to address the business and liquidity requirements of the change in the Bank's operational activity. The debt securities reclassified are carried at amortized on reclassification date amounting to ₱24.1 billion, resulting in a reversal of net unrealized losses amounting to ₱2.7 billion recorded under 'Other comprehensive income.

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.

As of December 31, 2022 and 2021, the fair value of the Group's investments in unquoted equity securities classified as at FVOCI are established with reference to the International Private Equity and Venture Capital (IPEV) Valuation Guidelines. An assessment will be made at each measurement date as to the most appropriate valuation methodology. The Group's investments in unquoted equity securities pertain to early-stage and growth fintech companies. Given the nature of these investments, the appropriate approach to determine fair value is based on a methodology with reference to observable market data (i.e., the price of the most recent transaction or the most recent funding round). Recent transactions may include post year-end as well as pre year-end transactions depending on the nature and timing of these transactions. The initial use and length of period for which this methodology remains appropriate to use the calibration of last round price depends on the specific circumstances of the investment, and the Group will consider whether this basis remains appropriate each time valuations are reviewed.

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, 2022 and 2021 amounted to ₱903.0 million and ₱3.8 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.

o. Disposal group held of sale and discontinued operations

As of December 31, 2022, the Group classifies its Banking Segment as a disposal group held for sale as it meets the following conditions at the reporting date:

- The entity is available for immediate sale and can be sold in its current condition;
- Sale is highly probable (a buyer has already been identified and the merger plan has been initiated); and
- The entity is to be genuinely sold, not abandoned.

The Group determined that the sale of the Group's Banking Segment and Oceania business qualified for presentation as discontinued operations since it represented a separate line of business for which the operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes from the rest of the Group (Note 44).

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, 2022 and 2021, 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, 2022 and 2021. Refer to Note 44 for the carrying amount of receivables as of December 31, 2022 and for the provisions for impairment losses for the years ended December 31, 2022, 2021 and 2020 of the Banking Segment.

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, 2022, 2021 and 2020, the real estate sales recognized over time amounted to ₱6.7 billion, ₱5.2 billion and ₱11.7 billion, respectively, while the related cost of real estate sales amounted to ₱3.6 billion, ₱2.5 billion and ₱6.1 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 ₱13.4 billion, ₱13.8 billion and ₱132.6 million for the years ended December 31, 2022, 2021 and 2020, respectively. The related cost of sales amounted to ₱10.5 billion, ₱10.8 billion and ₱12.0 million for the years ended December 31, 2022, 2021 and 2020, 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, 2022 and 2021, 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, 2022 and 2021, 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 HMV*
The Group is contractually required under various lease contracts to undertake the maintenance and overhaul of certain leased aircraft throughout the contract period. Major maintenance events are required to be performed on a regular basis based on historical or industry experience and manufacturer's advise. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

The carrying values of the Group's HMV (included under 'Other noncurrent liabilities' in the consolidated statements of financial position) is disclosed in Note 24 to the consolidated financial statements.

i. *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.

In 2022, the Group's review indicated that the estimated useful lives of certain buildings, machinery and equipment should be extended from 40 to 50 years based on the Group's reassessment of the expected period over which the Group will benefit from the use of these assets. The change in estimated useful lives resulted in a decrease in depreciation expense by ₱461.0 million for the year ended December 31, 2022.
The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

j. *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, 2022 and 2021, 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.

k. *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.

Provision for impairment losses on nonfinancial assets recognized in 2022, 2021 and 2020 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2022 and 2021, 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.

l. 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 and currency swaps. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

As of December 31, 2022, the financial assets and liabilities of the Group's Banking Segment were reclassified under 'Assets held for sale' and 'Liabilities directly associated with assets held for sale' in the consolidated statements of financial position (Note 44). The succeeding risk disclosures include the financial assets and liabilities of the Banking Segment only until December 31, 2021.

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.

<u>Risk Management Policies</u>
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:

- Trade receivables as of December 31, 2022 with carrying value of ₱15.2 billion, and collateral with fair value amounting to ₱2.6 billion, resulting in net exposure of ₱12.6 billion.

	December 31, 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

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, 2022 and 2021, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2022					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	**₱54,260,876,146**	**₱24,483,625,862**	**₱–**	**₱–**	**₱107,963,722**	**₱78,852,465,730**
Financial assets at FVPL:						
Investment in convertible notes	**–**	**415,471,860**	**3,986,748,340**	**–**	**–**	**4,402,220,200**
Derivative assets	**–**	**–**	**–**	**60,911,158**	**–**	**60,911,158**
	–	**415,471,860**	**3,986,748,340**	**60,911,158**	**–**	**4,463,131,358**
Financial assets at FVOCI						
Debt securities:						
Government	**126,987,597**	**367,729,711**	**–**	**–**	**54,831,180**	**549,548,488**
Private	**3,796,569,342**	**3,814,803,351**	**10,325,826**	**954,258,980**	**124,434,010**	**8,700,391,509**
	3,923,556,939	**4,182,533,062**	**10,325,826**	**954,258,980**	**179,265,190**	**9,249,939,997**
Receivables:						
Trade receivables	**33,137,053,875**	**4,443,124,540**	**–**	**11,142,448**	**95,138,887**	**37,686,459,750**
Due from related parties	**4,421,673,277**	**–**	**–**	**–**	**–**	**4,421,673,277**
Interest receivable	**210,297,366**	**135,251,145**	**–**	**4,356,246**	**4,244,572**	**354,149,329**
Other receivables***	**6,090,775,903**	**27,449,386**	**–**	**4,940,195**	**–**	**6,123,165,484**
	43,859,800,421	**4,605,825,071**	**–**	**20,438,889**	**99,383,459**	**48,585,447,840**
Refundable deposits****	**3,158,379,453**	**–**	**–**	**–**	**–**	**3,158,379,453**
Restricted cash****	**1,266,354,890**	**–**	**–**	**–**	**–**	**1,266,354,890**
	₱106,468,967,849	**₱33,687,455,855**	**₱3,997,074,166**	**₱1,035,609,027**	**₱386,612,371**	**₱145,575,719,268**

* *Others include South American countries (i.e., Argentina and Mexico)*
** *Excludes cash on hand amounting to ₱219,267,636*
*** *Excludes claims receivable of JGSOC amounting to ₱186,737,480*
**** *Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	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* ii Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2022 and 2021, before taking into account any collateral held or other credit enhancements.

	December 31, 2022								
	Manufacturing	**Real Estate, Renting and Related Business Activities**	**Wholesale and Retail trade**	**Financial Intermediaries**	**Transportation, Storage and Communicatoin**	**Electricity, Gas and Water**	**Construction**	**Others***	**Total**
Cash and cash equivalents**	**₱–**	**₱–**	**₱–**	**₱78,852,465,730**	**₱–**	**₱–**	**₱–**	**₱–**	**₱78,852,465,730**
Financial assets at FVPL									
Derivative assets	**–**	**–**	**–**	**60,911,158**	**–**	**–**	**–**	**–**	**60,911,158**
Investment in convertible notes	**2,277,760,525**	**329,820,996**	**20,986,662**	**284,033,182**	**411,005,847**	**395,091,878**	**–**	**683,521,110**	**4,402,220,200**
	2,277,760,525	**329,820,996**	**20,986,662**	**344,944,340**	**411,005,847**	**395,091,878**	**–**	**683,521,110**	**4,463,131,358**
Financial assets at FVOCI									
Debt securities									
Government	**–**	**–**	**–**	**126,987,588**	**–**	**–**	**–**	**422,560,900**	**549,548,488**
Private	**448,578,637**	**931,710,654**	**1,098,386,907**	**1,809,311,850**	**867,646,750**	**1,302,874,811**	**–**	**2,241,881,900**	**8,700,391,509**
	448,578,637	**931,710,654**	**1,098,386,907**	**1,936,299,438**	**867,646,750**	**1,302,874,811**	**–**	**2,664,442,800**	**9,249,939,997**
Receivables									
Trade receivables	**17,202,185,042**	**17,273,064,571**	**–**	**208,737,669**	**1,897,940,115**	**–**	**–**	**1,104,532,353**	**37,686,459,750**
Due from related parties	**217,801,094**	**72,701,436**	**4,137,721**	**42,799,696**	**30,668,021**			**4,053,565,309**	**4,421,673,277**
Interest receivable	**11,878,388**	**66,094,183**	**3,138,015**	**186,118,470**	**5,512,088**	**18,324,889**	**3,852,322**	**59,230,974**	**354,149,329**
Other receivables***	**4,483,260,676**	**1,173,226,727**	**–**	**13,268,229**	**–**	**–**	**–**	**453,409,852**	**6,123,165,484**
	21,915,125,200	**18,585,086,917**	**7,275,736**	**450,924,064**	**1,934,120,224**	**18,324,889**	**3,852,322**	**5,670,738,488**	**48,585,447,840**
Refundable security deposits****	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,158,379,453**	**3,158,379,453**
Restricted cash****	**–**	**434,299,396**	**–**	**–**	**832,055,494**	**–**	**–**	**–**	**1,266,354,890**
	₱24,641,464,362	**₱20,280,917,963**	**₱1,126,649,305**	**₱81,584,633,572**	**₱4,044,828,315**	**₱1,716,291,578**	**₱3,852,322**	**₱12,177,081,851**	**₱145,575,719,268**

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱219,267,636*
**** Excludes claims receivable of JGSOC amounting to ₱186,737,480*
***** Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	December 31, 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**	₱–	₱–	₱–	₱77,235,248,336	₱–	₱–	₱–	₱–	₱–	₱–	₱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*

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:

	2022 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
Cash and cash equivalents					
Neither Past Due nor Individually Impaired					
High Grade	**₱78,852**	**₱–**	**₱–**	**₱–**	**₱78,852**
Financial Assets at FVPL					
Investment in convertible note					
Unrated	**4,402**	–	–	–	**4,402**
Financial Assets at FVOCI					
Neither Past Due nor Individually Impaired					
Standard	**9,250**	–	–	–	**9,250**
Receivables:					
Trade receivables					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	**26,118**	**26,118**
Standard	–	–	–	**691**	**691**
Past Due but not Individually Impaired	–	–	–	**10,404**	**10,404**
Individually Impaired	–	–	–	**473**	**473**
Due from related parties					
Neither Past Due nor Individually Impaired					
High Grade	–	–	–	**3,518**	**3,518**
Standard	–	–	–	**904**	**904**
Interest receivable					
Neither Past Due nor Individually Impaired					
High Grade	**330**	–	–	–	**330**
Standard	**24**	–	–	–	**24**
Other receivables					
Neither Past Due nor Individually Impaired					
High Grade	**1,218**	–	–	–	**1,218**
Standard	**3,724**	–	–	–	**3,724**
Substandard	**30**				**30**
Past Due but not Individually Impaired	–	–	–	**873**	**873**
Individually Impaired	–	–	–	**278**	**278**
Refundable deposits***					
Neither Past Due nor Individually Impaired					
High Grade	**3,158**	–	–	–	**3,158**
Restricted cash***					
Neither Past Due nor Individually Impaired					
High Grade	**1,266**	–	–	–	**1,266**
	₱102,254	**₱–**	**₱–**	**₱43,259**	**₱145,513**

** Excludes cash on hand amounting to ₱219,267,636*
*** Excludes claims receivable of JGSOC amounting to ₱186,737,480*
****Included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position*

	2021 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
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

(Forward)

	2021 (in millions)				
	General Approach			Simplified	
	Stage 1	Stage 2	Stage 3	Approach	Total
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*

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		
Risk rating 1	Excellent	Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events.
Risk rating 2	Super Prime	Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events.
Risk rating 3	Prime	Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions.
Risk rating 4	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.
Risk rating 5	Good	More pronounced probability of default; business or financial flexibility exists which supports the servicing of financial commitments; vulnerable to adverse business/economic changes.
Standard		
Risk rating 6	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.
Risk rating 7	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.
Risk rating 8	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.

Grades	Categories	Description
Sub-standard grade		
Risk rating 9	Marginal	Elevated level of probability of default, with limited margin; repayment source is adequate to marginal.
Risk rating 10	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.
Risk rating 11	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.
Risk rating 12	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		
Risk rating 13	Doubtful	Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable.
Risk rating 14	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		*Applicable to all loan products.*
	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).
	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).

Staging Parameter	Stage	Description
Staging by Status		*Applicable to all loan products except for Microfinance.*
	1	Accounts tagged as Current in its Status are classified under Stage 1.
	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.
Staging by Origination Rating vs Current Rating		*Applicable to Commercial Loans (Large Scale and Medium Scale) only*
	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		*Applicable to all loan products*
	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 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).
	3	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, 2022 and 2021 follow:

	2022 ***(in millions)***				
	Less than 30 Days	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Total**
Trade receivables	**₱5,418**	**₱892**	**₱903**	**₱3,192**	**₱10,405**
Others	**28**	**80**	**116**	**649**	**873**
	₱5,446	**₱ 972**	**₱1019**	**₱3,841**	**₱11,278**

	2021 *(in millions)*				
	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Total
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

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, 2022 and 2021:

	2022					
	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*	**₱35,207,790,971**	**₱43,644,674,760**	**₱4,243,098**	**₱–**	**₱–**	**₱78,856,708,829**
Financial assets at FVPL:						
Equity securities						
Quoted	**673,504,963**	–	**1,858,595,155**	–	–	**2,532,100,118**
Derivative assets	–	–	**60,911,158**	–	–	**60,911,158**
Investment in convertible note	–	**485,239,956**	**209,304,288**	**5,103,037,875**	–	**5,797,582,119**
	673,504,963	**485,239,956**	**2,128,810,601**	**5,103,037,875**	–	**8,390,593,395**
Financial assets at FVOCI:						
Debt securities:						
Private	–	**135,023,867**	**9,105,463,111**	–	–	**9,240,486,978**
Government	–	**9,459,428**	**577,926,773**			**587,386,201**
	–	**144,483,295**	**9,683,389,884**	–	–	**9,827,873,179**
Equity securities						
Quoted	–	–	–	**32,710,762,660**	–	**32,710,762,660**
Unquoted	–	–	**2,316,610,083**	–	–	**2,316,610,083**
	–	–	**2,316,610,083**	**32,710,762,660**	–	**35,027,372,743**
	–	**144,483,295**	**11,999,999,967**	**32,710,762,660**	–	**44,855,245,922**
Receivables:						
Trade receivables	**7,326,958,211**	**21,657,670,621**	**4,251,585,893**	**3,931,480,723**	**626,814,769**	**37,794,510,217**
Due from related parties	**1,591,468,565**	–	**1,000,000,000**	**1,830,204,712**	–	**4,421,673,277**
Interest receivable	**41,485,443**	**47,522,768**	**265,141,118**	–	–	**354,149,329**
Other receivables	**827,744,679**	**5,362,615,957**	**83,193,297**	–	–	**6,273,553,933**
	9,787,656,898	**27,067,809,346**	**5,599,920,308**	**5,761,685,435**	**626,814,769**	**48,843,886,756**
Refundable security deposits***	**2,427,000**	–	**2,004,000**	**575,511,509**	**2,578,436,944**	**3,158,379,453**
Restricted cash***	**1,266,354,890**	–	–	–	–	**1,266,354,890**
	₱46,937,734,722	**₱71,342,207,357**	**₱19,734,977,974**	**₱44,150,997,479**	**₱3,205,251,713**	**₱185,371,169,245**

** Excludes cash on hand amounting to ₱212,967,636*
***Excludes claims receivable of JGSOC amounting to ₱186,737,480*
****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 Assets						
Cash and cash equivalents*	₱34,550,142,438	₱42,734,893,835	₱2,696,861	₱–	₱–	₱77,287,733,134
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	–	65,200,416	195,601,248	5,063,322,074	–	5,324,123,738
	667,582,694	67,112,828	1,967,006,889	5,063,322,074	–	7,765,024,485
Financial assets at FVOCI:						
Debt securities:						
Private	–	518,543,084	11,618,660,429	4,359,523,407	8,504,539,568	25,001,266,488
Government	–	8,762,828	649,455,463	5,858,588,891	11,428,910,085	17,945,717,267
	–	527,305,912	12,268,115,892	10,218,112,298	19,933,449,653	42,946,983,755
Equity securities:						
Quoted	–	–	210,408,089	44,506,905,999	–	44,717,314,088
Unquoted	–	–	1,820,169,420	–	–	1,820,169,420
	–	–	2,030,577,509	44,506,905,999	–	46,537,483,508
	–	527,305,912	14,298,693,400	54,725,018,297	19,933,449,653	89,484,467,262
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
	₱64,035,757,352	₱68,367,426,051	₱45,665,785,873	₱104,728,221,125	₱64,006,014,315	₱346,803,204,716

** 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.*

	2022					
	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')	**₱32,744,667,817**	**₱23,416,688,197**	**₱6,435,713,693**	**₱2,482,252,273**	**₱614,159,445**	**₱65,693,481,425**
Short-term debt	–	**87,349,529,854**	**4,804,760,833**	–	–	**92,154,290,687**
Due to related parties (included under 'Accounts payable and accrued expense' in the consolidated statement of financial position)	**161,443,000**	–	–	–	–	**161,443,000**
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	–	**1,450,851,140**	**1,542,289,999**	**1,804,219,156**	**2,485,888,503**	**7,283,248,798**
Long-term debt (including current portion)	–	**36,828,290,025**	**41,371,475,743**	**128,374,272,096**	**46,017,379,903**	**252,591,417,767**
Lease liabilities (including current portion)	**601,443,881**	**1,472,036,024**	**5,745,576,480**	**33,554,638,594**	**19,320,548,031**	**60,694,243,010**
Bonds payable	–	–	**470,432,813**	**16,045,243,594**	–	**16,515,676,407**
Derivative liabilities	–	**846,835,509**	–	–	–	**846,835,509**
	₱33,507,554,698	**₱151,364,230,749**	**₱60,370,249,561**	**₱182,260,625,713**	**₱68,437,975,882**	**₱495,940,636,603**

	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

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 has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2022, 2021 and 2020, approximately 28.0%, 27.1% and 22.0%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 35.5% and 37.2% of total debt are denominated in US Dollar as of December 31, 2022 and 2021, 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, 2022 and 2021:

	2022		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱37,225,720,936**	**₱3,527,707,061**	**₱40,753,427,997**
Financial assets at FVPL	**4,206,497,226**	**1,993,386,450**	**6,199,883,676**
Financial assets at FVOCI	**9,249,939,997**	**996,129,033**	**10,246,069,030**
Receivables	**10,092,532,218**	**1,211,941,493**	**11,304,473,711**
Other current assets	**3,069,540,375**	**806,424**	**3,070,346,799**
	63,844,230,752	**7,729,970,461**	**71,574,201,213**
Liabilities			
Accounts payable and accrued expenses	**19,704,810,897**	**1,367,295,199**	**21,072,106,096**
Financial liabilities at FVPL	**846,835,509**	**–**	**846,835,509**
Short-term debt	**8,476,200,697**	**1,372,287,539**	**9,848,488,236**
Long-term debt (including current portion)	**87,653,827,290**	**5,668,467,652**	**93,322,294,942**
Lease Liabilities	**47,805,820,001**	**–**	**47,805,820,001**
	164,487,494,394	**8,408,050,390**	**172,895,544,784**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱100,643,263,642)**	**(₱678,079,929)**	**(₱101,321,343,571)**

**Other currencies include Hongkong Dollar, Singapore Dollar, Chinese Yuan, Japanese Yen, Thai Baht, Malaysian ringgit, Korean won, New Taiwan dollar, Australian dollar and Euro*

	2021		
	US Dollar	Other Currencies*	Total
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*

The exchange rates used to convert the Group's US dollar-denominated assets and liabilities into Philippine peso as of December 31, 2022 and 2021 follow:

	2022	2021
US dollar-Philippine peso exchange rate	**₱55.755 to US$1.00**	₱50.999 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, 2022 and 2021:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax	
	2022	2021
₱2.0	**(₱3,610,196,884)**	(₱2,815,902,446)
(2.0)	**3,610,196,884**	2,815,902,446

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 2022 and 2021, 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 ₱523.2 million and ₱398.3 million if equity prices will increase by 1.5%. In 2022, 2021 and 2020, 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 ₱9.6 million, ₱6.5 million and ₱6.0 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:

	2022										
	<1 year	**>1-<2 years**	**>2-<3 years**	**>3-<4 years**	**>4-<5 years**	**>5 years**	**Total (In Original Currency)**	**Total (in Philippine Peso)**	**Debt Issuance Costs**	**Carrying Value (in Philippine Peso)**	**Fair Value**
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 2.0%-5.0% (PH BVAL)	**₱644,444,097**	**₱3,559,918,166**	**₱2,593,956,240**	**₱1,523,162,940**	**₱867,999,778**	**₱4,606,673,732**	**₱13,796,154,953**	**₱13,796,154,953**	**₱–**	**₱13,796,154,953**	**₱16,146,365,699**
Term loan											
Interest rate											
(Prevailing market rate + GRT)	**10,286,712,329**						**10,286,712,329**	**10,000,000,000**	**7,128,793**	**9,992,871,207**	**9,937,069,333**
Term loan											
Interest rate (BVAL + 0.5%)	**5,159,718,900**	**–**	**–**	**–**	**–**	**–**	**5,159,718,900**	**5,000,000,000**	**3,689,996**	**4,996,310,004**	**4,927,783,446**
Term loan											
Interest rate (BVAL + 0.5%)	**285,600,000**	**7,214,395,616**	**–**	**–**	**–**	**–**	**7,499,995,616**	**7,000,000,000**	**18,433,474**	**6,981,566,526**	**6,578,214,795**
Term Loan											
Interest rate (BVAL + 0.75%)	**867,950,071**	**15,066,005,218**	**–**	**–**	**–**	**–**	**15,933,955,288**	**14,508,000,000**	**–**	**14,508,000,000**	**15,046,765,395**
Term Loan											
Interest rate (BVAL + 0.75%)	**139,600,000**	**139,982,466**	**4,014,151,233**	**–**	**–**	**–**	**4,293,733,699**	**4,000,000,000**	**–**	**4,000,000,000**	**4,190,179,694**
Foreign currencies:											
Floating rate											
US Dollar loans											
JPY Commercial loans											
Less than 1.0% (JPY LIBOR)	**¥1,568,936,150**	**¥1,577,004,749**	**¥1,585,465,365**	**¥1,593,796,773**	**¥1,602,172,729**	**¥5,653,045,058**	**¥13,580,420,824**	**5,668,467,652**	**-**	**5,668,467,652**	**4,859,063,361**
USD Commercial loans											
Interest rate 1.0%-8.0% (USD LIBOR)	**US$32,524,939**	**US$33,513,360**	**US$34,542,373**	**US$95,175,604**	**US$57,593,749**	**US$111,248,543**	**US$364,598,568**	**20,328,193,139**	**-**	**20,328,193,139**	**17,936,130,496**
								₱80,300,815,744	**₱29,252,263**	**₱80,271,563,481**	**₱79,621,572,219**

	2021										
	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Original Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loans from banks											
Interest rate 5.0%-7.0% (PHP 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

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	
	2022	2021
+150.0 basis points (bps)	**(₱1,527,814,468)**	(₱1,886,020,992)
-150.0 bps	**1,527,814,468**	1,886,020,992

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	
	2022	2021
+150.0 basis points (bps)	**₱61,678,969**	₱18,615,218
-150.0 bps	**(61,678,969)**	(17,687,428)

Reasonably Possible Changes in Interest Rates	Change in Other Comprehensive Income	
	2022	2021
+150.0 basis points (bps)	**₱177,620,441**	₱172,432,608
-150.0 bps	**(177,620,441)**	(172,432,608)

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$10.00 per barrel of jet fuel affects the Group's fuel costs in pre-tax income by ₱1.7 billion and ₱576.2 million for years December 31, 2022 and 2021, 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)**

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**

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)**

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 5.4% to 6.7% in 2022 and from 1.9% to 4.4% in 2021.

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. Fair values are established with reference ot the IPEV Guidelines as discussed in Note 3. In line with the IPEV Valuation Guidelines, the valuation of unquoted equity securities are based on the price of the most recent transaction (i.e., latest funding round post-money valuation of the underlying companies). Funding rounds refer to the series of funding start-up companies go through to raise capital.

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 ₱1.8 billion and ₱2.8 billion as of December 31, 2022 and 2021, respectively, which will mature in April 2023. 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 notes
The fair value of the convertible notes are determined using HP binomial pricing model and EV/Sales multiple of 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. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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 derivatives are determined based on the quotes obtained from counterparties. The fair value of the embedded derivative component for the equity conversion and redemption options of the convertible bonds payable was determined using the Jarrow-Rudd model (Note 23).

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 5.4% to 6.7% in 2022 and from 1.9% to 4.4% in 2021.

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 for peso-denominated long-term debt range from 1.0% to 6.7% in 2022 and from 1.0% to 6.5% in 2021, and for foreign currency-denominated long-term debt from 2.9%-6.7% in 2022 and 1.7%-4.7% in 2021.

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, 2022		
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets measured at fair value					
Financial assets at FVPL:					
Derivative assets	**₱60,911,158**	**₱–**	**₱60,911,158**	**₱–**	**₱60,911,158**
Equity securities:					
Quoted	**2,782,797,656**	**2,782,797,656**	**–**	**–**	**2,782,797,656**
Investment in convertible notes	**4,402,220,200**	**–**	**4,402,220,200**	**–**	**4,402,220,200**
	7,245,929,014	**2,782,797,656**	**4,463,131,358**	**–**	**7,245,929,014**
Financial assets at FVOCI					
Debt securities:					
Government	**549,548,488**	**549,548,488**	**–**	**–**	**549,548,488**
Private	**8,700,391,509**	**8,700,391,509**	**–**	**–**	**8,700,391,509**
	9,249,939,997	**9,249,939,997**	**–**	**–**	**9,249,939,997**
Equity securities:					
Quoted	**32,505,517,071**	**32,400,067,071**	**105,450,000**	**–**	**32,505,517,071**
Unquoted	**2,316,610,083**	**–**	**2,316,610,083**	**–**	**2,316,610,083**
	34,822,127,154	**32,400,067,071**	**2,422,060,083**	**–**	**34,822,127,154**
	44,072,067,151	**41,650,007,068**	**2,422,060,083**	**–**	**44,072,067,151**
Biological assets	**411,043,775**	**–**	**26,191,503**	**384,852,272**	**411,043,775**
	₱51,729,039,940	**₱44,432,804,724**	**₱6,911,382,944**	**₱384,852,272**	**₱51,729,039,940**
Liabilities measured at fair value					
Derivative liabilities	**₱846,835,509**	**₱–**	**₱846,835,509**	**₱–**	**₱846,835,509**
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	**₱37,213,958,453**	**₱–**	**₱–**	**₱36,261,751,428**	**36,261,751,428**
Other receivables	**5,844,997,751**	**–**	**–**	**5,840,317,035**	**5,840,317,035**
Refundable deposits	**3,124,443,633**	**–**	**–**	**2,553,754,516**	**2,553,754,516**
Investment properties	**123,082,820,865**	**–**	**–**	**344,800,774,088**	**344,800,774,088**
	₱169,266,220,702	**₱–**	**₱–**	**₱389,456,597,067**	**₱389,456,597,067**
Liabilities for which fair values are disclosed					
Deposits from lessees	**₱7,283,248,798**	**₱–**	**₱–**	**₱6,098,528,084**	**₱6,098,528,084**
Bonds payable	**13,423,322,594**	**–**	**–**	**13,423,322,594**	**13,423,322,594**
Long-term debt (including current portion)	**224,240,341,407**	**–**	**–**	**228,826,335,820**	**228,826,335,820**
	₱244,946,912,799	**₱–**	**₱–**	**₱248,348,186,498**	**₱248,348,186,498**

			December 31, 2021		
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Assets measured at fair value					
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

(Forward)

	December 31, 2021				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair value
Liabilities measured at fair value					
Derivative liabilities	₱1,732,327,557	₱–	₱1,732,327,557	₱–	₱1,732,327,557
Assets for which fair values are disclosed					
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
Liabilities for which fair values are disclosed					
Deposit liabilities	₱127,575,152,492	₱–	₱–	₱123,013,763,427	₱123,013,763,427
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
	₱367,014,969,351	₱–	₱–	₱365,612,040,893	₱365,612,040,893

In 2022 and 2021, 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
	Discounted cash flow method	Discount rate, capitalization rate, growth rate, occupancy rate
Refundable deposits	Discounted cash flow method	1.0% - 7.0% discount rate
Repossessed chattels	Market data approach	Price per unit, size, shape, location, time element and discount
Time deposits	Discounted cash flow method	0.3% - 3.9% discount rate
Long-term debt	Discounted cash flow method	1.0% - 6.7% 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 and distribution of a diverse mix of salty snacks, chocolates, candies, biscuits, bakery products, beverages, instant noodles and pasta; hog and poultry farming, manufacturing and distribution of animal feeds, glucose and soya products, and production and distribution of animal health products; and sugar milling and refining and flour milling.

- Air transportation - air transport services, both domestic and international, for passengers and cargos; and line and light maintenance services.

- 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 - insurance brokering, data analytics, securities investment and business process outsourcing. This also includes dividend income from PLDT and equity in net earnings of Meralco.

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, 2022, 2021 and 2020. 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, 2022						
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**TOTAL OPERATIONS**
Revenue							
Sale of goods and services:							
External customers	**₱149,903,643,832**	**₱56,751,365,857**	**₱43,379,718,149**	**₱35,960,997,584**	**₱991,040,335**	**₱–**	**₱286,986,765,757**
Intersegment revenues	**–**	**–**	**420,780,366**	**1,042,147,897**	**–**	**(1,462,928,263)**	**–**
	149,903,643,832	**56,751,365,857**	**43,800,498,515**	**37,003,145,481**	**991,040,335**	**(1,462,928,263)**	**286,986,765,757**
Dividend income (Note 28)	**80,757,174**	**–**	**–**	**–**	**2,988,724,620**	**–**	**3,069,481,794**
Equity in net earnings (losses) of associates and joint ventures (Note 14)	**(378,967,690)**	**(113,288,470)**	**4,440,267,867**	**–**	**7,710,559,052**	**193,429,803**	**11,852,000,562**
Total revenue	**149,605,433,316**	**56,638,077,387**	**48,240,766,382**	**37,003,145,481**	**11,690,324,007**	**(1,269,498,460)**	**301,908,248,113**
Cost of sales and services (Note 30)	**110,684,186,365**	**48,921,257,587**	**27,039,622,613**	**46,924,831,352**	**202,927,215**	**(1,219,327,141)**	**232,553,497,991**
Gross income (loss)	**₱38,921,246,951**	**₱7,716,819,800**	**₱21,201,143,769**	**(₱9,921,685,871)**	**₱11,487,396,792**	**(₱50,171,319)**	**69,354,750,122**
General and administrative expenses (Note 31)							**50,622,342,708**
Provision for impairment losses and others (Note 34)							**468,436,281**
Operating income							**18,263,971,133**
Financing cost and other charges (Note 35)							**(11,133,490,485)**
Finance income (Note 27)							**1,705,900,004**
Other operating income (Note 29)							**7,054,660,092**
Core earnings							**15,891,040,744**
Market valuation losses on financial assets							**705,308,878**
Foreign exchange losses							**(7,367,661,264)**
Income before income tax							**9,228,688,358**
Provision for income tax (Note 38)							**2,750,347,423**
Net income from Continuing Operations							**6,478,340,935**
Net income from Discontinued Operations (Note 44)							**1,563,040,343**
Net income							**₱8,041,381,278**
Net Income Attributable To							
Equity holders of the Parent Company							
Income (loss) from Continuing Operations	**₱7,783,488,047**	**(₱9,163,068,059)**	**₱9,158,371,651**	**(₱14,904,374,896)**	**₱6,699,329,773**	**₱139,506,231**	**(₱287,202,040)**
Income from Discontinued Operations							**937,824,206**
							₱650,622,166
EBIT	**₱15,223,604,351**	**(₱11,428,849,757)**	**₱14,112,398,035**	**(₱11,686,167,084)**	**₱13,152,325,700**	**(₱1,109,340,112)**	**₱18,263,971,133**
Depreciation, amortization and impairment (Notes 33 and 34)	**6,288,252,700**	**12,092,864,031**	**5,237,176,161**	**3,617,550,354**	**384,821,648**	**111,420,469**	**27,732,085,363**
EBITDA	**₱21,511,857,051**	**₱664,014,274**	**₱19,349,574,196**	**(₱8,068,616,730)**	**₱13,537,147,348**	**(₱997,919,643)**	**₱45,996,056,496**
Other information							
Non-cash expenses other than depreciation and amortization (Note 34):							
Impairment losses on receivables (Note 11)	**₱4,053,836**	**₱1,468,389**	**₱–**	**₱–**	**₱43,787,878**	**₱–**	**₱49,310,103**
Inventories	**–**	**–**	**9,394,630**	**–**	**–**	**–**	**9,394,630**
Property, plant and equipment	**322,984,653**	**86,746,895**	**–**	**–**	**–**	**–**	**409,731,548**
	₱327,038,489	**₱88,215,284**	**₱9,394,630**	**₱–**	**₱43,787,878**	**₱–**	**₱468,436,281**

	December 31, 2021						
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	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	₱841,464,699	₱–	₱209,422,463,051
Intersegment revenues	–	–	554,401,657	1,482,671,886	–	(2,037,073,543)	–
	116,954,788,444	15,740,756,855	36,116,386,997	41,806,139,599	841,464,699	(2,037,073,543)	209,422,463,051
Dividend income (Note 28)	32,302,870	–	–	–	2,094,517,684	–	2,126,820,554
Equity in net earnings (losses) of associates and joint ventures (Note 14)	(91,077,671)	(174,431,012)	3,104,377,547	–	6,714,402,125	177,352,879	9,730,623,868
Total revenue	116,896,013,643	15,566,325,843	39,220,764,544	41,806,139,599	9,650,384,508	(1,859,720,664)	221,279,907,473
Cost of sales and services (Note 30)	83,489,333,409	19,065,731,725	23,378,006,275	40,376,611,148	230,207,848	(2,388,418,933)	164,151,471,472
Gross income	₱33,406,680,234	(₱3,499,405,882)	₱15,842,758,269	₱1,429,528,451	₱9,420,176,660	₱528,698,269	57,128,436,001
General and administrative expenses (Note 31)							46,501,463,757
Provision for impairment losses and others (Note 34)							713,760,729
Operating income							9,913,211,515
Financing cost and other charges (Note 35)							(9,111,084,606)
Finance income (Note 27)							1,094,584,901
Other operating income (Note 29)							461,982,160
Core earnings							2,358,693,970
Market valuation losses on financial assets							(1,094,513,349)
Foreign exchange losses							(3,107,872,656)
Loss before income tax							(1,843,692,035)
Provision for income tax (Note 38)							81,948,817
Net loss from Continuing Operations							(1,925,640,852)
Net income from Discontinued Operations (Note 44)							12,659,665,024
Net income							₱10,734,024,172
Net Income Attributable To							
Equity holders of the Parent Compay							
Income (loss) from Continuing Operations	₱12,496,247,002	(₱17,150,436,805)	₱7,600,091,719	(₱2,139,245,570)	₱4,301,943,322	(₱1,219,618,477)	₱3,888,981,191
Income from Discontinued Operations							1,219,248,580
							₱5,108,229,771
EBIT	₱12,716,395,019	(₱23,157,858,622)	₱9,713,808,554	(₱113,840,195)	₱ 11,022,627,467	(₱267,920,708)	₱9,913,211,515
Depreciation, amortization and impairment (Notes 33 and 34)	5,762,875,646	14,355,454,086	5,246,968,024	3,199,076,231	356,857,641	110,797,868	29,032,029,496
EBITDA	₱18,479,270,665	(₱8,802,404,536)	₱14,960,776,578	₱3,085,236,036	₱11,379,485,108	(₱157,122,840)	₱38,945,241,011
Other information							
Non-cash expenses other than depreciation and amortization (Note 34):							
Impairment losses on receivables (Note 11)	₱30,419,962	₱104,625,855	₱–	₱–	₱–	₱–	₱135,045,817
Inventories	109,167,827	–	–	–	–	–	109,167,827
Property, plant and equipment	–	–	–	–	432,631,271	–	432,631,271
Other assets	–	36,915,814	–	–	–	–	36,915,814
	₱139,587,789	₱141,541,669	₱–	₱–	₱432,631,271	₱–	₱713,760,729

	December 31, 2020						
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	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	₱889,855,356	₱–	₱185,463,298,064
Intersegment revenues	–	–	352,791,286	746,044,686	–	(1,098,835,972)	–
	113,161,785,302	22,617,967,165	27,871,197,925	22,021,328,288	889,855,356	(1,098,835,972)	185,463,298,064
Dividend income (Note 28)	64,605,739	–	–	–	1,931,625,044	–	1,996,230,783
Equity in net earnings (losses) of associates and joint ventures (Note 14)	(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	7,943,596,952	(905,512,918)	195,044,163,255
Cost of sales and services (Note 30)	78,573,438,418	21,277,642,920	15,943,948,736	22,693,576,725	189,672,908	(950,632,531)	137,727,647,176
Gross income	₱34,590,978,672	₱1,024,209,164	₱14,574,533,023	(₱672,248,437)	₱7,753,924,044	₱45,119,613	57,316,516,079
General and administrative expenses (Note 31)							48,575,674,465
Provision for impairment losses and others (Note 34)							318,425,478
perating income							8,422,416,136
Financing cost and other charges (Note 35)							(8,913,379,991)
Finance income (Note 27)							1,213,910,835
Other operating income (Note 29)							(146,275,192)
Core earnings							576,671,788
Market valuation losses on financial assets							(2,332,944,398)
Foreign exchange gains							2,659,820,149
Income before income tax							903,547,539
Provision for income tax (Note 38)							2,734,953,243
Net loss from Continuing Operations							(1,831,405,704)
Net income from Discontinued Operations (Note 44)							2,228,612,063
Net income							₱397,206,359
Net Income Attributable To							
Equity holders of the Parent Compay							
Income (loss) from Continuing Operations	₱5,566,317,774	(₱15,091,628,081)	₱5,701,662,067	(₱1,978,617,551)	₱4,147,299,277	₱ 150,473,904	(₱1,504,492,610)
Income from Discontinued Operations							1,036,333,082
							(₱468,159,528)
EBIT	₱13,896,446,993	(₱20,769,259,127)	₱8,493,865,051	(2,059,718,932)	₱ 8,518,140,309	₱342,941,842	₱8,422,416,136
Depreciation and amortization (Note 33)	6,157,195,635	16,074,455,052	5,184,698,880	2,608,155,788	197,072,356	(323,218,696)	29,898,359,015
EBITDA	₱20,053,642,628	(₱4,694,804,075)	₱13,678,563,931	₱548,436,856	₱8,715,212,665	(₱19,723,146)	₱38,320,775,151
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	₱–	₱–	₱–	₱314,649,432
Other assets	–	–	–		3,776,046	–	3,776,046
	₱32,583,003	₱102,043,756	₱180,022,673	0	₱3,776,046	₱–	₱318,425,478

Other information on the Group's operating segments follow:

	December 31, 2022						
	Foods, Agro-Industrial and Commodities	**Air Transportation**	**Real Estate and Hotels**	**Petrochemicals**	**Other Supplementary Businesses**	**Adjustments and Eliminations**	**Consolidated**
Investments in associates and joint ventures (Note 14)	**₱138,060,136**	**₱221,880,771**	**₱63,088,033,268**	**₱–**	**₱79,856,313,689**	**(₱9,363,697)**	**₱143,294,924,167**
Segment assets*	**₱169,953,629,407**	**₱146,312,316,002**	**₱222,935,878,945**	**₱149,083,076,283**	**₱324,627,168,777**	**(₱106,092,681,606)**	**₱906,819,387,808**
Short-term debt (Note 23)	**₱23,220,000,075**	**₱–**	**₱–**	**₱63,897,480,266**	**₱4,800,000,000**	**₱–**	**₱91,917,480,341**
Long-term debt and bonds payable (Note 23)	**₱–**	**₱ 53,802,805,005**	**₱51,159,115,665**	**₱35,000,000,000**	**₱97,701,743,331**	**₱–**	**₱237,663,664,001**
Segment liabilities*	**₱53,983,288,312**	**₱160,060,000,031**	**₱87,488,753,059**	**₱107,103,862,106**	**₱121,275,333,660**	**(₱30,690,290,492)**	**₱499,220,946,676**
Capital expenditures (Notes 15 and 16)*	**₱9,134,912,018**	**₱9,782,769,849**	**₱16,530,695,674**	**₱8,761,779,012**	**₱361,772,380**	**₱–**	**₱44,571,928,933**

**Excludes Assets held for sale and Liabilities directly associated with assets held for sale and Capital expenditures for the banking business of ₱275,244,873*

	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)	₱55,228,221	₱335,169,241	₱60,625,797,118	₱–	₱154,688,271	₱85,066,356,893	(₱203,120,288)	₱146,034,119,456
Segment assets	₱153,610,243,352	₱137,410,223,820	₱227,949,939,021	₱164,145,750,794	₱179,709,446,390	₱309,565,072,410	(₱148,856,022,924)	₱1,023,534,652,863
Short-term debt (Note 23)	₱15,914,691,530	₱–	₱–	₱50,080,891,952	₱–	₱–	₱–	₱65,995,583,482
Long-term debt and bonds payable (Note 23)	₱–	₱58,139,935,742	₱47,042,864,144	₱30,000,000,000	₱–	₱97,334,229,123	₱–	₱232,517,029,009
Segment liabilities	₱43,842,509,517	₱138,076,956,315	₱97,599,974,998	₱112,640,010,246	₱161,246,398,372	₱113,115,333,724	(₱86,617,512,869)	₱579,903,670,303
Capital expenditures (Notes 15 and 16)	₱13,199,692,100	₱5,506,681,705	₱17,999,501,395	₱12,290,417,538	₱184,988,682	₱48,905,420	(₱3,494,160,000)	₱45,736,026,840

	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)	₱386,494,519	₱354,516,067	₱58,399,603,679	₱–	₱–	₱80,318,664,883	(₱126,443,676)	₱139,332,835,472
Segment assets	₱176,194,930,275	₱128,584,821,478	₱215,210,687,766	₱134,022,507,590	₱151,215,387,210	₱299,035,519,441	(₱104,655,331,436)	₱999,608,522,324
Short-term debt (Note 23)	₱10,122,879,567	₱–	₱–	₱34,166,510,354	₱–	₱128,702,264	₱–	₱44,418,092,185
Long-term debt (Note 23)	₱31,337,551,136	₱53,239,934,436	₱53,603,778,783	₱30,000,000,000	₱–	₱104,160,621,986	₱–	₱272,341,886,341
Segment liabilities	₱78,410,768,338	₱107,377,637,489	₱112,492,656,130	₱79,965,944,455	₱132,889,772,851	₱ 118,687,894,638	(₱38,326,507,935)	₱591,498,165,966
Capital expenditures (Notes 15 and 16)	₱6,690,489,884	₱4,044,960,019	₱11,154,452,396	₱15,129,963,318	₱248,236,782	₱80,758,153	₱–	₱37,348,860,552

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2022	2021	2020
Income (loss) before income tax	**₱9,228,688,358**	(₱1,843,692,035)	₱903,547,539
Finance income	**(1,705,900,004)**	(1,094,584,901)	(1,213,910,835)
Financing cost and other charges	**11,133,490,485**	9,111,084,606	8,913,379,991
Other operating income (losses)	**(7,054,660,092)**	(461,982,160)	146,275,192
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(705,308,878)**	1,094,513,349	2,332,944,398
Foreign exchange losses (gains)	**7,367,661,264**	3,107,872,656	(2,659,820,149)
EBIT	**18,263,971,133**	9,913,211,515	8,422,416,136
Depreciation and amortization	**27,322,353,815**	28,599,130,602	29,898,359,016
Provision for impairment losses	**409,731,548**	432,631,271	–
EBITDA	**₱45,996,056,496**	₱38,944,973,388	₱38,320,775,152

	2022	2021	2020
Income (loss) before income tax	**₱9,228,688,358**	(₱1,843,692,035)	₱903,547,539
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(705,308,878)**	1,094,513,349	2,332,944,398
Foreign exchange (gains) losses	**7,367,661,264**	3,107,872,656	(2,659,820,149)
Core earnings	**₱15,891,040,744**	₱2,358,693,970	₱576,671,788

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components as of December 31, 2021:

	December 31, 2021			
	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
Financial assets at FVPL	6,459,103,751	1,912,412	–	6,461,016,163
Financial assets at FVOCI	12,728,683,142	26,529,627,158	–	39,258,310,300
Receivables	40,949,990,701	31,273,661,946	–	72,223,652,647
Inventories	81,611,906,817	–	–	81,611,906,817
Biological assets	132,144,916	–	–	132,144,916
Other current assets	22,861,361,464	828,599,148	–	23,689,960,612
Total current assets	234,445,971,156	98,298,600,207	(26,477,458,387)	306,267,112,976
Noncurrent Assets				
Financial assets at FVOCI	44,506,905,999	–	–	44,506,905,999
Receivables	7,549,521,416	67,937,959,026	–	75,487,480,442
Investment securities at amortized cost	–	8,474,858,779	–	8,474,858,779
Investments in associates and JVs	145,822,109,563	212,009,893	–	146,034,119,456
Property, plant and equipment	249,547,592,630	502,762,777	–	250,050,355,407
Investments properties	116,975,431,334	786,054,165	–	117,761,485,499
Right-of-use assets	31,449,724,690	830,589,916	–	32,280,314,606
Goodwill	19,473,358,867	244,327,006	–	19,717,685,873
Intangible assets	5,869,844,413	1,290,832,260	–	7,160,676,673
Biological assets	166,105,594	–	–	166,105,594
Other noncurrent assets	14,496,099,199	1,131,452,360	–	15,627,551,559
Total Noncurrent Assets	635,856,693,705	81,410,846,182	–	717,267,539,887
	₱870,302,664,861	₱179,709,446,389	(₱26,477,458,387)	₱1,023,534,652,863

(Forward)

	December 31, 2021			
	Non-banks	Banks*	Elimination**	Consolidated
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued expenses	₱59,699,574,608	₱145,846,923,583	(₱26,477,458,387)	₱179,069,039,804
Short-term debts	65,995,583,482	–	–	65,995,583,482
Current portion of:				
Long-term debts	19,501,714,468	–	–	19,501,714,468
Lease liabilities	5,385,968,136	330,665,224	–	5,716,633,360
Income tax payable	332,634,821	766,092	–	333,400,913
Other current liabilities	26,974,476,060	390,750	–	26,974,866,810
Total current liabilities	177,889,951,575	146,178,745,649	(26,477,458,387)	297,591,238,837
Noncurrent liabilities				
Noncurrent portion of:				
Long-term debts	200,830,478,415	–	–	200,830,478,415
Lease liabilities	29,164,450,867	608,380,094	–	29,772,830,961
Bonds payable	12,184,836,126	–	–	12,184,836,126
Deferred tax liabilities	5,337,999,578	–	–	5,337,999,578
Other noncurrent liabilities	19,727,013,757	14,459,272,629	–	34,186,286,386
Total noncurrent liabilities	267,244,778,743	15,067,652,723	–	282,312,431,466
Total Liabilities	445,134,730,318	161,246,398,372	(26,477,458,387)	579,903,670,303
Equity				
Equity attributable to equity holders of the Parent Company	324,231,062,404	11,077,828,811	–	335,308,891,215
Non-controlling interests	100,936,872,139	7,385,219,206	–	108,322,091,345
	₱870,302,664,861	₱179,709,446,389	(₱26,477,458,387)	₱1,023,534,652,863

**The banking component is presented under Assets, liabilities and reserves of disposal group held for sale as of December 31, 2022.*
***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. 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 including impairment of property, plant and equipment during the period.

Depreciation and amortization
In 2022, 2021 and 2020, the amount of reported depreciation and amortization includes depreciation of property, plant and equipment, investment properties, right-of-use assets and amortization of intangible assets.

Segment Assets
Segment assets are resources owned by each of the operating segments excluding significant intersegment balances which are eliminated.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding significant 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 properties and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information
The Group operates in the Philippines, Vietnam, Thailand, Myanmar, Indonesia, Malaysia, Singapore, China and Hong Kong. As of December 31, 2021, the Group has discontinued its operations in New Zealand and Australia.

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:

	2022	2021	2020
Domestic	**₱217,317,374,437**	₱161,321,708,752	₱152,103,517,259
Foreign	**84,590,873,676**	59,958,198,721	42,940,645,996
	₱301,908,248,113	₱221,279,907,473	₱195,044,163,255

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:

	2022	2021
Domestic	**₱503,205,352,111**	₱487,381,166,668
Foreign	**96,592,022,060**	92,907,135,619
	₱599,797,374,171	₱580,288,302,287

7. Cash and Cash Equivalents

This account consists of:

	2022	2021
Cash on hand	**₱219,267,636**	₱5,654,873,185
Cash in banks (Note 40)	**22,195,776,633**	34,550,142,438
Cash equivalents (Note 40)	**56,656,689,097**	42,685,105,898
	₱79,071,733,366	₱82,890,121,521

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 0.30% to 7.30%, 0.03% to 5.30%, and from 0.04% to 6.50% for foreign currency-denominated money market placements for the years ended December 31, 2022, 2021, and 2020, respectively. Peso-denominated money market placements, on the other hand, earn interest ranging from 3.30% to 4.60%, from 0.13% to 1.06%, and from 0.12% to 0.60% for the years ended December 31, 2022, 2021, and 2020, respectively.

Interest earned on cash and cash equivalents amounted to ₱1.1 billion, ₱535.8 million and ₱713.4 million for the years ended December 31, 2022, 2021 and 2020, respectively (Note 27).

For the purpose of the statement of cash flows, cash and cash equivalents comprise of the following:

	2022	2021
Cash on hand	**₱219,267,636**	₱5,654,873,185
Cash in banks (Note 40)	**22,195,776,633**	34,550,142,438
Cash equivalents (Note 40)	**56,656,689,097**	42,685,105,898
Cash and cash equivalents classified as part of assets held for sale (Note 44)	**6,638,014,005**	–
	₱85,709,747,371	₱82,890,121,521

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, 2022 and 2021. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2022		
	Notional Amounts	**Derivative Assets** (Note 9)	**Derivative Liabilities** (Note 22)
Derivatives Designated as Accounting Hedges			
Interest rate derivatives	**\$86,400,000**	**₱60,911,158**	**₱–**
Derivatives Not Designated as Accounting Hedges			
Conversion option arising from convertible bonds (Note 23)	**–**	**–**	**846,835,509**
		₱60,911,158	**₱846,835,509**

	December 31, 2021		
	Notional Amounts	**Derivative Assets** (Note 9)	**Derivative Liabilities** (Note 22)
Derivatives Not Designated as Accounting Hedges			
Conversion option arising from convertible bonds (Note 23)	–	₱–	₱1,730,960,768
Addition from acquisition of subsidiaries (Note 19)	–	–	1,366,789
		₱–	₱1,732,327,557

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 CB contains conversion and redemption options which were identified as embedded derivatives and were separated and accounted for separately on issuance date of the CBs (see Note 23).

As of December 31, 2022 and 2021, the fair value of embedded derivatives, which is shown under 'Other current liabilities' in the consolidated statements of financial position amounted to ₱846.8 million and ₱1.7 billion, respectively (Note 22). For the years ended December 31, 2022 and 2021, net market valuation gains (losses) recognized by CAI in the consolidated statement of comprehensive income amounted to ₱977.9 million and (₱1.3 billion), respectively.

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.

- Interest rate derivatives
  CAI entered into interest rate derivative contracts to manage exposure to the volatility of interest rates on the lease rates of the expected aircraft deliveries. These derivatives have various maturity dates within 2022 where hedge accounting under PFRS 9 were also applied.

  As of December 31, 2022 and 2021, CAI has designated for hedge accounting derivatives with net asset position, included under 'Financial Assets at Fair Value through Profit or Loss' in the consolidated statements of financial position, amounting to ₱60.9 million and nil, respectively.

  For the year ended December 31, 2022, CAI has recycled the effective portion of its cash flow hedge reserves to 'Financing costs and other charges' in the consolidated statement of comprehensive income amounting to ₱42.2 million.

<u>Fair Value Changes in Derivatives</u>
Fair value changes in derivatives designated as accounting hedges
The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2022	2021
Beginning balance	**₱–**	(₱76,491,267)
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**558,616,927**	51,509,875
Fair value of settled instruments	**(497,705,769)**	24,981,392
	₱60,911,158	₱–

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 in 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:

	2022	2021
Balance at beginning of year:		
Derivative assets	**₱–**	₱556,022
Derivative liabilities	**1,366,788**	169,449,156
	(1,366,788)	(168,893,134)
Net losses from changes in fair value of derivatives taken to profit or loss	**–**	–
Fair value of acquired/settled instruments	**1,366,788**	167,526,346
	₱–	(₱1,366,788)
Balance at end of year:		
Derivative assets (Note 9)	**₱–**	₱–
Derivative liabilities (Note 8)	**–**	1,366,788

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.

Refer to Note 23 for the changes in fair value of conversion option arising from convertible bonds.

9. Financial Assets at Fair Value through Profit or Loss

This account consists of the following:

	2022	2021
Debt securities:		
Government	**₱–**	₱1,912,412
Equity securities:		
Quoted	**2,782,797,656**	2,438,988,335
Investment in convertible notes	**4,402,220,200**	4,020,115,416
Derivatives (Note 8)	**60,911,158**	–
	₱7,245,929,014	₱6,461,016,163

'Investment in convertible notes' includes the following:

JUUL Labs, Inc
JGSPL invested a total of USD75.0 million Convertible Notes of JUUL Labs, Inc. ("JUUL Labs"). It is repayable after 5 years, bears interest at 7.0% p.a. compounded quarterly and paid in kind, contains automatic and optional conversion features, and redeemable at the option of the issuer subject to certain conditions. JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes. As of December 31, 2022 and 2021, the investment amounted to ₱4.0 billion ($71.5 million) and ₱3.7 billion ($73.1 million), respectively.

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, 2022 and 2021, the investment amounted to ₱123.6 million and ₱86.9 million, respectively.

As of December 31, 2022, 2021, and 2020, unrealized loss on debt securities recognized amounted to ₱84.5 million, ₱109.7 million and ₱25.3 million, respectively.

As of December 31, 2022, 2021 and 2020, unrealized gain (loss) on equity securities recognized amounted to (₱188.1 million), ₱333.4 million and (₱282.3 million), respectively.

In 2022, 2021 and 2020, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to (₱272.6 million), ₱223.6 million, and (₱307.6 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 amounting to ₱163.8 million, ₱252.9 million and ₱7.4 million for the years ended December 31, 2022, 2021 and 2020 are included under 'Net Income from discontinued operations' in profit or loss in the consolidated statements of comprehensive income (see Note 44).

10. Investment Securities

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

	2022	2021
Debt securities:		
Government	**₱549,548,488**	₱15,713,379,337
Private	**8,700,391,509**	21,514,353,455
	9,249,939,997	37,227,732,792
Equity securities:		
Quoted	**32,505,517,071**	44,717,314,088
Unquoted	**2,316,610,083**	1,820,169,419
	34,822,127,154	46,537,483,507
	₱44,072,067,151	₱83,765,216,299

Quoted equity securities pertain to investment in PLDT common shares and various golf club shares. The Group has irrevocably elected to classify these investments under this category as it intends to hold these investments for the foreseeable future.

Breakdown of financial assets at FVOCI as shown in the consolidated statements of financial position follows:

	2022	2021
Current portion	**₱9,249,939,997**	₱39,258,310,300
Noncurrent portion	**34,822,127,154**	44,506,905,999
	₱44,072,067,151	₱83,765,216,299

The Group has classified its 24.3 million PLDT shares representing 11.27% ownership interest as financial assets at FVOCI, which have carrying values of ₱32.1 billion and ₱44.1 billion as of December 31, 2022 and December 31, 2021, respectively.

Interest income on debt financial assets at FVOCI follows (Note 27):

	2022	2021	2020
Debt securities:			
Private	**₱536,155,003**	₱524,690,271	₱489,105,761
Government	**39,372,046**	34,069,774	11,406,853
	₱575,527,049	₱558,760,045	₱500,512,614

The Group's effective interest rates range from 5.13% to 8.60% on government securities and 3.90% to 10.50% on private bonds in 2022, 2021 and 2020.

The movements in net unrealized gains (losses) on financial assets at FVOCI follow:

	2022		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**(₱4,039,360,496)**	**(₱117,645,484)**	**(₱4,157,005,980)**
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	**(14,224,111,355)**	**105,782,491**	**(14,118,328,864)**
Realized gain on sale of financial assets at FVOCI (Note 29)	**(7,120,937)**	**–**	**(7,120,937)**
Reclassification of unrealized loss to reserves of disposal group held for sale (Note 44)	**402,115,501**	**–**	**402,115,501**
	(17,868,477,287)	**(11,862,993)**	**(17,880,340,280)**
Net changes in fair value of FVOCI of associates (Note 14):			
Share in net changes in fair value of financial assets at FVOCI of an associates	**(109,577,611)**	**–**	**(109,577,597)**
Accumulated share in net changes in fair value of financial assets at FVOCI of disposed investment taken to profit or loss	**(7,673,463)**		**(7,673,463)**
Balance at end of year	**(₱17,985,728,361)**	**(₱11,862,993)**	**(₱17,997,591,354)**

	2021		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱14,794,597,877)	₱324,400,037	(₱14,470,197,840)
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	(₱4,039,360,496)	(₱117,645,484)	(₱4,157,005,980)

	2020		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱23,832,621,540)	₱249,569,240	(₱23,583,052,300)
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	(₱14,794,597,877)	₱324,400,037	(₱14,470,197,840)

Investment Securities at Amortized Cost

The investment securities at amortized cost of the banking business as of December 31, 2021 consist of the following:

	2021
Government securities	₱6,655,527,338
Private bonds	1,820,142,305
	8,475,669,643
Less allowance for impairment losses	810,864
	₱8,474,858,779

The effective interest rates for peso-denominated investment securities at amortized cost of the Group ranges from 3.25% to 8.13% in 2021. 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.

Interest income on investment securities at amortized cost amounting to ₱305.2 million and ₱356.6 million for the years ended December 31, 2021 and 2020, respectively, is included under 'Net Income from discontinued operations' in profit or loss in he consolidated statements of comprehensive income (see Note 44).

11. **Receivables**

This account consists of:

	2022	2021
Trade receivables	**₱37,686,459,750**	₱38,333,348,738
Due from related parties (Note 40)	**4,421,673,277**	4,218,363,700
Interest receivable	**354,149,329**	1,716,625,101
Finance receivables (Note 44)	–	98,918,972,005
Other receivables	**6,309,902,964**	7,808,300,786
	48,772,185,320	150,995,610,330
Less allowance for impairment losses	**750,669,029**	3,284,477,241
	₱48,021,516,291	₱147,711,133,089

Total receivables shown in the consolidated statements of financial position follow:

	2022	2021
Current portion	**₱41,427,326,370**	₱72,223,652,647
Noncurrent portion	**6,594,189,921**	75,487,480,442
	₱48,021,516,291	₱147,711,133,089

Noncurrent receivables consist of:

	2022	2021
Trade receivables	**₱4,763,985,209**	₱4,727,617,197
Due from related parties	**1,830,204,712**	2,821,904,219
Finance receivables (Note 44)	–	67,937,959,026
	₱6,594,189,921	₱75,487,480,442

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱12.2 billion and ₱14.0 billion as of December 31, 2022 and 2021. 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 amounting to ₱409.2 million and ₱459.7 million as of December 31, 2022 and 2021. 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 ₱736.8 million, ₱743.1 million and ₱779.1 million in 2022, 2021 and 2020, respectively, and is recorded under ‘Sale of goods and services’ on the consolidated statements of comprehensive income.

Other trade receivables are noninterest-bearing and generally have 30 to 90-day terms.

Finance Receivables

Breakdown of finance receivables as of December 31, 2021, which represent receivables from customers of RBC and its subsidiary, follows:

	2021
Receivables from customers:	
Commercial	₱57,879,055,931
Real estate	29,718,350,075
Consumption	11,098,264,008
Domestic bills purchased	516,654,187
	99,212,324,201
Less unearned interest and discounts	293,352,196
	₱98,918,972,005

Interest income on finance receivables amounting to ₱6.8 billion and ₱6.6 billion for the years ended December 31, 2021 and 2020, respectively, is included under 'Net Income from discontinued operations' in profit or loss in the consolidated statements of comprehensive income (see Note 44).

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 amounted to ₱281.4 million, respectively.

Other Receivables

Other receivables include claims receivables, advances to brokers and other non-trade receivables. As of December 31, 2022 and 2021, claims receivables amounted to ₱1.2 billion and ₱2.3 billion, respectively. As of December 31, 2022 and 2021, other non-trade receivables include ₱2.4 billion receivable on sale of land to an affiliate (Note 15) and ₱2.3 billion receivable on sale of GBPC investment (Note 29), respectively. The receivables on the sale of GBPC investment was collected in September 2022.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	2022			
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Total**
Balance at beginning, as adjusted	**₱584,463,500**	**₱2,273,204,641**	**₱426,904,260**	**₱3,284,572,401**
Provision for impairment losses from continuing operations(Note 34)	**5,522,225**	**–**	**43,787,878**	**49,310,103**
Provision for impairment losses from discontinued operations (Note 44)	**–**	**927,518,356**	**–**	**927,518,356**
Write-offs, net of recoveries	**(154,596,158)**	**(493,206,344)**	**(51,800,597)**	**(699,603,099)**
Unrealized foreign exchange gains	**8,350,105**		**–**	**8,350,105**
Reclassification due to a merger (Note 44)	**–**	**(2,707,516,653)**	**(111,962,184)**	**(2,819,478,837)**
Balance at end of year	**₱443,739,672**	**₱–**	**₱306,929,357**	**₱750,669,029**

	2021			
	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning, as adjusted	₱498,249,617	₱1,684,983,650	₱430,388,347	₱2,613,621,614
Provision for impairment losses from continuing operations(Note 34)	135,045,817	–	–	135,045,817
Provision for impairment losses from discontinued operations (Note 44)	–	1,277,021,353	27,243,575	1,304,264,928
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	₱584,463,500	₱2,273,204,641	₱426,904,260	₱3,284,572,401

Provision for impairment losses on receivables for the years ended December 31, 2022, 2021 and 2020 amounted to ₱49.3 million, ₱135.0 million and ₱314.3 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, 2022 and 2021. Allowance for credit losses on nontrade and other receivables amounted to ₱199.9 million and ₱189.3 million as of December 31, 2022 and 2021, respectively.

Finance Receivables as of December 31, 2021
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*

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*

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
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*

12. Inventories

This account consists of inventories at cost held as follows:

	2022	2021
Subdivision land, condominium and residential units for sale	**₱32,511,606,471**	₱37,679,441,733
Raw materials	**24,288,481,482**	17,729,203,316
Finished goods	**16,784,674,601**	10,696,679,943
Spare parts, packaging materials and other supplies	**15,870,426,605**	13,977,307,633
Work-in-process	**2,596,910,500**	1,529,274,192
	₱92,052,099,659	₱81,611,906,817

Real estate inventory consists of:

	2022	2021
Land and condominium units	**₱9,374,405,251**	₱14,108,094,215
Land held for development	**11,714,572,364**	1,587,650,470
Residential units and subdivision land	**11,048,517,512**	11,612,978,218
Land use right and development cost	**374,111,344**	10,370,718,830
	₱32,511,606,471	₱37,679,441,733

Summary of the movements in real estate inventory follows:

	2022	2021
Balance at beginning of year	**₱37,679,441,733**	₱41,251,901,420
Construction and development costs incurred	**5,176,823,883**	5,314,493,631
Land acquisition	**3,544,468,378**	4,000,000,000
Transfers from investment properties, property and equipment and unrealized land cost (Notes 15 and 16)	**239,895,395**	457,211,545
Costs of real estate sales (Note 30)	**(14,129,022,918)**	(13,344,164,863)
Balance at end of year	**₱32,511,606,471**	₱37,679,441,733

Borrowing cost capitalized amounted to nil for the years ended December 31, 2022 and 2021.

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 ₱14.1 billion, ₱13.3 billion and ₱6.2 billion for the years ended December 31, 2022, 2021 and 2020, respectively.

No subdivision land, condominium and residential units for sale were pledged as security to liabilities as of December 31, 2022 and 2021.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱11.5 billion and ₱8.1 billion as of December 31, 2022 and 2021, 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 trusteed inventories or their sales proceeds.

The Group recognized impairment losses on its inventories included under 'Provision for impairment losses and others' amounting to ₱9.4 million, ₱109.2 million and nil in 2022, 2021 and 2020, respectively (see Note 34).

13. Other Current Assets

This account consists of:

	2022	2021
Input value-added tax (VAT)	**₱10,356,862,267**	₱10,249,021,023
Advances to suppliers and contractors	**8,326,964,681**	5,191,796,358
Creditable withholding tax	**2,627,097,710**	3,070,804,237
Prepaid expenses	**2,407,942,920**	3,169,873,355
Restricted cash	**1,266,354,890**	1,818,639,034
Advances to lot owners	**1,159,147,175**	25,734,743
Others	**860,931,343**	164,091,862
	₱27,005,300,986	₱23,689,960,612

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.

Advances to Suppliers and Contractors
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.

Restricted Cash
RLC has restricted cash which includes deposits in local banks for the purchase of land. CAI also has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

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. The application is expected to be within twelve (12) months after the reporting date.

14. Investments in Associates and Joint Ventures

Details of this account follow:

	2022	2021
Acquisition cost:		
Balance at beginning of year	**₱107,653,236,570**	₱107,272,930,100
Additional investments	**1,462,314,062**	655,599,541
Disposal of investment	**(8,510,608,393)**	–
Reclassification to Assets Held for Sale due to planned merger (Note 44)	**(556,530,334)**	–
Reclassification to Investment in Subsidiary due to gain of control (Note 44)	**–**	(275,293,071)
Balance at end of year	**100,048,411,905**	107,653,236,570
Accumulated equity in net earnings:		
Balance at beginning of year	**38,080,751,252**	33,854,782,744
Equity in net earnings from continuing operations	**11,852,000,562**	9,730,623,868
Equity in net lossesfrom discontinued operations (Note 44)	**(169,065,451)**	(45,311,729)
Dividends received	**(5,862,376,373)**	(4,985,370,666)
Elimination of unrealized gains on downstream sales	**(1,626,724,191)**	(404,888,166)
Accumulated equity in net earnings of disposed investment	**(541,782,300)**	–
Reclassification to Assets Held for Sale due to planned merger (Note 44)	**214,377,181**	–
Reclassification to Investment in Subsidiary due to gain of control (Note 44)	**–**	(69,084,799)
Balance at end of year	**41,947,180,680**	38,080,751,252
Share in unrealized gain (loss) on financial assets at FVOCI of associates:		
Balance at beginning of year	**124,998,792**	90,514,869
Share in net changes in fair value of financial assets at FVOCI of associates (Note 10)	**(109,577,611)**	34,483,923
Accumulated share in net changes in fair value of financial assets at FVOCI of disposed investment	**(7,673,463)**	–
Balance at end of year	**7,747,718**	124,998,792

	2022	2021
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**₱308,655,035**	(₱1,610,065,526)
Share in net changes in remeasurements of the net defined benefit liability of associates	**1,219,095,316**	1,918,720,561
Accumulated share in net changes in remeasurements of the net defined benefit liability of disposed investment	**(36,345,780)**	–
	1,491,404,571	308,655,035
Cumulative translation adjustment	**134,545,504**	200,844,018
	143,629,290,378	146,368,485,667
Less allowance for impairment losses	**334,366,211**	334,366,211
	₱143,294,924,167	₱146,034,119,456

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	
	2022	2021	**2022**	2021
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	**26.37**	29.56	**₱77,806.5**	₱83,185.1
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**754.7**	776.6
G2M Solutions Philippines Pte. Ltd. (G2M)	**13.07**	14.17	**676.3**	439.2
Luzon International Premiere Airport Development Corp. (LIPAD)	**33.00**	33.00	**397.7**	475.0
GoTyme Bank Corporation	**24.53**	24.24	**338.3**	354.7
DHL Summit Solutions, Inc. (DSSI)	**50.00**	50.00	**109.6**	30.3
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**58.3**	58.7
Foreign:				
Singapore Land Group Limited (SLG)	**37.05**	37.05	**60,283.2**	58,034.9
Zyllem Pte. Ltd	**13.33**	13.33	**50.6**	46.0
Value Alliance Travel System Pte. Ltd. (VATS) (formerly Air Block Box Asia Pacific Pte. Ltd.)	**10.18**	10.18	**–**	–
			140,475.2	143,400.5
Joint Ventures				
Domestic:				
RHK Land Corporation (RHK Land)	**37.60**	36.71	**1,022.4**	1,342.9
Robinsons DoubleDragon Corporation (RDDC)	**41.18**	40.21	**672.3**	672.6
RLC DMCI Property Ventures, Inc. (RLC DMCI)	**31.33**	30.59	**442.1**	375.4
Shang Robinsons Properties, Inc. (SRPI)	**31.33**	30.49	**329.7**	–
Philippine Academy for Aviation Training (PAAT)	**39.67**	33.93	**215.1**	187.5
Vitasoy-URC, Inc (VURCI)	**27.95**	27.67	**80.7**	–
1Aviation Groundhandling Services Corp. (1Aviation)	**27.15**	27.15	**–**	–
Danone Universal Robina Beverages, Inc. (DURBI)	**27.95**	27.67	**–**	–
Foreign:				
Calbee - URC Malaysia Sdn. Bhd (CURM)	**27.95**	27.67	**57.4**	55.2
Proper Snack Foods Limited (PSFL)	**27.95**	27.67	**–**	–
			2,819.7	2,633.6
			₱143,294.9	₱146,034.1

Material investees

Meralco
On July 28, 2022, the BOD of the Parent Company approved the holding of an overnight block trade for the sale of its 36.0 million common shares in Meralco. On the same day, the Parent Company entered into a Secondary Block Trade Agreement with UBS AG, Singapore Branch (UBS) whereby it appointed UBS, to procure purchasers for the 36.0 million common shares of Meralco at a price of ₱344.0 per share for a total consideration of ₱12.4 billion together with all dividends, distributions and other benefits attaching to the shares. The total consideration, net of transaction costs, amounted to ₱12.2 billion and with resulting gain on sale of ₱3.1 billion recognized under 'Other Operating Income (Expenses)' in the consolidated statements of income (Note 29). The sale represents 3.2% of Meralco's total outstanding shares which resulted in the change in the Parent Company's equity interest over Meralco from 29.56% to 26.37%.

OPMC
OPMC is a company incorporated in the Philippines with the purpose of exploring, developing and producing petroleum and mineral resources in the Philippines. As an exploration company, OPMC operational activities depend principally on its service contracts with the government. 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.

Fair value of investments in listed associates

As of December 31, 2022 and 2021, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2022**	2021
Meralco	Philippine Stock Exchange	**₱88,800,191,824**	₱99,956,819,100
SLG	Singapore Exchange Limited	**49,704,430,073**	52,247,098,044
OPMC	Philippine Stock Exchange	**388,082,017**	426,890,219

As of December 31, 2022 and 2021, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2022	2021
Class A Common Stock	**₱90,105,315**	₱99,115,847
Class B Common Stock	**297,976,702**	327,774,372
	₱388,082,017	₱426,890,219

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, 2022 and 2021:

	2022			2021		
	Meralco	**SLG**	**OPMC**	Meralco	SLG	OPMC
Current assets	**₱154,067,000,000**	**₱13,426,278,446**	**₱983,009,205**	₱138,154,000,000	₱13,437,007,918	₱1,117,327,182
Noncurrent assets	**365,255,000,000**	**379,951,696,536**	**3,840,000,624**	345,461,000,000	333,353,169,780	4,030,856,344
Current liabilities	**205,506,000,000**	**9,806,386,649**	**112,011,102**	161,581,000,000	14,341,909,379	98,267,865
Noncurrent liabilities	**189,707,000,000**	**24,782,566,677**	**64,410,541**	216,706,000,000	20,952,007,383	90,429,387
Equity	**₱124,109,000,000**	**₱358,789,021,656**	**₱4,646,588,186**	₱105,328,000,000	₱311,496,260,936	₱4,959,486,274
Group's carrying amount of the investment	**₱77,806,506,625**	**₱60,283,159,014**	**₱754,732,094**	₱83,185,127,452	₱58,034,949,807	₱776,626,121

As of December 31, 2022 and 2021, the Group's share in Meralco's net assets amounted to ₱32.7 billion and ₱31.1 billion, respectively. As of December 31, 2022 and 2021, 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, 2022 and 2021, the Group's share in SLG's net assets amounted to ₱132.9 billion and ₱115.4 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, 2022 and 2021, the Group's share in OPMC's net assets amounted to ₱901.4 million and ₱962.1 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, 2022, 2021 and 2020:

	2022			2021		
	Meralco	**SLG**	**OPMC**	Meralco	SLG	OPMC
Revenues	**₱426,529,000,000**	**₱24,152,024,331**	**₱196,968,960**	₱318,547,000,000	₱22,258,422,308	₱269,030,748
Expenses	**406,348,000,000**	**14,582,327,461**	**162,249,664**	289,208,000,000	16,788,448,048	184,386,035
Finance costs (income)	**(15,055,000,000)**	**(1,450,264,799)**	**8,001,703**	(3,656,000,000)	(3,149,324,199)	24,704,295
Profit before tax	**35,236,000,000**	**11,019,961,669**	**26,717,593**	,32,995,000,000	8,619,298,459	59,940,418
Income tax expense	**6,648,000,000**	**1,617,640,724**	**–**	8,912,000,000	1,382,194,643	–
Profit from the year from continuing operations	**₱28,588,000,000**	**₱9,402,320,945**	**₱26,717,593**	₱24,083,000,000	₱7,237,103,816	₱59,940,418
Other comprehensive income for the year	**4,094,000,000**	**–**	**–**	6,987,000,000	–	–
Total comprehensive income for the year from continuing operations	**₱32,682,000,000**	**₱9,402,320,945**	**₱26,717,593**	₱31,070,000,000	₱7,237,103,816	₱59,940,418
Group's share of profit for the year	**₱7,770,230,460**	**₱2,956,047,066**	**₱6,054,593**	₱6,730,478,760	₱2,681,346,964	₱13,430,956

	2020			
	Meralco	GBPC	SLG	OPMC
Revenues	₱275,304,000,000	₱21,876,546,660	₱25,517,515,967	₱169,560,225
Expenses	254,313,000,000	15,538,527,602	16,677,920,134	134,808,203
Finance costs (income)	(1,424,000,000)	2,203,211,624	46,288,892	(79,762,983)
Profit before tax	22,415,000,000	4,134,807,434	8,793,306,941	114,515,005
Income tax expense	6,266,000,000	1,088,892,516	1,021,844,374	–
Profit from the year from continuing operations	₱16,149,000,000	₱3,045,914,918	₱7,771,462,567	₱114,515,005
Other comprehensive income for the year	(4,299,000,000)	–	–	–
Total comprehensive income for the year from continuing operations	₱11,850,000,000	₱3,045,914,918	₱7,771,462,567	₱114,515,005
Group's share of profit for the year	₱4,607,335,920	₱541,296,119	₱2,492,264,217	₱28,644,075

Individually immaterial investees

LIPAD

On February 18, 2019, the Parent Company invested in LIPAD. The shares acquired represented 33.0% 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.

CLIPI

The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. In 2015, CLIPI returned JGDEV's deposit for future stock subscription amounting to ₱5.0 million. As of December 31, 2022, 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 authorize capital stock.

G2M

On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to 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 14.2% ownership in G2M. The Group has one representation in the BOD of G2M.

In March 2022, JGDCPL subscribed to G2M's 31,336 series C investments which resulted in a slight dilution of the Group's ownership in G2M to 13.1%.

PAAT

Investment in PAAT pertains to CAI's 60.0% 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 50.0% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.0% share in net income and net assets of the joint venture.

PAAT was created to address the Group's training requirements and to pursue business opportunities for training third parties in the commercial fixed wing aviation industry, including other local and international airline companies. PAAT was formally incorporated on January 27, 2012 and started commercial operations in December 2012.

1Aviation

Investment in 1Aviation refers to CAI's 40.0% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40.0% for CAI and the remaining 60.0% shall be collectively owned by PAGSS and an individual. CAI recognizes 40.0% share in net income and net assets of the joint venture.

1Aviation is engaged in the business of providing groundhandling services for all types of aircraft, whether for the transport of passengers or cargo, international or domestic flights, private. commercial, government or military purposes to be performed at the Ninoy Aquino International Airport and other airports in the Philippines as may be agreed by the co-venturers.

VATS (formerly Air Black Box)
In May 2016, CAI entered into Value Alliance Agreement with other low cost carriers (LCCs), namely, Scoot Pte. Ltd, Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Black Box Asia Pacific Pte. Ltd.

In November 2016, CAI acquired shares of stock in ABB amounting to ₱43.7 million. ABB is an entity incorporated in Singapore in 2016 to manage the ABB settlement system, which facilitates the settlement of sales proceeds between the issuing and carrying airlines, and of the transaction fee due to ABB. The investment gave CAI a 15.0% shareholding proportion to ABB. CAI has assessed that it has significant influence over ABB through its representation in the BOD and participation in the policy-making process of ABB. Accordingly, the investment was classified as an investment in an associate and is accounted for at equity method.

In 2021, CAI assessed that its investment in VATS was impaired. VATS has incurred operating losses since it started its operations and is currently on a capital deficiency. The target growth turned significantly lower than actual, and expectation has also been further tempered due to the impact of the ongoing COVID-19 pandemic. On this basis and following the key requirements of PAS 36, *Impairment of Assets* wherein assets can be carried at no more than their recoverable amount, the Group has recognized impairment provisions of ₱36.9 million. As of December 31, 2022 and December 31, 2021, the net carrying amount of the Group's investment with VATS amounted to nil.

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.

VURCI
On October 4, 2016, URC entered into a joint venture agreement with Vita International Holdings Limited, a corporation duly organized in Hong Kong to form VURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Vitasoy" brand name, which is under exclusive license to VURCI in the Philippines. On May 19, 2022, URC made additional subscriptions to the unissued authorized capital stock of VURC consisting of 46,100,000 common shares for a total cost of ₱461.0 million.

PSFL
On June 30, 2017, Griffin's purchased 50.1% of the shares in Proper Snack Foods Ltd. (PSFL) approximately NZ$7.8 million (₱275.3 million), which includes deferred consideration amounting to NZ$1.5 million (₱51.5 million) recorded under 'Accounts payable and other accrued liabilities' in the consolidated statement of financial position.

In January 2021, the shareholders' agreement was amended that resulted in Griffin's gaining ultimate control of the board with no change in equity interest, which is still at 50.1%. No consideration was paid for the transaction and PSFL net assets at the time of business combination amounted to US$4.6 million (₱226.0 million).

CURM
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 savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

SRPI
On November 13, 2017, the Parent Company's BOD approved the agreement with Shang Properties, Inc. (SPI) to form a joint venture corporation (JVC).

On May 23, 2018, SRPI., 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 SRPI, 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. SRPI also plans to pursue other development projects.

RHK Land
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 60.0% and 40.0%, 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 RHK Land, 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. RHK Land also plans to pursue other development projects.

On October 2018, RLC entered into a Shareholder Loan Agreement with RHK Land to make available a loan facility of ₱1.4 billion which RHK Land may draw from time to time subject to the terms and conditions set out in the agreement.

RDDC
On December 26, 2019, 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
In October 2018, RLC 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 50.0% ownership.

On March 18, 2019, 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.

The investments in JVCs are accounted as joint venture using equity method of accounting because the contractual arrangement between the parties establishes joint control.

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 13.3% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10.0% 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.

GoTyme Bank Corporation
On February 18, 2021, RBC and RLC entered into a joint venture agreement with 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 ₱1.3 billion. The shareholder percentage of the RBC, RLC, RRHI and TGL upon incorporation shall be 20.0%, 20.0%, 20.0% and 40.0%, respectively of the share capital and voting rights of the JVC.

On August 24, 2021 RBC's equity investment of ₱200.0 million representing 20.0% 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.

In February 2022, GoTyme's BOD approved the additional capital infusion from the shareholders totaling ₱1.6 billion to support the pre-launch and operations of GoTyme and to comply with the ₱1.0 billion BSP-mandated minimum regulatory capital for digital banks.

Aggregate information of associates and joint ventures that are not individually material follows:

	2022		2021	
	Associates	**Joint Venture**	Associates	Joint Venture
Group's share of:				
Profit (loss) for the year	**(₱231,479,718)**	**(₱275,576,029)**	(₱71,897,453)	(₱142,020,053)
Other comprehensive income for the year	**5,040,267**	**(30,353)**	34,311,225	(829,958)
Total comprehensive income for the year	**(₱226,439,451)**	**(₱275,606,382)**	(₱37,586,228)	(₱142,850,011)
Group's share of dividends for the year	**₱2,458,000**	**₱–**	₱858,000	₱–
Group's carrying amount of the investment	**₱1,630,781,929**	**₱2,189,744,505**	₱1,591,340,544	₱2,446,075,532

<u>Investment in Subsidiaries</u>

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, 2022**	December 31, 2021
URC	Philippines	**₱44.10**	₱44.67
RLC	Philippines	**37.34**	38.81
CAI	Philippines	**33.90**	33.44
RBC	Philippines	**40.00**	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	**2022**	2021
URC	**₱51,489,158,399**	₱49,223,254,071
RLC	**54,397,640,234**	53,256,706,275
CAI	**(2,416,160,943)**	2,312,402,316
RBC	**7,803,877,677**	7,250,151,630

- Profit (loss) allocated to material non-controlling interest:

Name of Subsidiary	**2022**	2021
URC	**₱6,688,254,804**	₱9,891,587,889
RLC	**5,066,233,651**	3,581,897,568
CAI	**(4,816,328,024)**	(8,224,937,882)
RBC	**560,991,540**	496,813,569

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, 2022:

	URC	**RLC**	**CAI**
Current assets	**₱80,154,694,488**	**₱60,749,489,592**	**₱29,794,991,505**
Noncurrent assets	**89,798,934,919**	**162,686,706,120**	**117,360,870,967**
Current liabilities	**49,400,860,422**	**43,353,780,837**	**43,809,200,632**
Noncurrent liabilities	**4,582,427,890**	**87,989,069,826**	**106,231,804,404**

- 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 statements of comprehensive income for 2022:

	URC	**RLC**	**CAI**
Revenue	**₱149,903,643,832**	**₱45,502,988,954**	**₱56,751,365,859**
Profit (loss) for the year from continuing operations	**14,471,288,065**	**11,131,787,447**	**(13,979,387,118)**
Total comprehensive income (loss)	**16,597,799,620**	**11,142,802,075**	**(13,584,454,645)**
Dividends paid to non-controlling interests	**295,470,000**	**1,397,457,269**	**–**

- 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 (loss)	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 (loss)	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 cash flows for 2022:

	URC	**RLC**	**CAI**
Operating	**₱11,350,879,623**	**₱11,810,378,483**	**₱11,859,637,699**
Investing	**(8,039,580,131)**	**(18,853,016,939)**	**6,501,303,798**
Financing	**(7,017,765,156)**	**(3,329,136,148)**	**(19,521,189,192)**
Effect of exchange rate changes	**–**	**–**	**1,531,153,073**
Net cash flows	**(₱3,706,465,664)**	**(₱10,371,774,604)**	**₱370,905,378**

- 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

15. Investment Properties

Movements in this account follow:

	2022			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	₱35,582,356,920	₱105,805,349,564	₱21,697,954,744	₱163,085,661,228
Additions	4,941,727,515	1,442,155,146	6,247,340,674	12,631,223,335
Reclassification due to planned merger (Note 44)	(570,569,221)	(841,170,049)	–	(1,411,739,270)
Disposals/transfers and other adjustments	5,338,596,166	4,089,624,704	(12,335,418,585)	(2,907,197,715)
Balance at end of year	45,292,111,380	110,495,959,365	15,609,876,833	171,397,947,578
Accumulated Depreciation and Amortization				
Balance at beginning of year	239,452,633	45,070,462,296	–	45,309,914,929
Depreciation and amortization	23,932,427	4,394,986,065	–	4,418,918,492
Reclassification due to planned merger (Note 44)	–	(173,981,826)	–	(173,981,826)
Disposals/transfers and other adjustments	(1,380,429)	(1,238,344,453)	–	(1,239,724,882)
Balance at end of year	262,004,631	48,053,122,082	–	48,315,126,713
Allowance for Impairment Losses				
Balance at beginning of year	13,892,067	368,733	–	14,260,800
Provision for impairment losses	–	–	–	–
Reclassification due to planned merger (Note 44)	(34,672,656)	(368,733)	–	(35,041,389)
Disposals/transfers and other adjustments	20,780,589	–	–	20,780,589
Balance at end of year	–	–	–	–
	₱45,030,106,749	₱62,442,837,283	₱15,609,876,833	₱123,082,820,865

	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

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.

In December 2022, URC executed a Deed of Absolute Sale with a related party for the sale of investment properties for a total consideration of ₱3.3 billion payable in installments (Note 40). Gain on disposal attributable to sale amounted to ₱3.3 billion, which was recognized under 'Other Operating Income (Expenses)' in the consolidated statement of comprehensive income (Note 29).

Construction in progress amounting to ₱15.6 billion and ₱18.2 billion as of December 31, 2022 and 2021, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱644.5 million and ₱757.5 million in 2022 and 2021, 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 2022 and 2021 were 4.1% and 4.6%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱15.7 billion, ₱11.1 billion and ₱10.6 billion in 2022, 2021 and 2020, respectively.

Property operations and maintenance costs included under 'Cost of services' arising from investment properties amounted to ₱645.8 million, ₱700.7 million and ₱492.0 million for the years ended December 31, 2022, 2021 and 2020, respectively.

There are no investment properties as of December 31, 2022 and 2021 that are pledged as security to liabilities. The Group has no restrictions on the realizability of its investment properties. Except for contracts awarded, there no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The total contractual commitments arising from awarded contracts for the acquisition, development and construction of investment properties amounted to ₱9.5 billion and ₱13.7 billion, as of December 31, 2022 and 2021, respectively.

On October 26, 2022, the Parent Company entered into a Deed of Absolute Sale with a related party for the sale of parcels of land located in Taguig with a total area of 9,030 sqm. The total consideration amounted to ₱225.8 million. Gain from the sale amounted to ₱188.5 million.

Gain on sale or retirement and disposal of investment properties amounted to ₱3.5 billion, nil and ₱17.4 million for the years ended December 31, 2022, 2021 and 2020, respectively (Note 29).

Depreciation and Amortization

The breakdown of consolidated depreciation and amortization on investment properties follows:

	2022	2021	2020
Depreciation and amortization expense included under:			
Cost of services (Note 33)	**₱4,352,918,896**	₱4,472,397,346	₱4,295,854,563
General and administrative expenses (Note 33)	**699,105**	5,904,825	9,884,286
Discontinued operations (Note 44)	**65,300,491**	42,097,433	31,261,547
	₱4,418,918,492	₱4,520,399,604	₱4,337,000,396

Collaterals

As of December 31, 2022 and 2021, 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, 2022							
	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	**₱10,909,554,088**	**₱34,235,443,385**	**₱171,090,013,640**	**₱14,768,362,462**	**₱86,266,176,981**	**₱56,035,823,369**	**₱12,350,200,621**	**₱385,655,574,546**
Additions	**1,442,997,743**	**1,835,234,330**	**9,425,621,192**	**563,826,104**	**4,262,002,144**	**13,871,998,581**	**814,270,377**	**32,215,950,471**
Additions from acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassification due to planned merger (Note 44)	**(277,675,605)**	**(39,946,381)**	**–**	**(2,415,992,667)**	**–**	**(53,109,306)**	**–**	**(2,786,723,959)**
Transfers, disposals and other adjustments	**370,003,759**	**2,078,465,305**	**24,115,393,731**	**(835,075,945)**	**(15,212,319,101)**	**(20,681,083,604)**	**(9,148,516,507)**	**(19,313,132,362)**
Balance at end of year	**12,444,879,985**	**38,109,196,639**	**204,631,028,563**	**12,081,119,954**	**75,315,860,024**	**49,173,629,040**	**4,015,954,491**	**395,771,668,696**
Accumulated Depreciation and Amortization								
Balance at beginning 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**
Depreciation and amortization	**216,396,499**	**1,531,626,733**	**7,931,424,853**	**977,536,007**	**5,244,839,951**	**–**	**–**	**15,901,824,043**
Additions from acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Reclassification due to planned merger (Note 44)	**–**	**(241,060,210)**	**–**	**(1,975,943,969)**	**–**	**–**	**–**	**(2,217,004,179)**
Disposals, transfers and other adjustments	**(75,889,625)**	**(976,533,179)**	**(456,949,609)**	**(1,135,995,633)**	**(7,318,439,953)**	**–**	**–**	**(9,963,807,999)**
Balance at end of year	**2,161,081,628**	**16,882,709,836**	**84,013,826,352**	**10,216,997,478**	**25,586,709,255**	**–**	**–**	**138,861,324,549**
Allowance for Impairment Losses								
Balance at beginning of year	**11,385,054**	**43,846,880**	**409,395,193**	**279,328**	**–**	**–**	**–**	**464,906,455**
Provision for impairment losses (Note 34)	**–**	**151,677,385**	**171,307,268**	**–**	**86,746,895**	**–**	**–**	**409,731,548**
Balance at end of year	**11,385,054**	**195,524,265**	**580,702,461**	**279,328**	**86,746,895**	**–**	**–**	**874,638,003**
Net Book Value at End of Year	**₱10,272,413,303**	**₱21,030,962,538**	**₱120,036,499,750**	**₱1,863,843,148**	**₱49,642,403,874**	**₱49,173,629,040**	**₱4,015,954,491**	**₱256,035,706,144**

	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	2,983,387,746	3,300,670,145	8,899,260,994	1,110,703,361	543,936,245	15,644,048,812	301,878,587	32,783,885,890
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	10,909,554,088	34,235,443,385	171,090,013,640	14,768,362,462	86,266,176,981	56,035,823,369	12,350,200,621	385,655,574,546
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 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	₱8,877,594,280	₱17,622,920,013	₱94,141,267,339	₱2,416,682,061	₱58,605,867,724	₱56,035,823,369	₱12,350,200,621	₱250,050,355,407

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).

Construction in-progress
CAI
Construction in-progress represents the cost of airframe and engine construction in-progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2022 and 2021, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱14.2 billion and ₱14.7 billion, respectively. For the years ended December 31, 2022 and 2021, CAI received pre-delivery payment refunds for delivered aircrafts from Airbus which amounted to ₱5.8 billion and ₱5.9 billion, respectively.

URC
Construction-in-progress amounting to ₱10.2 billion and ₱7.6 billion as of December 31, 2022 and 2021, respectively, represents costs of ongoing expansion and constructions of plants.

JGSOC
Construction-in-progress amounting to ₱17.4 billion and ₱37.4 billion as of December 31, 2022 and 2021, respectively, represents the construction costs of the Naphtha Cracker Plant and Bimodal PE 3. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

Depreciation and Amortization
The breakdown of consolidated depreciation and amortization on property, plant and equipment follows:

	2022	2021	2020
General and administrative expenses (Note 33)	**₱6,422,974,958**	₱8,446,325,556	₱10,019,813,955
Cost of sales (Note 33)	**8,453,864,979**	7,822,566,296	7,603,987,001
Cost of services (Note 33)	**827,328,873**	723,784,809	829,042,388
Discontinued operations (Note 44)	**197,655,232**	1,030,367,616	1,030,164,015
	₱15,901,824,042	₱18,023,044,277	₱19,483,007,359

Impairment Losses
The Group recognized impairment losses on property, plant and equipment amounting to ₱409.7 million, ₱432.6 million and nil in 2022, 2021 and 2020, respectively. The assets written-down pertain to (a) CAI's aircrafts that are classified as held for sale; (b) CAI's two (2) ATR 72-500 aircrafts (RPCs 7250 and 7255) (c) URC's property and equipment on non-operational plants; (d) URC's idle and discontinued production line and; (e) URC's office space leasehold improvements and furniture and fixtures.

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft and engines 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, 2022 and 2021, CAI's passenger aircraft and engines held as securing assets under various loans are as follows:

	2022	2021
	Commercial Loans	Commercial Loans
ATR 72-600	**12**	12
A321 CEO	**7**	7
A321 NEO	**6**	6
A320 CEO	**5**	5
A330 CEO	**1**	2
	31	32

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, 2022 and 2021, the carrying amounts of the securing assets (included under the 'Property, plant and equipment' account) amounted to ₱28.2 billion and ₱49.8 billion, respectively.

Forward Sale Agreement

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 ₱1.4 billion and is included 'Gain (loss) on sale of aircraft' under 'Other Operating Income (Expenses)' in the consolidated statement of comprehensive income (Note 29).

In 2022, CAI entered into sale and lease back transactions resulting in a gain of ₱1.5 billion and swap transactions to replace its two (2) engines with gain on exchange of ₱99.5 million. In addition, CAI entered into buyback agreement of its one (1) A330 aircraft which resulted in a loss of ₱381.6 million recorded under '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 2022, 2021 and 2020 amounted to ₱10.5 billion, ₱10.7 billion and ₱7.3 billion, respectively.

Operating Fleet
As of December 31, 2022 and 2021, the Group's operating fleet follow:

	2022	2021
Leased aircraft: (Note 42)		
Airbus A320 CEO	**16**	17
Airbus A320 NEO	**9**	6
Airbus A330 CEO	**4**	4
Airbus A330 NEO	**4**	2
Airbus A321 CEO	**7**	–
Airbus A321 NEO	**4**	3
ATR 72-600	**2**	2
Owned aircraft: (Note 23)		
Airbus A320 CEO	**5**	5
Airbus A330 CEO	**1**	2
Airbus A321 CEO	–	7
Airbus A321 NEO	**6**	6
ATR 72-600	**12**	12
ATR 72-500	**2**	8
	72	74

As of December 31, 2021, CAI has six (6) aircrafts, respectively, parked for storage at Asia Pacific Aircraft Storage in Alice Springs, Australia as part of its cost-cutting measures amid the COVID-19 pandemic. As of December 31, 2022, CAI has no aircrafts parked for storage.

As of December 31, 2022 and 2021, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱4.3 billion and ₱7.3 billion, respectively.

17. Biological Assets

Total biological assets shown in the consolidated statements of financial position follow:

	2022	2021
Current portion	**₱205,303,346**	₱132,144,916
Noncurrent portion	**205,740,429**	166,105,594
	₱411,043,775	₱298,250,510

These biological assets consist of:

	2022	2021
Swine		
Commercial	**₱180,766,167**	₱62,326,102
Breeder	**94,745,595**	74,194,347
Poultry		
Commercial	**24,537,179**	69,818,814
Breeder	**110,994,834**	91,911,247
	₱411,043,775	₱298,250,510

The rollforward analysis of this account follows:

	2022	2021
Balance at beginning of year	**₱298,250,510**	₱234,251,397
Additions	**744,579,361**	549,756,538
Disposals	**(632,097,589)**	(488,307,581)
Gains arising from changes in fair value less estimated costs to sell	**311,493**	2,550,156
	₱411,043,775	₱298,250,510

As of December 31, 2022 and 2021, the Group has about 28,067 and 11,469 heads of swine, respectively, and about 653,657 and 944,600 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

	2022						
	Technology Licenses	**Branch licenses, trade secrests and others**	**Software Costs**	**Trademarks and Brands**	**Product Formulation**	**Customer Relationship**	**Total**
Cost							
Balance at beginning of year	**₱552,331,752**	**₱3,087,654,988**	**₱1,909,458,327**	**₱3,085,213,132**	**₱425,000,000**	**–**	**₱9,059,658,199**
Additions	**–**	**650,719**	**311,001,241**	**–**	**–**	**–**	**311,651,960**
Reclassification due to planned merger (Note 44)	**–**	**(915,033,013)**	**(1,211,548,677)**	**–**	**–**	**–**	**(2,126,581,690)**
Disposals/reclassification/others	**–**	**44,871,966**	**303,119**	**96,442,651**	**–**	**–**	**141,617,736**
Balance at end of year	**552,331,752**	**2,218,144,660**	**1,009,214,010**	**3,181,655,783**	**425,000,000**	**–**	**7,386,346,205**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	**552,331,752**	**–**	**1,145,125,198**	**201,524,581**	**–**	**–**	**1,898,981,531**
Amortization	**–**	**76,585**	**381,475,940**	**–**	**–**	**–**	**381,552,525**
Reclassification due to planned merger (Note 44)	**–**	**–**	**(784,381,584)**	**–**	**–**	**–**	**(784,381,584)**
Disposals/reclassifications	**–**	**(49,289)**	**302,701**	**–**	**–**	**–**	**253,412**
Balance at end of year	**552,331,752**	**27,296**	**742,522,255**	**201,524,581**	**–**	**–**	**1,496,405,884**
Net Book Value at End of Year	**₱–**	**₱2,218,117,364**	**₱266,691,755**	**₱2,980,131,202**	**₱425,000,000**	**₱–**	**₱5,889,940,321**

	2021						
	Technology Licenses	Branch licenses, trade secrets 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 (Note 19)	–	1,283,039,078		2,754,489,154	–	–	4,037,528,232
Disposals/reclassification/others	–	37,431,028	(57,178,788)	(9,244,697,216)	–	(2,201,281,165)	(11,465,726,141)
Balance at end of year	552,331,752	3,087,654,988	1,909,458,327	3,085,213,132	425,000,000	–	9,059,658,199
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	₱–	₱3,087,654,988	₱764,333,129	₱2,883,688,551	₱425,000,000	₱–	₱7,160,676,668

Technology Licenses

Technology licenses represent the cost of JGSOC's technology and licensing agreements which cover the construction, manufacture, use and sale of PE and PP lines. JGSOC's technology licenses were fully impaired in 2006.

Branch Licenses and Others
Branch licenses belong to RBC which amounted to ₱781.2 million and ₱780.7 million in 2022 and 2021. In 2022, RBC's branch licenses are presented as part of 'Assets held for sale' due to the planned merger (Note 44). 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 ₱852.7 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 15.9% and 6.5%, respectively, in 2022 and at 12.1% and 5.1%, respectively, in 2021. 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 from Consolidated Snacks Pty Ltd. (CSPL) and Griffin's Good Limited (Griffin's) which were sold in 2021, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱57.2 million.

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of December 31, 2022 and 2021. In 2022, 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 9.3% to 10.5% and from 8.6% to 12.6% for the years ended December 31, 2022 and 2021, respectively. 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. Growth rates used in computing the projected future cash flows ranged from 4.2% to 5.0% and from 3.9% to 6.1% as of December 31, 2022 and 2021, 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:

	2022	2021
Cost		
Balance at beginning	**₱19,988,614,327**	₱32,431,403,675
Acquisition of subsidiaries	–	17,461,406,231
Disposals and others (Note 44)	**611,377,625**	(29,904,192,151)
Reclassification to Assets Held for Sale due to planned merger (Note 44)	**(244,327,006)**	–
Balance at end of year	**20,355,664,946**	19,988,617,755
Accumulated Impairment Losses	**270,931,882**	270,931,882
Net Book Value at End of Year	**₱20,084,733,064**	₱19,717,685,873

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), (g) acquisition of Balayan Sugar Mill in 2016 and (h) acquisition of Crunchy Foods Sdn. Bhd. in December 2021.

As of December 31, 2022, goodwill from the acquisition of LSB is presented under 'Assets held for sale' due to the planned merger (Note 44).

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 (100.0% of the equity) of CFSD.

The group engaged the services of a third party valuer to conduct the final purchase price allocation. In 2021, the accounting for the business combination in the Group's consolidated financial statements was determined provisionally as the Group has to finalize the information with respect to the recognition of the fair value of identifiable assets and liabilities and deferred income tax assets and liabilities arising from the acquisition.

Purchase consideration transferred	₱24,586,990,326
Fair value of identifiable assets	
Cash and cash equivalents	1,733,890,581
Receivables	761,435,630
Inventories	519,197,768
Property, plant and equipment (Note 12)	2,351,368,164
Right-of-use assets	1,635,322
Brands	2,406,989,277
Intangible assets	975,458,944
Total assets	8,749,975,686
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	1,204,873,862
Deferred tax liabilities	112,498,555
Lease liability	1,658,582
Income tax payable	(94,893,546)
Noncurrent liabilities	400,250,807
Total liabilities	1,624,388,260
Total fair value of identifiable net assets	7,125,587,426
Goodwill	₱17,461,402,900

The goodwill of ₱17.5 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.

If the business combination had taken place on January 1, 2021, net sales and net income from the continuing operations of the Group would have been ₱121.9 billion and ₱13.3 billion, respectively.

The effects of the retrospective application of the accounting for business combination of Munchy's in the Group's consolidated statement of financial position as of December 31, 2021 follow:

	2021		
	As previously reported	Restatements	As restated
ASSETS			
Non-current Assets			
Property, plant and equipment	₱249,548,670,957	₱501,684,450	₱250,050,355,407
Goodwill	22,237,699,206	(2,520,013,333)	19,717,685,873
Intangible assets	4,352,695,726	2,807,980,947	7,160,676,673
LIABILITIES			
Non-current Liabilities			
Deferred tax liabilities	4,548,347,514	789,652,064	5,337,999,578

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, CAI signed an SPA with SIAEC for the acquisition of SIAEC's entire 51.0% 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. The acquisition of A-Plus is in line with CAI's overall strategy to more closely align its line maintenance operations and strategic objectives with its network and service requirements, for significant operational efficiencies and optimization of resources for an even stronger competitive advantage.

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.

The fair value of CAI's 49.0% interest in A-Plus immediately prior to acquisition amounted to ₱269.5 million. In 2020, 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 amounted to ₱385.1 million. The acquisition resulted in goodwill amounting to ₱154.9 million.

Goodwill comprises the fair value of expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

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:

	2022	2021
Deferred tax assets (Note 38)	**₱6,631,828,721**	₱5,142,289,083
Security and miscellaneous deposits	**2,577,069,489**	2,336,294,366
Advances to suppliers - net of current portion	**2,548,231,613**	2,238,793,030
Advances to lot owners - net of current portion	**1,528,296,767**	3,097,764,012
Utility deposits	**736,368,096**	702,432,276
Others	**1,704,006,008**	2,109,978,792
	₱15,725,800,694	₱15,627,551,559

<u>Security Deposits</u>
Security deposits include deposits provided to lessors and maintenance providers for aircraft under operating lease.

<u>Utility Deposits</u>
Utility deposits that are refundable consist primarily of bill and meter deposits.

Advances to Suppliers
Advances to suppliers pertain to RLC's prepayments for the construction of investment properties and property and equipment.

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.

Others
As of December 31, 2022, others include refundable prepaid rent and deferred input VAT amounting to ₱100.0 million and ₱481.0 million, respectively. This also includes training costs prepaid by the Gorup for its "study-now, pay-later" Cadet Pilot Program amounting to ₱401.3 million.

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. This also includes training costs prepaid by the Gorup for its "study-now, pay-later" Cadet Pilot Program amounting to ₱418.2 million.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2022	2021
Trade payables	**₱36,466,313,009**	₱32,881,004,469
Accrued expenses	**22,585,348,053**	17,514,281,161
Airport and other related fees payable	**3,747,887,878**	2,432,100,685
Output VAT	**2,925,263,126**	2,421,601,605
Travel fund payable (Note 24)	**1,027,065,525**	2,802,831,614
Withholding taxes payable	**385,931,356**	447,018,858
Due to related parties (Note 40)	**161,443,000**	169,068,971
Refunds payable	**70,008,622**	117,200,174
Dividends payable	**35,981,802**	20,060,887
Deposit liabilities (Note 44)	**–**	115,822,971,855
Other payables	**2,874,199,364**	4,440,899,525
	₱70,279,441,735	₱179,069,039,804

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:

	2022	2021
Landing and take-off, navigational charges, and other aircraft-related expenses	**₱4,393,043,945**	₱3,910,026,945
Advertising and promotions	**4,682,472,405**	2,954,904,893
Accrued interest payable	**2,449,991,895**	2,503,607,489
Utilities	**2,356,444,096**	625,037,224
Compensation and benefits	**1,607,503,840**	1,597,818,593
Contracted services	**1,465,968,122**	1,670,994,405
Rental expense	**1,301,789,847**	1,507,604,076
Taxes and licenses	**383,897,236**	681,585,464
Freight and handling costs	**377,714,796**	380,246,124
Insurance	**127,542,340**	126,575,637
Royalties	**53,162,833**	43,364,367
Other accrued expenses	**3,385,816,698**	1,512,515,944
	₱22,585,348,053	₱17,514,281,161

Other accrued expenses include accruals for travel and transportation, commission, communication, repairs and maintenance, restructuring provision and other professional and legal fees.

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.

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 5.8% in 2021.

Other Payables
As of December 31, 2022 and 2021, other payables consist of management bonus and other non-trade payables.

22. **Other Current Liabilities**

This account consists of:

	2022	2021
Unearned transportation revenue	**₱11,559,106,248**	₱4,568,640,575
Contract liabilities (Note 24)	**2,837,695,079**	16,314,489,808
Deposit from lessees (Notes 24 and 42)	**2,993,141,139**	3,047,062,089
Customer's deposits	**1,633,846,788**	803,990,010
Advances from agents and others	**1,299,472,026**	508,356,771
Derivative liabilities (Notes 8 and 23)	**846,835,509**	1,732,327,557
	₱21,170,096,789	₱26,974,866,810

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 2022, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱9.6 billion and ₱2.0 billion, respectively. In 2021, unearned transportation revenue consists of unearned passenger revenue and deferred ancillary revenue amounting to ₱4.1 billion and ₱0.5 billion, respectively.

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 10.0% and these amounted to ₱1.1 billion and ₱913.1 million as of December 31, 2022 and 2021.

Deposits from Lessees
Deposits from lessees (including the noncurrent portion shown in Note 24) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of 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 deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

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:

	2022	2021
Parent Company:		
Philippine Peso - with interest rates ranging from 5.1% to 5.7% in 2022	**₱4,800,000,000**	₱–
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 1.8% to 4.9% in 2021 and from 1.3% to 1.5% in 2021	**₱10,646,528,236**	₱10,037,933,791
Philippine Peso - with interest rates of 4.8% to 6.9% in 2022 and 2.0% to 2.4% in 2021	**76,470,952,105**	55,957,649,691
	₱91,917,480,341	₱65,995,583,482

As of December 31, 2022 and 2021, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱39.3 billion and ₱37.9 billion, respectively. The trust receipts payable amounting to ₱11.5 billion and ₱8.1 billion are secured by the trusteed inventories for the same amount as of December 31, 2022 and 2021, respectively (see Note 12).

In 2022, 2021 and 2020, the Group incurred interest expense on short-term notes amounting to ₱2.5 billion, ₱0.9 billion and ₱0.9 billion, respectively (see Note 35).

Long-term Debts
Long-term debts (net of debt issuance costs) consist of:

	Maturities	Interest Rates	2022	2021	Condition
Parent Company:					
Term Loans					
₱5.0 billion term loan	2022	4.65%	**₱–**	₱4,997,159,539	Unsecured
₱10.0 billion term loan	2023	Floating (5.75%)	**9,992,871,207**	9,976,957,544	Unsecured
₱5.0 billion term loan	2023	Floating (5.18%)	**4,996,310,004**	4,988,345,997	Unsecured
₱7.0 billion term loan	2024	Floating (5.00%)	**6,981,566,526**	6,970,865,518	Unsecured
₱5.0 billion term loan	2024	3.50%	**4,793,965,442**	4,840,000,588	Unsecured
₱4.0 billion term loan	2025	4.00%	**3,984,156,421**	3,978,261,369	Unsecured
			30,748,869,600	35,751,590,555	
Subsidiaries:					
Foreign currencies:					
JGSHPL					
US$750.0 million guaranteed notes	2023	4.38%	**34,055,265,439**	31,117,589,393	Guaranteed
US$600.0 million guaranteed notes	2030	4.13%	**32,897,608,291**	30,465,049,175	Guaranteed
CAI					
JPY commercial loan	Various dates through 2029	Less than 1% JPY LIBOR	**5,668,467,652**	6,681,792,919	Secured
USD commercial loan from foreign banks	Various dates through 2030	1.00% to 8.00%; (US$ Libor)	**20,328,193,139**	20,427,514,938	Secured
			92,949,534,521	88,691,946,425	

(Forward)

	Maturities	Interest Rates	**2022**	2021	Condition
Philippine Peso:					
RLC					
₱10.6 billion loan facility	2022	4.80%	**₱–**	₱10,633,033,406	Unsecured
₱12.7 billion loan facility	2023	3.68%	**12,733,407,827**	12,679,687,112	Unsecured
₱5.0 billion loan facility	2023	3.89%	**4,937,828,625**	4,944,258,596	Unsecured
₱7.0 billion loan facility	2024	3.10%	**6,433,104,570**	6,567,681,317	Unsecured
₱6.0 billion loan facility	2025	5.38%	**5,933,566,318**	–	Unsecured
₱6.0 billion loan facility	2025	4.00%	**5,976,794,270**	5,967,920,565	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,361,198,194**	1,359,782,135	Unsecured
₱0.4 billion loan facility	2025	3.80%	**424,354,177**	423,419,108	Unsecured
₱9.0 billion loan facility	2027	5.94%	**8,894,511,448**	–	Unsecured
₱4.5 billion loan facility	2027	4.00%	**4,464,350,237**	4,467,081,905	Unsecured
JGSOC					
₱14.5 billion term loan	2024	Floating (3.90 to 5.00%)	**14,508,000,000**	14,508,000,000	Unsecured
₱5.0 billion term loan	2024	5.00%	**5,000,000,000**	5,000,000,000	Unsecured
₱1.2 billion term loan	2024	5.50%	**1,210,000,000**	1,210,000,000	Unsecured
₱1.3 billion term loan	2024	5.50%	**1,282,000,000**	1,282,000,000	Unsecured
₱5.0 billion term loan	2025	5.26%	**5,000,000,000**	–	Unsecured
₱4.0 billion term loan	2025	Floating (4.90%)	**4,000,000,000**	4,000,000,000	Unsecured
₱4.0 billion term loan	2025	4.72%	**4,000,000,000**	4,000,000,000	Unsecured
CAI					
Term loan	2023	4.80%	**586,666,667**	2,555,555,556	Unsecured
Commercial loans	Various dates through 2028	2.00%-5.00% (PH BVAL)	**13,796,154,953**	16,290,236,203	Secured
			100,541,937,286	95,888,655,903	
			224,240,341,407	220,332,192,883	
Less current portion			**70,460,432,880**	19,501,714,468	
			₱153,779,908,527	₱200,830,478,415	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱55.755 to US$1 and ₱50.999 to US$1 as of December 31, 2022 and 2021, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱146.8 million and ₱186.0 million as of December 31, 2022 and 2021, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱301.8 million and ₱255.8 million as of December 31, 2022 and 2021, respectively.

Repayments of the long-term debt (gross of debt issuance costs) follow:

	2022	2021
Due in:		
2023 and 2022	**₱70,623,489,079**	₱19,673,578,638
Thereafter	**154,065,466,202**	201,100,463,804
	₱224,688,955,281	₱220,774,042,442

The details of the Group’s long-term debt follow:

Subsidiaries’ Foreign Currency Loans

JGSHPL 4.375% Senior Unsecured Notes Due 2023

On January 24, 2013, JGSHPL 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, JGSHPL 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).

In January 2023, JGSHPL settled the said bonds at maturity amounting to US$611.2 million or ₱33.4 billion, net of the total bonds cancelled with a face value of US$138.8 million

JGSHPL 4.125% Senior Unsecured Notes Due 2030

On July 2020, JGSHPL issued US$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On July 2020, JGSHPL issued

US$600.0 million, 4.125% senior unsecured notes due 2030. The notes are unconditionally and irrevocably guaranteed by the Parent Company. On various dates from March 1, 2022 to September 30, 2022, JGSPL redeemed notes with a face value of $7.7 million for a total consideration of $7.5 million. The redemption resulted in a gain on bond reacquisition amounting to ₱10.6 million.

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 in 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, 2022 and 2021, 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, 2022 and 2021, the total outstanding balance of the US dollar commercial loans amounted to ₱20.3 billion (US$364.6 million) and ₱20.4 billion (US$400.5 million), respectively. Interest expense amounted to ₱0.7 billion, ₱0.6 billion and ₱0.8 billion in 2022, 2021 and 2020, respectively.

CAI Japanese Yen 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, 2022 and 2021, the total outstanding balance of the Japanese yen commercial loans amounted to ₱5.7 billion (¥13.6 billion) and ₱6.7 billion (¥15.1 billion), respectively. Interest expense amounted to ₱15.5 million, ₱18.4 million and ₱22.1 million in 2022, 2021 and 2020, respectively.

<u>Parent Company's Philippine Peso Loans</u>

Parent Company ₱30.0 Billion Fixed Rate Retail Bonds

On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bond. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.2317% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.2242% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.3% due 2024. Interest is calculated on a 30/360-day count basis and are 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

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. The loan was fully settled in July 2022. Interest for 2022 and 2021 amounted to ₱119.1 million and ₱232.5 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. The loan bears an interest based on the bank's 30-day prime rate. Interest for 2022 and 2021 amounted to ₱345.6 million and ₱264.9 million, respectively.

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. The loan obtained bears a market interest rate plus a certain spread, payable quarterly. Interest for 2022 and 2021 amounted to ₱130.3 million and ₱84.0 million, respectively.

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. The loan obtained bears a market interest rate plus a certain spread, payable quarterly. Interest for 2022 and 2021 amounted to ₱174.3 million and ₱128.7 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. Interest for 2022 and 2021 amounted to ₱171.4 million and ₱240.2 million, respectively.

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 for 2021 amounted to ₱157.8 million, respectively. In August 2021, the Parent Company pre-terminated its term loan with PNB. This resulted in a loss of debt extinguishment amounting to ₱74 million in 2021.

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 2022 and 2021 amounted to ₱160.0 million and ₱189.9 million, respectively.

<u>Subsidiaries' Philippine Peso Loans</u>

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 fully settled in July 2021.

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. The loan was fully settled in February 2022.

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 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 million and "Series D Bonds" amounting to ₱427 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.

RLC ₱7.0 Billion Term Loan due in March 2024

On March 15, 2017, RLC borrowed ₱7.0 billion million 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.

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 4.7500% 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 ₱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 Three-year "Series E Bonds" maturing on August 26, 2025 and Five-Year "Series F Bonds" maturing on August 26, 2027
On August 26, 2022, the Group issued its "Series E Bonds" amounting to ₱6.0 billion and "Series F Bonds" amounting to ₱9.0 billion 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 RLC to: (i) partially fund the capital expenditure budget for project development and land acquisition for calendar years 2022 and 2023 and to partially repay maturing debt obligations; and (ii) for 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 quarterly in arrears on February 26, May 26, August 26 and November 26 of each year at which the bonds are outstanding.

RLC ₱4.5 Billion Term Loand 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 million was made on February 13, 2019 and 2018.

CAI Philippine Peso Commercial Loans
From 2016 to 2017, the Group 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, the Group 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.

The terms of the commercial loans follow:
- Term of seven to ten years starting from the delivery dates of each aircraft.
- Twenty-eight to forty equal consecutive principal repayments made on a quarterly basis.
- Interests on loans are variable rates based on 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, 2022 and 2021, the total outstanding Philippine Peso commercial loans amounted ₱14.4 billion and ₱16.3 billion, respectively. Interest expense incurred from these loans amounted to ₱569.5 million, ₱559.9 million and ₱627.7 million in 2022, 2021 and 2020, respectively.

CAI Philippine Peso Term Loans
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 the Group.

As of December 31, 2022 and 2021, the total outstanding Philippine Peso term loan amounted to ₱586.7 million and ₱2.6 billion, respectively. Interest expense incurred from this loan amounted to ₱80.3 million, ₱156.3 million and ₱179.8 million for the years ended December 31 2022, 2021 and 2020, respectively.

JGSOC Philippine Peso Term Loan
These are clean loans obtained in 2019 and 2020 to finance the JGSOC's expansion projects and are payable in lump sum after five years.

In 2022, 2021 and 2020, total interest expense on long-term debt amounted to ₱6.8 billion, ₱7.1 billion and ₱7.0 billion, respectively (see Note 35).

In 2022, 2021 and 2020, the Group recognized amortization of bond issue costs amounting to ₱102.6 million, ₱95.9 million and ₱93.4 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 term loan facilities of ₱5.0 billion due 2022, ₱10.0 billion due 2023, ₱5.0 billion due 2023, ₱7.0 billion due 2024, ₱5.0 billion due 2024 and ₱4.0 billion due 2025, 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 JGSPL's US$750.0 million Senior Unsecured Notes due in 2023, 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 Senior Unsecured Notes 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 CAI's Japanese Yen term loans, CAI is required to comply with affirmative and negative covenants until termination of loans. As of December 31, 2022 and 2021, CAI is not in breach of any loan covenants.

For CAI's Philippine 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, 2022 and 2021, CAI is not in breach of any loan covenants.

For CAI's Philippine term loans, CAI is required to maintain certain financial ratio until termination of loans. As of December 31, 2022 and 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, 2022 and 2021.

For RLC's ₱1.4 billion Retail Bonds due 2025, ₱5.0 billion term loan due 2023, ₱6.4 billion term loan due 2024, ₱4.5 billion term loan due 2027, ₱6.0 billion term loan due 2025, and ₱7.0 billion term loan due 2024, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of December 31, 2022 and 2021. These loans were not guaranteed by the Parent Company.

For RLC's "Series C Bonds" due 2023 and "Series D Bonds" due 2025, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of December 31, 2022 and 2021. RLC has complied with the debt covenant as of December 31, 2022.

For RLC's 3-year "Series E Bonds" due 2025 and 5-Year "Series F Bonds" due 2027, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statements as of December 31, 2022 and 2021. RLC has complied with the debt covenant as of December 31, 2022 and 2021.

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, 2022 and 2021.

The Group has complied with all of its debt covenants as of December 31, 2022 and 2021.

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, 2022 and 2021.

The carrying amount as at December 31, 2022 and 2021 of the financial liability component of the CBs are presented below:

	2022		2021	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$238,923,040**	**₱12,184,836,126**	US$237,795,834	₱11,369,629,644
Unrealized foreign exchange loss	**–**	**1,138,579,757**	–	759,069,399
Bond amortization	**1,832,454**	**99,906,711**	1,127,206	56,137,083
Ending balance	**US$240,755,494**	**₱13,423,322,594**	US$238,923,040	₱12,184,836,126

The changes in fair value in 2022 and 2021 of the derivative liabilities at FVPL follows:

	2022		2021	
	In US Dollar	**In Philippine Peso**	In US Dollar	In Philippine Peso
Beginning balance	**US$33,941,073**	**₱1,730,960,768**	US$8,632,924	₱412,843,691
Market valuation losses (gains)	**(18,752,560)**	**(884,125,259)**	25,308,149	1,318,117,077
Ending balance	**US$15,188,513**	**₱846,835,509**	US$33,941,073	₱1,730,960,768

In subsequent periods, the debt component of bonds will be carried at amortized cost using the EIR method. Interest expense recognized in 2022 and 2021 from the convertible bonds amounted to ₱613.0 million and ₱415.7 million, respectively.

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:

	2022	2021
Stock price	**₱38.30**	₱42.15
Risk free rate	**3.93%**	1.29%
Conversion price	**₱38.00**	₱38.00
Term	**5.9 years**	5.9 years
Volatility	**51.83%**	47.27%

24. Other Noncurrent Liabilities

This account consists of:

	2022	2021
ARO	**₱9,663,604,328**	₱7,084,719,291
Deposit from lessees - net of current portion (Note 42)	**4,290,107,659**	3,875,725,761
HMV	**2,721,092,312**	1,082,628,412
Pension liabilities (Note 37)	**2,149,177,535**	1,939,056,517
Member redemption liabilities	**965,148,203**	655,367,983
Travel fund payable - net of current portion (Note 21)	**260,283,121**	1,850,992,630
Contract liabilities - net of current portion (Note 22)	**5,548,129**	2,082,416,516
Bills payable	–	2,618,523,803
Deposit liabilities - net of current portion	–	11,752,180,637
Others	**1,335,436,725**	1,244,674,836
	₱21,390,398,012	₱34,186,286,386

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).

The rollforward analysis of the Group's ARO follows:

	2022	2021
Balance at beginning of year	**₱7,084,719,291**	₱6,763,391,698
Provision for ARO	**5,285,474,877**	3,566,104,161
Applications and other movements	**(2,706,589,840)**	(3,244,776,568)
Balance at end of year	**₱9,663,604,328**	₱7,084,719,291

In 2022, 2021 and 2020, ARO expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱5.3 billion, ₱3.6 billion and ₱3.1 billion, respectively (Note 30).

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 ₱62.0 million, ₱46.0 million and ₱82.0 million in 2022, 2021 and 2020, respectively (Note 30).

The unearned rental income (included under 'Deposit from lessees') amounted to ₱792.0 million and ₱722.0 million as of December 31, 2022 and 2021, respectively. The rental income on amortization of unearned rental income amounted to ₱65.0 million, ₱46.0 million and ₱80.0 million in 2022, 2021 and 2020, respectively.

HMV
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 advise. Estimated costs of major maintenance events are accrued and charged to profit or loss over the estimated period between overhauls as the leased aircraft is utilized.

The rollforward analysis of the CAI's HMV follow:

	2022	2021
Balance at beginning of year	**₱1,082,628,412**	₱345,964,168
Provision for HMV	**1,481,580,686**	849,950,290
Applications and other movements	**156,883,214**	(113,286,046)
Balance at end of year	**₱2,721,092,312**	₱1,082,628,412

In 2022, 2021 and 2020, HMV expenses included as part of repairs and maintenance under 'Cost of sales' amounted to ₱1.5 billion, ₱0.8 billion and ₱0.3 billion, respectively (Note 30).

Member Redemption Lialities
This account pertains to the outstanding points issued to Go Reward members until redeemed to its Go Rewards partner merchant stores. Go Rewards is the the integrated loyalty program of the Group owned and managed by DAVI.

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 CAI'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 (2) years and can be used as payment for future bookings.

However, as subsequently amended, effective April 1, 2022, in line with CEB's recovery efforts and continuous updating of Customer Flexible Options, all created travel fund starting the said date shall be valid for six (6) months from the date of creation or conversion to travel fund.

The current portion of travel fund payable amounted to ₱1.0 billion and ₱2.8 billion as of December 31, 2022 and 2021, respectively, and is presented under 'Accounts payable and other accrued liabilities' account in the consolidated statements of financial position (see Note 21). The noncurrent portion of travel fund payable amounted to ₱260.3 million and ₱1.9 billion as of December 31, 2022 and 2021, respectively.

Expired portion of the travel fund payable amounting to ₱759.1 million for the year ended December 31, 2022 (nil in 2021) is recognized as part of 'Revenue' in the consolidated statement of comprehensive income. Estimated breakage revenue from travel fund amounting to ₱362.7 million for the year ended December 31, 2022 (nil in 2021) is recognized also as part of 'Revenue' in the consolidated statement of comprehensive income.

Deposit Liabilities
Deposit liabilities represent time deposit liabilities of RBC and LSB with maturities of beyond 12 months from reporting date.

Others
Others include retention payable and advances from marketing fund. Retention payable 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.

25. **Equity**

Details of the Parent Company's authorized capital stock as of December 31, 2022 and 2021 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:

	2022	2021
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**	42,000,000
	7,562,983,658	7,562,983,658
Additional paid-in capital	**45,186,067,411**	45,212,569,757
Total paid-up capital	**₱52,749,051,069**	₱52,775,553,415

Preferred Voting Shares

The preferred voting shares have, among others, the following rights, privileges and preferences:

a. 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.
b. The shares shall be non-redeemable.
c. 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.
d. 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, 2022, 2021 and 2020:

	2022	2021	2020
Common shares	**1,003**	994	1,003
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:

		2022	2021
(a)	Gross debt		
	Short-term debts (Note 23)	**₱91,917,480,341**	₱65,995,583,482
	Current portion of long-term debts (Note 23)	**70,460,432,880**	19,501,714,468
	Long-term debts - net of current portion (Note 23)	**153,779,908,527**	200,830,478,415
	Bonds payable (Note 23)	**13,423,322,594**	12,184,836,126
	Derivative liabilities (Notes 5, 8 and 22)	**846,835,509**	1,732,327,557
		₱330,427,979,851	₱300,244,940,048
(b)	Capital	**₱427,364,683,032**	₱443,630,982,560
(c)	Debt-to-capital ratio (a/b)	**0.77:1**	0.68:1

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 RBC's compliance with regulatory requirements and ratios is based on the amount of RBC'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 RBC 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

Risk weight	Exposure/Asset type*
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
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.

As of December 31, 2022 and 2021, RBC was in compliance with the required CAR.

Retained Earnings

As of December 31, 2022 and 2021, the Group has a total retained earnings of ₱243.8 billion and ₱246.2 billion, respectively. Out of this, ₱118.3 billion were restricted as of December 31, 2022 and 2021. 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, 2022, 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; and (c) 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	₱35.6 billion	Maturing in 2023 to 2025
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 0.5:1.0; 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.

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 5, 2022, the BOD approved the reversal of the retained earnings it appropriated in 2021 amounting to ₱25.5 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 RLC for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD approved the appropriation of ₱20.0 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 on various dates from 2023 to 2026.

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.

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, 2022, 2021 and 2020, CAI's appropriated retained earnings amounted to nil, nil and ₱12.0 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.

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 ₱85.2 billion, ₱99.0 billion and ₱102.6 billion as of December 31, 2022, 2021 and 2020, 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:

	2022	2021	2020
Date of declaration	**May 12, 2022**	May 13, 2021	May 30, 2020
Dividend per share	**₱0.40**	₱0.38	₱0.38
Total dividends	**₱3.0 billion**	₱2.9 billion	₱2.7 billion
Date of record	**May 26, 2022**	June 11, 2021	June 11, 2020
Date of payment	**June 14, 2022**	July 7, 2021	July 8, 2020

Details of the Parent Company's dividend declarations on its preferred stock follow:

	2022	2021	2020
Date of declaration	**May 12, 2022**	May 13, 2021	May 30, 2020
Dividend per share	**₱0.004**	₱0.0038	₱0.0038
Total dividends	**₱16.0 million**	₱15.2 million	₱15.2 million
Date of record	**May 26, 2022**	June 11, 2021	June 11, 2020
Date of payment	**June 14, 2022**	July 7, 2021	July 8, 2020

The following tables summarize the dividends declared by significant subsidiaries of the Parent Company:

URC

Details of URC's dividend declarations follow:

	2022	2021	2020
Date of declaration	**March 4, 2022**	April 29, 2021	March 10, 2020
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	**April 3, 2022**	May 20, 2021	March 24, 2020
Date of payment	**April 29,2,2022**	June 15, 2021	April 21, 2020
Dividend per share -special	**₱1.95**	₱1.80	₱1.65
Total dividends – special	**₱4.3 billion**	₱4.0 billion	₱3.6 billion
Date of record	**April 3, 2022**	August 19, 2021	June 1, 2020
Date of payment	**April 3, 2022**	September 15, 2021	June 26, 2020

RLC

Details of RLC's dividend declarations follow:

	2022	2021	2020
Date of declaration	**March 8, 2022**	May 6, 2021	May 13, 2020
Dividend per share	**₱0.50**	₱0.25	₱0.25
Total dividends	**₱2.6 billion**	₱1.3 billion	₱1.3 billion
Date of record	**April 19, 2022**	May 26, 2021	June 10, 2020
Date of payment	**May 13, 2022**	June 21, 2021	July 7, 2020
Dividend per share	−	−	₱0.25
Total dividends	−	−	₱1.3 billion
Date of record	−	−	October 1, 2020
Date of payment	−	−	October 27, 2020

CAI

As of December 31, 2022, 2021 and 2020, no dividends were declared.

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.
- Subject to the approval of the SEC of the amendment of Article Seventh of the Articles of Incorporation of the Parent Company, two hundred million (200,000,000) preferred voting shares to be issued and paid out of the unrestricted retained earnings of the Parent Company as of December 31, 2019 to all stockholders holding preferred voting shares.

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

URC

- 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 July 30, 2021, the Board of Directors of URC approved the creation and implementation of a share buyback program involving up to 3.0 billion worth of URC's common shares. The Board of Directors of URC approved the extension of the share buyback program for an additional amount of 5.0 billion on July 29, 2022. As a result of various share buy-back transactions during the period, the Parent Company's ownership over URC changed from 55.33% as of December 31, 2021 to 55.90% as of December 31, 2022.

- In February 2022, URC Foods (Singapore) Pte. Ltd. acquired 23,805 common shares of PPICL from Hong Kong Peggy Foods Company Limited for ₱214.9 million. The acquisition of shares represented 100.00% interest in PPICL. The Group charged equity reserve from the acquisition amounting to about ₱7.3 million presented under 'Equity reserve' in the consolidated statements of financial position.

RLC

- 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 November 4, 2021, the Board of Directors of RLC approved the creation and implementation of a share buyback program involving up to 3.0 billion worth of RLC's common shares. As a result of various share buy-back transactions during the period, the Parent Company's ownership over RLC changed from 61.19% as of December 31, 2021 to 62.66% as of December 31, 2022.

- On March 8, 2022, RLC entered into a Deed of Sale with RCR for the sale of Robinsons Cybergate Bacolod, excluding the land where the building is situated, for ₱734 million, exclusive of value-added-tax.

  On April 20, 2022, a Deed of Assignment was executed between RLC and RCR for the assignment, transfer, and conveyance by RLC of Robinsons Cyberscape Gamma, excluding the land where the building is situated, with a value of ₱5.9 billion, in exchange for the issuance of 778 million shares in RCR.

  These resulted in increase in RLC's interest in RCR from 63.49% to 66.14%. The impact on the Group's Equity Reserves amounted to ₱1.1 billion.

Non-controlling Interests

Below is the rollforward of non-controlling interests:

	2022	2021	2020
Beginning balance	**₱108,322,091,345**	₱99,789,050,002	₱103,835,500,348
Total comprehensive income:			
Net income attributable to non-controlling interests	**7,390,759,112**	5,625,794,401	865,365,887
Other comprehensive income attributable to non-controlling interests:			
Cumulative translation adjustments	**869,225,737**	774,300,966	(850,896,728)
Gain (loss) on cashflow hedge	**189,345,163**	27,779,849	(85,310,250)
Net unrealized gains (losses) on financial assets at FVOCI (Note 10)	**105,782,491**	(442,045,521)	74,830,797
Remeasurements due to defined benefit liability (Note 37)	**65,681,789**	239,338,401	(30,669,098)
	116,942,885,637	6,225,168,096	(26,679,392)

(Forward)

	2022	2021	2020
Cash dividends paid to non-controlling interests	**(₱6,022,484,461)**	(₱4,420,473,375)	(₱4,494,502,566)
Decrease in subsidiaries' treasury shares	**(4,408,994,938)**	(673,255,042)	(45,040,628)
Change in non-controlling interest without loss of control	**(244,133,521)**	–	–
Acquisition of non-controlling interest by a subsidiary	**43,500,000**	(473,539,688)	327,772,240
Subsidiary's share-based payments	**36,617,268**	174,824,362	–
Acquisition of new subsidiary by a subsidiary	**5,907,514**	341,291,632	–
Stock issue costs of subsidiaries	**(1,247,592)**	(11,519,640)	–
Sale of equity interest in a subsidiary (by a subsidiary)	**–**	10,593,578,230	–
Derecognition of non-controlling interest due to sale of business by a subsidiary	**–**	(6,244,876,706)	–
Transfer of assets to a subsidiary (by a subsidiary)	**1,080,644,498**	–	–
Issuance of shares by subsidiaries	**–**	3,021,843,474	–
Deposit for future subscription of shares by non-controlling interest in a subsidiary / Issuance of shares by subsidiaries	**–**	–	192,000,000
	₱107,432,694,405	₱108,322,091,345	₱99,789,050,002

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, 2022, 2021 and 2020:

	December 31, 2022			
	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	**₱149,903,643,832**	**₱–**	**₱–**	**₱149,903,643,832**
Air transportation	**56,751,365,857**	**–**	**–**	**56,751,365,857**
Petrochemicals	**35,960,997,584**	**–**	**–**	**35,960,997,584**
Real estate and hotels	**16,142,180,994**	**6,727,669,613**	**20,509,867,542**	**43,379,718,149**
Equity in net earnings of associates and joint ventures (Note 14)	**–**	**–**	**11,852,000,562**	**11,852,000,562**
Dividend income (Note 28)	**–**	**–**	**3,069,481,794**	**3,069,481,794**
Supplementary businesses	**825,907,399**	**–**	**165,132,936**	**991,040,335**
	₱259,584,095,666	**₱6,727,669,613**	**₱35,596,482,834**	**₱301,908,248,113**

	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
Equity in net earnings of associates and joint ventures (Note 14)	–	–	9,730,623,868	9,730,623,868
Dividend income (Note 28)	–	–	2,126,820,554	2,126,820,554
Supplementary businesses	734,074,617	–	107,390,082	841,464,699
	₱188,773,715,809	₱5,202,951,110	₱27,303,240,554	₱221,279,907,473

	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
Equity in net earnings of associates and joint ventures (Note 14)	–	–	7,584,634,408	7,584,634,408
Dividend income (Note 28)	–	–	1,996,230,783	1,996,230,783
Supplementary businesses	807,717,391	–	82,137,965	889,855,356
	₱161,918,978,890	₱11,717,577,404	₱21,407,606,961	₱195,044,163,255

27. Interest Income

This account consists of:

	2022	2021	2020
Interest income from:			
Cash and cash equivalents (Note 7)	₱1,130,372,955	₱535,824,856	₱713,398,221
Financial assets at FVOCI (Note 10)	575,527,049	558,760,045	500,512,614
	₱1,705,900,004	₱1,094,584,901	₱1,213,910,835

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 ₱2.8 billion, ₱2.0 billion and ₱1.9 billion in 2022, 2021 and 2020, respectively. Investment in PLDT is presented under financial assets at FVOCI.

29. Other Operating Income (Expenses)

This account consists of:

	2022	2021	2020
Gain on sale of investments (Notes 14 and 19)	**₱3,069,676,791**	₱261,944,949	₱105,789,465
Gain on sale of investment property (Notes 15 and 40)	**3,492,347,351**	–	193,846,467
Gain (loss) on sale and exchange of aircraft (Note 16)	**1,241,825,345**	1,388,678,985	(259,994,278)
Gain (loss) on bond reacquisition	**11,117,727**	–	(66,203,187)
Realized gain on sale of financial assets at FVOCI (Note 10)	**7,120,937**	8,569,740	23,850,313
Gain on insurance claims	**6,174,764**	138,049,029	807,409,620
Loss on debt extinguishment (Note 23)	**–**	(77,337,557)	–
Loss on loan modification (Note 11)	**–**	–	(273,536,633)
Others (Notes 16 and 21)	**(773,602,823)**	(1,257,922,986)	(677,436,959)
	₱7,054,660,092	₱461,982,160	(₱146,275,192)

Gain on Sale of Investments

In 2022, the Parent Company sold 36.0 million common shares of Meralco at a price of ₱344.0 per share for a total consideration, net of transaction costs, of ₱12.4 billion and with resulting gain on sale of ₱3.1 billion (see Note 14).

On December 23, 2020, the Parent Company entered into a share purchase agreement with Meralco PowerGen for the sale of 30.0% 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 closing of the transaction was completed on March 31, 2021 with a consolidated net gain of ₱261.9 million. As of December 31, 2021, the outstanding receivable related to the sale amounted ₱2.3 billion which was collected in September 2022 (Note 11).

Gain on Insurance Claims
In 2022, CAI received ₱6.2 million pertaining to insurance proceeds claimed for damages sustained by various aircraft from incidents and loss events.

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 gain (loss) on sale of PPE and restructuring provisions.

30. Cost of Sales and Services

This account consists of:

	2022	2021	2020
Raw materials used	**₱122,952,603,845**	₱91,897,856,192	₱68,314,475,232
Direct labor	**5,707,424,425**	4,996,839,027	4,547,980,494
Overhead cost	**34,709,598,023**	29,541,006,911	25,494,699,198
Total manufacturing cost	**163,369,626,293**	126,435,702,130	98,357,154,924
Work-in-process	**(1,067,514,092)**	71,442,072	83,085,251
Cost of goods manufactured	**162,302,112,201**	126,507,144,202	98,440,240,175
Finished goods	**(5,824,000,467)**	(4,212,629,617)	1,991,972,197
Cost of sales	**156,478,111,734**	122,294,514,585	100,432,212,372
Cost of services	**76,075,386,257**	41,856,956,887	37,295,434,804
Cost of sales and services	**₱232,553,497,991**	₱164,151,471,472	₱137,727,647,176

Overhead cost consists of:

	2022	2021	2020
Utilities and fuel	**₱14,228,348,828**	₱11,727,372,166	₱8,922,811,089
Depreciation and amortization (Note 33)	**8,754,090,353**	7,939,138,864	7,856,207,845
Repairs and maintenance	**4,059,795,521**	3,573,380,419	3,792,972,892
Personnel (Note 32)	**3,418,832,092**	3,124,138,323	1,403,104,573
Taxes, licenses and fees	**1,702,706,251**	1,342,235,898	1,333,183,923
Security and other contracted services	**793,480,777**	821,524,859	757,673,080
Insurance	**582,941,179**	407,607,641	252,558,022
Rental (Note 42)	**222,278,228**	153,760,529	229,418,098
Handling and delivery charges	**211,375,275**	178,340,860	209,775,448
Research and development	**49,459,163**	90,452,181	44,386,508
Others	**686,290,356**	183,055,171	692,607,720
	₱34,709,598,023	₱29,541,006,911	₱25,494,699,198

Cost of services is composed of:

	2022	2021	2020
Real estate	**₱24,415,144,652**	₱21,198,200,185	₱14,503,445,997
Air transportation	**48,921,257,587**	19,065,731,725	21,277,642,920
Hotel operations	**2,553,453,140**	1,374,542,038	1,347,774,077
Information technology and services	**185,530,878**	218,482,939	166,571,810
	₱76,075,386,257	₱41,856,956,887	₱37,295,434,804

Further breakdown of the 'Cost of services' account showing the nature of expenses follow:

	2022	2021	2020
Fuel and oil	**₱24,506,760,493**	₱5,074,851,774	₱6,203,299,066
Cost of real estate sales (Note 12)	**14,129,022,918**	13,344,164,863	6,161,235,541
Maintenance costs	**13,290,642,713**	9,091,596,203	7,862,894,868
Depreciation and amortization (Note 33)	**5,356,945,528**	5,382,528,800	5,095,940,795
CUSA charges	**4,355,908,095**	2,812,732,973	2,701,520,778
Personnel (Note 32)	**3,978,876,238**	1,900,427,478	3,249,670,176
Ground handling charges	**3,556,327,781**	1,379,329,615	1,697,496,416
Landing and take-off	**2,018,733,458**	929,313,991	1,208,004,911
Reservation costs	**1,395,406,533**	417,541,871	565,824,225
Property operations and maintenance costs	**1,102,822,646**	937,258,013	774,190,573
Contracted services	**590,771,462**	98,323,185	594,014,144
Cost of food and beverage - hotel operations	**360,272,831**	120,156,022	116,701,743
Passenger liability insurance	**262,184,425**	258,566,589	280,305,266
Film rentals expense - amusement services	**205,148,349**	1,595,616	92,678,800
Passenger food and supplies	**144,396,738**	16,991,377	52,677,817
Travel and transportation	**90,836,453**	22,973,535	105,804,270
Interrupted/delayed trips expense	**87,250,128**	17,420,136	69,683,311
Pilot and crew meals	**70,602,609**	15,105,210	26,036,915
Cost of information technology and services	**6,619,815**	5,692,605	22,618,207
Customs, immigration and duties	**7,964,300**	1,072,415	5,320,113
Others	**557,892,744**	29,314,616	409,516,869
	₱76,075,386,257	₱41,856,956,887	₱37,295,434,804

31. General and Administrative Expenses

This account consists of:

	2022	2021	2020
Depreciation and amortization (Note 33)	**₱13,211,317,934**	₱15,277,462,938	₱16,946,210,376
Outside services	**12,314,053,088**	9,388,805,466	9,238,100,412
Personnel (Note 32)	**8,140,993,045**	7,338,751,817	6,847,646,520
Advertising and promotions	**8,295,929,956**	7,701,558,811	8,163,991,678
Taxes, licenses and fees	**1,449,511,269**	1,269,743,056	1,070,085,086
Repairs and maintenance	**1,296,858,356**	1,077,954,036	1,090,051,904
Sales commission	**1,100,358,690**	856,092,652	980,840,207
Aircraft and engine lease	**1,093,428,050**	443,481,483	284,665,157
Travel and transportation	**757,593,554**	252,468,480	427,937,039
Insurance	**548,943,097**	584,609,339	592,007,054
Rental (Note 42)	**539,450,009**	749,691,111	965,707,805
Utilities and supplies	**543,444,622**	356,286,580	399,222,341
Communication	**274,491,317**	269,182,613	282,090,772
Entertainment, amusement and recreation (Note 38)	**64,245,532**	77,670,138	73,948,194
Others	**991,724,189**	857,705,237	1,213,169,920
	₱50,622,342,708	₱46,501,463,757	₱48,575,674,465

Others
Other expenses include royalties, donation and contribution, and membership and subscription dues.

32. Personnel Expenses

This account consists of:

	2022	2021	2020
Salaries and wages	**₱10,999,322,619**	₱8,464,004,310	₱7,034,286,148
Other employee benefits	**4,030,323,841**	3,301,442,273	3,978,841,458
Pension expense	**509,054,915**	597,871,035	487,293,663
	₱15,538,701,375	₱12,363,317,618	₱11,500,421,269

The breakdown of personnel expenses follows:

	2022	2021	2020
General and administrative expenses (Note 31)	**₱8,140,993,045**	₱7,338,751,817	₱6,847,646,520
Cost of sales and services (Note 30)	**7,397,708,330**	5,024,565,801	4,652,774,749
	₱15,538,701,375	₱12,363,317,618	₱11,500,421,269

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:

	2022	2021	2020
General and administrative expenses (Notes 15, 16, 18, and 31)	**₱13,211,317,934**	₱15,277,462,938	₱16,946,210,376
Cost of sales and services (Notes 15, 16 and 30)	**14,111,035,881**	13,321,667,664	12,952,148,640
Discontinued operations (Note 44)	**519,912,657**	1,733,038,588	1,708,666,135
	₱27,842,266,472	₱30,332,169,190	₱31,607,025,151

34. Provision for Impairment Losses and Others

This account consists of:

	2022	2021	2020
Provision for impairment losses on:			
Receivables (Note 11)	**₱49,310,103**	₱135,045,817	₱314,273,281
Property, plant and equipment (Note 16)	**409,731,548**	432,631,271	–
Inventory obsolescence and market decline (Note 12)	**9,394,630**	109,167,827	–
Investment in associates and joint venture	**–**	36,915,814	3,776,046
Investment properties (Note 15)	**–**	–	153,127
Other noncurrent assets	**–**	–	223,024
	₱468,436,281	₱713,760,729	₱318,425,478

35. Financing Costs and Other Charges

This account consists of:

	2022	2021	2020
Interest expense	**₱10,764,260,435**	₱8,853,447,467	₱8,719,413,192
Bank charges and others	**369,230,050**	257,637,139	193,966,799
	₱11,133,490,485	₱9,111,084,606	₱8,913,379,991

Sources of financing costs and other charges follow:

	2022	2021	2020
Long-term debt and bonds payable (Note 23)	**₱6,842,706,443**	₱7,066,408,213	₱6,979,351,987
Short-term debt (Note 23)	**2,476,372,470**	914,918,060	929,212,603
Others	**397,028,879**	350,464,628	249,875,661
	9,716,107,792	8,331,790,901	8,158,440,251
Accretion of lease liabilities (Note 42)	**1,314,827,598**	683,432,039	661,523,564
Amortization of debt issuance costs (Note 23)	**102,555,095**	95,861,666	93,416,176
	₱11,133,490,485	₱9,111,084,606	₱8,913,379,991

36. **Components of Other Comprehensive Income**

Below is the composition of the Group's 'Other comprehensive income':

		2022	
	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)	**(₱14,224,111,355)**	**₱105,782,491**	**(₱14,118,328,864)**
Reclassification adjustment included in profit or loss arising from disposal of FVOCI (Notes 10 and 29)	**(7,120,937)**	**–**	**(7,120,937)**
	(14,231,232,292)	**105,782,491**	**(14,125,449,801)**
Net changes in fair value of FVOCI of an associate (Note 14)	**(117,251,074)**	**–**	**(117,251,074)**
	(14,348,483,366)	**105,782,491**	**(14,242,700,875)**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**369,271,764**	**189,345,163**	**558,616,927**
	(13,979,211,602)	**295,127,654**	**(13,684,083,948)**
Cumulative translation adjustments	**935,044,834**	**869,225,737**	**1,804,270,571**
Remeasurements due to defined benefit liability (DBL), net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	**98,785,344**	**65,681,789**	**164,467,133**
Share in remeasurements of net DBL of associates (Note 14)	**1,182,749,536**	**–**	**1,182,749,536**
	(₱11,762,631,888)	**₱1,230,035,180**	**(₱10,532,596,708)**

	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 (Note 14)	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

The income tax effects relating to other comprehensive income are as follows:

	2022		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on financial assets at FVOCI of Parent Company and its subsidiaries	**(₱14,125,449,801)**	**₱–**	**(₱14,125,449,801)**
Cumulative translation adjustments	**1,804,270,571**	**–**	**1,804,270,571**
Net movement in cash flow hedge	**744,822,569**	**(186,205,642)**	**558,616,927**
Remeasurements due to defined benefit liability	**219,289,511**	**(54,822,378)**	**164,467,133**
Remeasurements due to defined benefit liability of associates	**1,182,749,536**	**–**	**1,182,749,536**
Net changes in fair value of financial assets at FVOCI of an associate (Note 10)	**(117,251,074)**	**–**	**(117,251,074)**
	(₱10,291,568,688)	**(₱241,028,020)**	**(₱10,532,596,708)**

	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	971,128,310	(291,338,493)	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
	₱14,913,483,172	(₱298,264,827)	₱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

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:

	2022	2021
Present value of defined benefit obligation	**₱5,022,978,516**	₱5,278,882,823
Fair value of plan assets	**2,873,800,981**	3,339,826,306
Pension liabilities (Note 24)	**₱2,149,177,535**	₱1,939,056,517

Changes in net defined benefit liability of funded funds in 2022 and 2021 follows:

	2022		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱5,278,882,823	₱3,339,826,306	₱1,939,056,517
Net benefit cost in consolidated statement of comprehensive income:			
Current service cost	462,315,098	–	462,315,098
Past service cost	20,130,660	–	20,130,660
Net interest cost	243,385,832	148,268,032	95,117,800
Subtotal	725,831,590	148,268,032	577,563,558
Benefits paid	(265,623,537)	(280,837,296)	15,213,759
Reclassification to assets and liabilities held for sale due to planned merger	(₱374,821,869)	(₱286,253,680)	(₱88,568,189)
Reversed company receivable during the year	–	19,440,402	(19,440,402)
Remeasurements in other comprehensive income:			
Return on plan assets	–	(99,411,480)	99,411,480
Actuarial changes arising from experience adjustments	188,835,881	–	188,835,881
Actuarial changes arising from changes in financial assumptions	(344,862,814)	–	(344,862,814)
Actuarial changes arising from changes in financial/demographic assumptions	(162,674,058)	–	(162,674,058)
Subtotal	(318,700,991)	(99,411,480)	(219,289,511)
Contributions paid	(22,589,500)	32,768,697	(55,358,197)
Balance at end of year	₱5,022,978,516	₱2,873,800,981	₱2,149,177,535

	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

The fair value of plan assets by each class as at the end of the reporting period are as follow:

	2022	2021
ASSETS		
Cash and cash equivalents	**₱76,217,607**	₱20,579,475
UITF investments	**349,962,494**	2,235,777,725
Debt instruments	**1,703,737,691**	471,277,958
Financial assets at FVOCI	**3,626,433**	96,776,126
Equity investments	**36,268,192**	38,295,970
Receivable	**565,877,309**	317,959,187
Accrued interest receivable	**65,937,035**	4,230,545
Prepayments and other assets	**36,949,424**	50,358,443
Land	**143,201,000**	143,201,000
	2,981,777,185	3,378,456,429
LIABILITIES		
Current liabilities	**107,976,204**	38,630,123
	₱2,873,800,981	₱3,339,826,306

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, 2022 is 9.22 years.

The Group expects to contribute ₱426.0 million into the pension fund in 2023.

The assumptions used to determine the pension benefits of the Group follow:

	2022			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60.0**	**20.6**	**5.50%**	**7.26%**
URC	**60.0**	**22.3**	**5.50%**	**7.27-7.28%**
RLC	**60.0**	**12.3 to 21.2**	**5.00%**	**6.90%**
CAI	**60.0**	**23.0 to 27.0**	**5.00%**	**7.16%**
Aspen	**60.0**	**26.8**	**5.70%**	**7.07%**
JGSOC	**60.0**	**27.5**	**5.00%**	**7.26%**
Unicon	**60.0**	**23.9**	**8.00%**	**7.30%**
LSB	**60.0**	**26.1**	**5.70%**	**7.16%**
DAVI	**60.0**	**25.7**	**4.00%**	**7.28%**
APVI	**60.0**	**37.0**	**5.00%**	**6.98%**

	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%

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, 2022 and 2021, assuming if all other assumptions were held constant:

	2022									
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**LSB**	**DAVI**	**JGSOC**	**APVI**	**Unicon**
Discount rates										
+1.00%	**(₱3,017,604)**	**(₱212,755,116)**	**(₱51,189,310)**	**(₱79,547,067)**	**(₱22,585,388)**	**(₱4,554,963)**	**(₱1,538,811)**	**(₱24,435,919)**	**(₱126,229)**	**(₱316,565)**
(-1.00%)	**3,438,893**	**246,830,177**	**58,400,283**	**90,457,732**	**25,392,632**	**5,690,156**	**1,747,656**	**28,371,863**	**147,989**	**369,240**
Future salary increases										
+1.00%	**3,465,116**	**248,756,290**	**57,886,520**	**79,106,183**	**25,508,838**	**5,600,835**	**1,788,712**	**28,735,993**	**149,935**	**363,028**
(-1.00%)	**(3,092,206)**	**(217,988,042)**	**(51,718,732)**	**(70,210,121)**	**(23,085,715)**	**(4,574,445)**	**(1,598,681)**	**(25,146,066)**	**(131,046)**	**(317,386)**

	2021									
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	JGSOC	APVI	Unicon
Discount rates										
+1.00%	(₱2,909,332)	(₱230,507,684)	(₱51,236,348)	(₱65,037,541)	(₱24,104,214)	(₱4,554,963)	(₱26,814,338)	(₱3,093,406)	(₱157,499)	(₱353,298)
(-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)

Shown below is the maturity analysis of the undiscounted benefit payments of the Group:

	2022	2021
Less than 1 year	**₱557,390,049**	₱477,298,933
More than 1 years to 5 years	**2,020,176,113**	2,179,655,109
More than 5 years to 10 years	**2,998,996,621**	3,289,762,283
More than 10 years to 15 years	**3,677,725,084**	3,437,540,953
More than 15 years to 20 years	**4,089,826,052**	3,562,542,239
More than 20 years	**10,895,205,198**	8,410,847,173

38. Income Taxes

Provision for (benefit from) income tax consists of:

	2022	2021	2020
Corporate	**₱5,169,304,853**	₱3,337,625,304	₱3,083,472,146
Final	**199,394,261**	17,381,979	29,502,208
Deferred	**(2,618,351,691)**	(3,273,058,466)	(378,021,111)
	₱2,750,347,423	₱81,948,817	₱2,734,953,243

The Group recognized benefit (provision) for income tax in 'OCI' for OCI items amounting to (₱241.0 million), (₱298.3 million) and ₱113.2 million in 2022, 2021 and 2020, 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 30.0% to 25.0% for domestic and resident foreign corporations. For domestic corporations with net taxable income not exceeding ₱5.0 million and with total assets not exceeding ₱100.0 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 20.0%.
- MCIT rate reduced from 2.0% to 1.0% 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 30.0% to 25.0%.
- 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 20.0% 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 5.0% GIT or are currently enjoying 5.0% GIT – allowed to avail of the 5.0% 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 ₱141.4 million, ₱177.6 million and ₱171.9 million in 2022, 2021 and 2020, 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):

	2022	2021
Deferred tax assets on:		
Net operating loss carry-over	**₱2,395,930,103**	₱3,077,280,351
Asset retirement obligation	**2,415,901,082**	1,771,179,823
Lease liabilities	**2,585,508,684**	1,117,250,769
Allowance for impairment losses on receivables and property and equipment	**183,234,055**	886,335,069
Unrealized loss on net derivative liability	**382,686,730**	432,740,192
Unfunded pension liabilities	**445,411,798**	413,976,301
Unrealized forex loss	**389,226,964**	276,335,620
Foreign subsidiaries	**46,369,203**	42,413,828
MCIT carryforward	**3,381,164**	20,978,020
Others	**780,771,489**	541,516,430
Total	**9,628,421,272**	8,580,006,403
Deferred tax liabilities on:		
Double depreciation	**(2,185,612,382)**	(2,564,476,957)
Unrealized foreign exchange gain-net	**(281,772,700)**	(247,812,111)
Excess of fair value of assets acquired over cost	**(154,704,634)**	(154,704,634)
Others	**(374,502,835)**	(470,723,618)
	(2,996,592,551)	(3,437,717,320)
Net deferred tax asset	**₱6,631,828,721**	₱5,142,289,083

As of December 31, 2022, deferred tax asset under 'others' include provision for heavy maintenance visits and allowance for inventory write-downs amounting to ₱680.3 million and ₱63.1 million, respectively. 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.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2022	2021
Deferred tax assets on:		
Lease liabilities	**₱625,298,289**	₱541,054,435
Unfunded pension benefits	**139,099,542**	194,392,963
Accrued interest expense	**142,821,239**	134,342,482
Allowance for impairment losses on receivables and property, plant and equipment	**60,088,912**	59,721,982
MCIT carryforward	**13,467,599**	11,297,825
Others	**115,592,407**	132,543,901
Total	**1,096,367,988**	1,073,353,588
Deferred tax liabilities on:		
Intangibles	**(1,030,428,235)**	(996,512,626)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	**(1,449,264,837)**	(1,904,785,955)

(Forward)

	2022	2021
Unamortized capitalized interest	**(₱1,235,578,133)**	(₱1,345,941,427)
Undistributed income of foreign subsidiaries	**(1,059,546,801)**	(946,675,218)
Accrued rent income	**(575,339,880)**	(559,591,550)
Accelerated depreciation	**(189,894,873)**	(193,870,221)
Right-of-use asset	**(548,586,037)**	(299,702,648)
Accrued commission	**(1,512,737)**	–
Others	**(259,188,738)**	(164,273,521)
	(6,349,340,271)	(6,411,353,166)
Net deferred tax liability	**(₱5,252,972,283)**	(₱5,337,999,578)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2022	2021
NOLCO*	**₱45,601,909,645**	₱37,676,251,559
Allowance for credit and impairment losses	**310,427,433**	310,427,433
Net pension liability	**346,077,792**	298,051,363
Excess MCIT over RCIT	**12,649,360**	28,779,264
Allowance for inventory write-down	**2,392,606,993**	18,707,758
Unamortized contribution of past service costs	**–**	3,984,944
	₱48,663,671,223	₱38,336,202,321

**Attributable to the Parent Company, CAI, CEBGO, JGSOC and URC*

Details of the Parent Company's NOLCO follow:

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱1,518,351,919	₱–	₱–	₱1,518,351,919	2025
2021	1,492,891,029	–	–	1,492,891,029	2026
2020	2,140,201,594	–	–	2,140,201,594	2025
2019	2,687,194,688	–	(2,687,194,688)	–	2022
	₱7,838,639,230	₱–	(₱2,687,194,688)	₱5,151,444,542	

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:

a) To depreciate its assets to the extent of not more than twice as fast the normal rate of depreciation; and
b) To carry over as a deduction from taxable income any 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
2022	₱5,892,099,712	₱–	₱–	₱5,892,099,712	2027

CEBGO NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱526,518,435	₱–	₱–	₱526,518,435	2027

A-PLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱49,790,993	₱–	₱–	₱49,790,993	2027

Furthermore, details of CEBGO's remaining excess MCIT are as follows:

CEB MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱8,646,570	₱–	₱–	₱8,646,570	2025

CEBGO MCIT

As of December 31, 2022 and 2021, CEBGO has no MCIT due to its gross tax loss position.

A-PLUS MCIT

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2022	₱2,676,260	₱–	₱–	₱2,676,260	2025
2021	1,270,183	–	–	1,270,183	2024
	₱3,946,443	₱–	₱–	₱3,946,443	

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.

CAI

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱18,403,734,817	₱–	₱–	₱18,403,734,817	2026
2020	21,026,735,635	–	–	21,026,735,635	2025
	₱39,430,470,452	₱–	₱–	₱39,430,470,452	

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
	₱2,459,971,045	₱–	₱–	₱2,459,971,045	

A-PLUS NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2021	₱188,837,864	₱37,721,802	₱–	₱151,116,062	2026

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, CAI 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, 2022 and 2021, 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.

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2022	2021	2020
Statutory income tax rate	**25.00%**	25.00%	30.00%
Tax effects of:			
Changes in unrecognized deferred tax assets	**51.36**	48.33	211.94
Equity in net earnings of affiliates	**(26.24)**	(21.21)	(70.06)
Income subjected to BOI, PEZA and ITH	**(8.54)**	(11.84)	(14.49)
Income exempt from tax	**(5.58)**	(6.51)	(29.22)
Non-deductible items	**3.38**	5.28	14.89
Interest income subject to final tax	**(3.28)**	(1.58)	(14.06)
Net income before tax of subsidiaries with different tax rates	**(2.16)**	(33.27)	(50.27)
CREATE Act adjustment	–	(4.47)	–
Others	**(6.19)**	6.24	9.10
Effective income tax rate	**27.75%**	5.97%	87.82%

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

	2022	2021	2020
Income (loss) from continuing operations attributable to equity holders of the Parent Company	**(₱287,202,040)**	₱3,888,981,191	(₱1,504,492,610)
Less: Dividends on preferred shares (Note 25)	**16,000,000**	15,200,000	15,200,000
Income (loss) from continuing operations attributable to holders of common shares of the Parent Company	**(303,202,040)**	3,873,781,191	(1,519,692,610)
Income from discontinued operations attributable to equity holders of the Parent Company	**937,824,206**	1,219,248,580	1,036,333,082
Income (loss) attributable to holders of common shares of the Parent Company	**₱634,622,166**	₱5,093,029,771	(₱483,359,528)
Weighted average number of common shares	**7,520,983,658**	7,520,983,658	7,520,983,658
Basic/diluted earnings (loss) per share			
Continuing operations	**(₱0.04)**	₱0.52	(₱0.20)
Discontinued operations	**0.12**	0.16	0.14
	₱0.08	₱0.68	(₱0.06)

There were no potential dilutive common shares in 2022, 2021 and 2020.

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 ₱1.8 billion and ₱2.8 billion as of December 31, 2022 and 2021, respectively, which will mature in April 2024.

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:

			2022			
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Settlement of advances	**(₱590,714,)**	**₱421,475,655**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivables	**(358,424,509)**	**383,624,156**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Notes receivable	**(4,876,357,710)**	**8,408,841,620**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income: allocation of IT charges and CCU expenses	**540,852,690**	–	**540,852,690**		
	Rent income	**150,708,502**	–	**150,708,502**		
	Management fees	**54,600,000**	–	**54,600,000**		
Due to related parties	Availment of advances	**(2,691,868,434)**	**992,486,005**	–	On demand; Non-interest bearing	Unsecured
	Short-term debt	**1,768,775,000**	**2,542,775,000**	–	Interest-bearing	Unsecured
	Long-term debt	**2,264,000,000**	**4,711,667,500**	–	Interest-bearing	Secured

(Forward)

2022						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Consolidated Statement of Financial Position**	**Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Cash in bank	Deposits	**(₱5,023,135,360)**	**₱8,818,333,025**	**₱–**	On demand	Unsecured
Cash equivalents	Money market placements	**(108,981,801)**	**12,527,008,201**	**–**	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured; Not impaired
Dividends	Dividend receivable	**181,000,000**	**1,774,529,595**	**–**	On demand	Unsecured; Not impaired
	Dividend income	**6,021,342,151**	**–**	**6,021,342,151**		
Associates:						
Due from related parties	Advances (in accordance with joint venture agreement)	**8,300,493**	**2,830,204,712**	**–**	Interest-bearing at PDST R2 of applicable interest period	Unsecured; Not impaired
	Advances	**(33,707,167)**	**27,945,389**	**–**	On demand; Non-interest-bearing	Unsecured; Not impaired
	Loans	**(4,553,740)**	**90,977,300**	**–**	2% per annum	Unsecured; Not impaired
	Receivables	**4,749,876**	**4,909,175**	**–**	Non-interest bearing	Unsecured; Not impaired
	Sublease agreement	**40,347,032**	**80,572,339**	**–**	Payable monthly	Unsecured; Not impaired
	Dividend income	**20,262,101**	**–**	**20,262,101**		
	Rent income	**432,988**	**–**	**432,988**		
	Other income: allocation of CCU expenses	**9,282,311**	**–**	**9,282,311**		
	Utilities expense	**6,253,123**	**–**	**6,253,123**		
	Groundhandling and maintenance services	**72,858,379**	**609,164,287**	**–**	Non-interest bearing	Unsecured; Not impaired
Receivables	Collection of balance on the proceeds from sale of GBPC	**(2,272,650,000)**	**–**	**–**	Interest-bearing	Unsecured; Not impaired

(Forward)

2022

Related Party	**Category/Transaction**	**Amount/Volume**	**Outstanding Balance: Consolidated Statement of Financial Position**	**Outstanding Balance: Consolidated Statement of Comprehensive Income**	**Terms**	**Conditions**
Other Related Parties:						
Receivables	Uncollected balance on the proceeds from sale of investment property	**₱2,383,354,600**	**₱2,383,354,600**	₱–	Payable in installment	Unsecured; Not impaired
	Gain on sale of investment property	**3,268,173,353**	–	**3,268,173,353**		
Due from related parties	Settlement of advances	**149,220,442**	**698,304,942**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivables	**(33,905,738)**	**79,595,133**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**1,565,266**	–	**1,565,266**		
	Other income: allocation of IT charges and CCU expenses	**162,573,811**	–	**162,573,811**		
	Gain on sale of investment property	**188,486,462**		**188,486,462**		
Due to related parties	Availment of advances	**(7,625,971)**	**161,443,000**	–	On demand; Non-interest bearing	Unsecured
Director's fees (included under 'Outside Services' account)	Expenses	**7,335,000**	–	**7,335,000**		

2021

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Consolidated Statement of Financial Position	Outstanding Balance: Consolidated Statement of Comprehensive Income	Terms	Conditions
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

(Forward)

2021

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Consolidated Statement of Financial Position	Outstanding Balance: Consolidated Statement of Comprehensive Income	Terms	Conditions
	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		
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
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		

(Forward)

2021						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
	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
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 'Outside Services' account)	Expenses	8,125,000	–	8,125,000		

2020						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
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		
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

(Forward)

Related Party	Category/Transaction	Amount/Volume	2020 Outstanding Balance Consolidated Statement of Financial Position	Consolidated Statement of Comprehensive Income	Terms	Conditions
	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
Other Related Parties:						
Due from related parties	Settlement of advances	(47,226,617)	663,698,527	–	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 'Outside Services' account' account)	Expenses	7,275,000	–	7,275,000		

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 2022 and 2021 amounted to ₱110.7 billion and ₱99.4 billion, respectively.

Interest earned by the Parent Company on transactions with related parties amounted to ₱1.3 million and ₱5.0 million in 2022 and 2021, respectively. Interest expense incurred amounted to nil in 2022 and 2021. Provision for credit losses on advances to related parties amounted to ₱10.0 million and nil in 2022 and 2021, respectively.

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 ₱2.9 million and ₱2.8 million as of December 31, 2022 and 2021, 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:

	2022	2021	2020
Short-term employee benefits	**₱1,055,893,349**	₱1,386,000,108	₱1,205,327,277
Post-employment benefits	**350,146,757**	180,856,666	361,016,655
	₱1,406,040,106	₱1,566,856,774	₱1,566,343,932

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, flight, transportation and equipment. Leases of land, office spaces, commercial and residential properties, and transportation 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, 2022 and 2021:

	2022				
	Land and Land Improvements	**Buildings and Improvements**	**Passenger Aircraft and Other Flight Equipment**	**Transportation And Other Equipment**	**Total**
Cost					
Balance at beginning of year	**₱2,585,226,878**	**₱715,303,079**	**₱44,298,956,529**	**₱31,991,457**	**₱47,631,477,943**
Additions	**302,111,341**	**468,805,339**	**22,483,271,639**	**292,032**	**23,254,480,351**
Reclassification due to planned merger (Note 44)	**–**	**(1,429,911,459)**	**–**	**–**	**(1,429,911,459)**
Other adjustments	**(72,139,998)**	**(639,071,418)**	**(3,581,684,776)**	**(31,991,457)**	**(4,324,887,649)**
Balance at end of year	**2,815,198,221**	**(884,874,459)**	**63,200,543,392**	**292,032**	**65,131,159,186**
Accumulated Depreciation					
Balance at beginning of year	**541,376,032**	**799,800,852**	**13,977,994,996**	**31,991,457**	**15,351,163,337**
Depreciation	**75,322,817**	**309,002,661**	**6,639,771,098**	**23,126**	**7,024,119,702**
Reclassification due to planned merger (Note 44)	**–**	**(797,370,059)**	**–**	**–**	**(797,370,059)**
Other adjustments	**(73,146,589)**	**(359,207,155)**	**(808,182,128)**	**(31,990,233)**	**(1,272,526,105)**
Balance at end of year	**543,552,260**	**(47,773,701)**	**19,809,583,966**	**24,350**	**20,305,386,875**
Net Book Value at End of Year	**₱2,271,645,961**	**₱(837,100,758)**	**₱43,390,959,426**	**₱267,682**	**₱44,825,772,311**

	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

Lease Liabilities

The rollforward analysis of the Group's lease liabilities follows:

	2022	2021
As at January 1	**₱35,489,464,321**	₱25,164,351,369
Additions	**22,903,366,484**	20,361,429,642
Accretion from continuing operations (Note 35)	**1,314,827,598**	683,432,039
Accretion from discontinued operations	**22,613,144**	161,098,159
Reclassification due to planned merger (Note 44)	**(739,417,471)**	–
Derecognition (Note 44)	**–**	(4,138,618,730)
Payments	**(7,870,511,855)**	(7,160,310,932)
Other adjustments	**(196,807,985)**	418,082,774
As at December 31	**₱50,923,534,236**	₱35,489,464,321

Total lease liabilities shown in the 2022 and 2021 consolidated statements of financial position included under 'Other current liabilities' and 'Other noncurrent liabilities' follow:

	2022	2021
Current portion	**₱6,281,322,598**	₱5,716,633,360
Noncurrent portion	**44,642,212,638**	29,772,830,961
	₱50,923,535,236	₱35,489,464,321

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 2022 and 2021 consolidated statements of comprehensive income in relation to the Group's leases:

Revenue	**2022**	2021
Sale of goods and services - rental income and sublease income		
Real estate and hotels	**₱15,698,000,000**	₱11,056,317,537
Foods	**111,263,169**	58,792,660
	15,809,263,169	11,115,110,197
Cost of Sales and Services		
Cost of services - depreciation of ROU assets	**132,057,423**	88,156,594
Rent expense - short term leases (Note 30)	**222,278,228**	153,760,529
	354,335,651	241,917,123
General and Administrative Expenses		
Depreciation of ROU assets	**6,611,273,970**	6,922,096,888
Rent expense - leases of low-valued assets (Note 31)	**539,450,009**	749,691,111
	7,150,723,979	7,671,787,999
Finance cost and other charges – accretion of lease liabilities (Note 35)	**1,314,827,598**	683,432,040
	₱6,989,375,941	₱2,517,973,035

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 unde 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱356.3 million, ₱329.4 million, and ₱526.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2022	2021	2020
Within one year	**₱420,513,098**	₱473,308,116	₱829,801,162
After one year but not more than five years	**1,250,110,723**	1,441,900,057	2,961,540,951
Five years or more	**1,814,956,008**	2,110,381,626	6,069,158,735
	₱3,485,579,829	₱4,025,589,799	₱9,860,500,848

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 ₱40.2 million, ₱70.6 million and ₱72.1 million in 2022, 2021 and 2020, 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:

	2022	2021
Within one year	**₱207,619,631**	₱169,877,246
After one year but not more than five years	**990,261,462**	790,339,904
Over five years	**6,234,473,023**	5,980,159,045
	₱7,432,354,116	₱6,940,376,195

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 ₱15.7 billion, ₱11.1 billion and ₱10.6 billion in 2022, 2021 and 2020, respectively. Total percentage rent recognized as income amounted to ₱3.5 billion, ₱2.1 billion and ₱2.3 billion in 2022, 2021 and 2020, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2022	2021	2020
Within one year	**₱7,551,776,498**	₱10,311,631,297	₱14,080,096,258
After one year but not more than five years	**19,816,200,805**	17,423,950,184	15,320,496,749
Over five years	**1,930,650,796**	1,669,171,798	1,443,106,385
	₱29,298,628,099	₱29,404,753,279	₱30,843,699,392

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, 2022 and 2021 follow:

	2022	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱288,797,549**	**₱273,931,038**
After one year but not more than five years	**120,418,410**	**99,790,557**
Total minimum lease payments	**₱409,215,959**	**373,721,595**

	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

<u>JGSOC</u>
Operating Lease Commitments - Company as a Lessee
In April 2013, JGSOC entered into a lease agreement for shuttle buses that transports its employees from Balagtas to Batangas plant and vice versa which may be renewed annually.

In June 2018, JGSOC entered in a lease contract with a related party for its new Head Office space with a lease term of five years starting in September 2018, with 5.0% annual escalation. JGSOC can renew the lease by submitting a written notice of intent at least nine (9) months before the lease expiration date. The terms and conditions shall be mutually agreed upon by both parties.

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 ₱121.8 million, ₱71.3 million and ₱57.5 million in 2022, 2021 and 2020, respectively.

Future minimum lease payments under the noncancellable lease of JGSOC's office space follow:

	2022	2021
Within one year	**₱31,097,336**	₱31,097,336
After one year but not more than five years	**53,528,452**	53,528,452
	₱84,625,788	₱84,625,788

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 aircraft

The following table summarizes the specific lease agreements on the CAI's Airbus A320 aircraft:

Date of Lease Agreement	**Lessors**	**No. of Units**	**Lease Expiry**
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	October 2024
August 2018	JPA No. 119 Co. Ltd	1	December 2024
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
June 2022	Sky High 135 Leasing Company Limited	2	July 2032-December 2032

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 one (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 (3) 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.s 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 (1) aircraft and three (3) 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 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 (2) 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 (4) 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.

In March 2022, CAI entered into a 10-year lease agreement with Jackson Square Aviation Ireland Limited for one (1) A320NEO aircraft which was delivered on April 22, 2022.

In June 2022 and December 2022, CAI entered into a 10-year lease agreement with Sky High 135 Leasing Company Limited for two (2) A320NEO aircraft which was delivered on July 14, 2022 and December 30, 2022 respectively.

A321 aircraft
In 2017, CAI acquired seven (7) A321 aircraft which were all delivered in 2018 under a finance lease arrangement.

As of December 31, 2022, all seven A321 aircraft have been converted into leases with terms ranging from 48 to 72 months..

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 June 30, 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.

In November 2021, CAI entered into a 10-year lease agreement with Connolly Aviation Capital 6 Limited for one (1) A321NEO aircraft which was delivered on March 31, 2022.

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

In December 2021, 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 the CAI's Airbus A330 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. 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, 2022 and 2021, CAI has four (4) Airbus A330 aircraft under operating lease (see Note 12).

A330NEO aircraft
CAI entered into a 12-year lease with Avolon Leasing Ireland 3 Limited for four (4) A330NEO aircraft with different delivery dates.

The first two (2) A330NEO aircraft were delivered in November and December 2021. The third aircraft was delivered in May 2022 while the fourth aircraft was delivered in November 2022.

Engine Lease Commitments

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

Date of Lease Agreement	Lessors	No. of Units	Lease Term
May 2019	RRPF Engine Leasing Limited	63	6-12 years with pre-termination option
September 2020	SMBC Aero Engine Lease B.V.	8	18 months – 9 years
December 2021	Sunrise Non-US PO 1 Ltd.	2	4-7 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 and April 2022, two (2) CFM56 engine were amended to effect the novation of lease rights to current lessor, SUNRISE NON-US PO 1 LTD.

In May and June 2022, CAI has entered into swap transactions to replace its two old (2) engines (ESN 729600 and ESN 697582) with new engines (ESN 849340 and ESN 849288) with its lessors. As a result of the exchange transactions, CAI recognized a gain of ₱99.5 million.

In August 2022, CAI entered into operating lease agreements with RRPF Engine Leasing Limited for the lease of two (2) PW1133G-JM engines and one (1) Trent 7000 engine.

In September 2022, CAI entered into operating lease agreements as part of a sale and leaseback transaction with SMBC Aero Engine Lease B.V. for four (4) PW1133GA-JM engines with lease term arrangements between seven (7) to nine (9) years.

In November 2022, CAI again entered into operating lease agreement with RRPF Engine Leasing Limited for the lease of one (1) PW1133G-JM engines.

As of December 31, 2022 and 2021, CAI has restricted cash deposited with certain banks to secure standby letters of credit issued in favor of lessors.

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' account in the consolidated statements of comprehensive income) amounted to ₱1.1 billion, ₱443.5 million,and ₱284.7 million in 2022, 2021, and 2020, respectively.

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

	2022		2021		2020	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent	US Dollar	Philippine Peso Equivalent
Within one year	**US$182,214,559**	**₱10,159,372,756**	US$116,348,826	₱5,933,673,803	US$133,699,675	₱6,420,659,489
After one year but not more than five years	**731,976,291**	**40,811,338,097**	353,191,108	18,012,393,320	184,604,128	8,865,244,056
Over five years	**474,231,261**	**26,440,763,968**	237,732,932	12,124,141,820	54,027,209	2,594,548,640
	US$1,388,422,111	**₱77,411,474,821**	US$707,272,866	₱36,070,208,943	US$372,331,012	₱17,880,452,185

Operating Non-Aircraft Lease Commitments

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 5.00% to 10.00%.

Future minimum lease payments under these noncancellable operating leases follow:

	2022	2021	2020
Within one year	**₱221,968,510**	₱217,233,256	₱224,965,425
After one year but not more than five years	**943,617,379**	920,545,458	948,093,648
Over five years	**4,351,363,919**	4,596,404,352	4,644,065,119
	₱5,516,949,808	₱5,734,183,066	₱5,817,124,192

Lease expenses relating to both cancellable and noncancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱556.1 million, ₱352.9 million and ₱412.2 million in 2022, 2021, and 2020, respectively.

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.

  On May 12, 2022, the BOD of the Parent Company approved the issuance of a Letter of Support in favor of JGSOC for its application for a term loan facility in the amount of ₱5.0 billion with BDO Unibank.

- *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.

JGSPL

Credit Facility granted by a Private Bank

JGSPL has an existing US$40.0 million credit facility with a private bank. The facility was granted to JGSPL on a fully secured basis through a memorandum of charge on all assets of JGSPL that are held with the bank. As of December 31, 2022 and 2021, JGSPL does not have outstanding loans with the bank.

CAI

Capital Expenditure Commitments

CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱217.0 billion and ₱183.8 billion as of December 31, 2022 and 2021, respectively, which are payable over the following periods:

	December 31, 2022		December 31, 2021	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$998,715,602**	**₱55,683,388,406**	US$644,167,004	₱32,851,873,013
After one year but not more than five years	**2,892,892,308**	**161,293,210,604**	2,960,785,854	150,997,117,770
	US$3,891,607,910	**₱216,976,599,010**	US$3,604,952,858	₱183,848,990,783

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

In August 2011, CAI entered in a commitment with Airbus S.A.S. to purchase firm orders of 32 new Airbus A321NEO aircraft and ten (10) additional option orders. These aircraft are scheduled to be delivered from 2019 to 2026.

On June 28, 2012, CAI has entered into an agreement with United Technologies International Corporation Pratt & Whitney Division to purchase new PurePower® PW1100G-JM engines for its 32 firm and ten (10) optional A321NEO aircraft. The agreement also includes an engine maintenance services program for a period of ten (10) years from the date of entry into service of each engine.

On October 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, 2022.

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 0convert 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 was delivered in December 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 and one (1) in January 2020.

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 Total Care 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, 2022, CAI is set to take delivery of twelve (12) A330 NEO aircraft, eleven (11) A321 NEO aircraft, twelve (12) 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, 2022.

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 Airbus 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.

<u>URC</u>
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, 2022 and 2021, the Group has in its custody sugar owned by several quedan holders amounting to ₱3.9 billion (1,089,275 Lkg) and ₱1.4 billion (862,837 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 trusteed sugar or their sales proceeds.

RLC

Capital Commitments

The Group has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱9.5 billion and ₱13.7 billion as of December 31, 2022 and 2021, respectively. Moreover, the Group has contractual obligations amounting to ₱5.1 billion and ₱4.9 billion as of December 31, 2022 and 2021, respectively, for the completion and delivery of real estate units that have been presold.

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. Disposal Group Held for Sale and Discontinued Operations

Merger of RBC with Bank of Philippine Islands (BPI)

On September 30, 2022, the Board of Directors (BOD) of RBC approved the plan of merger of RBC and BPI, with BPI as the surviving entity. The merger is seen as a strategic move that will unlock various synergies across businesses, expand customer bases, and enhance the overall banking experience of the Bank's customers with the combined network.

On January 17, 2023, stockholders representing at least two-thirds of the outstanding shares of BPI approved the merger between BPI and RBC.

On January 26, 2023, the Articles of Merger and the Plan of Merger were executed by BPI and RBC. The Supplement to the Agreement for the Merger of BPI and RBC was likewise executed on the same date by and among BPI, RBC and RBC Shareholders - RRHI and JGSCSC, which states that upon the effectivity of the Merger and receipt of all necessary corporate and regulatory approvals, RBC Shareholders will collectively hold approximately 6.0% of the resulting outstanding capital stock of BPI. The exact number of BPI common shares to be issued to RBC Shareholders will be subject to final determination on or before closing date. The parties have yet to secure regulatory approvals for the merger from the Bangko Sentral ng Pilipinas and the Securities and Exchange Commission.

As a result, the related assets and liabilities of RBC as of December 31, 2022 are presented as Asset Held for Sale and Liabilities Held for Sale, respectively, in the consolidated statements of financial position while the results of operations are presented as Net Income After Tax from Discontinued Operations in the consolidated statements of comprehensive income. In accordance with merger agreement, the assets of RBC held for sale exlude all its shares in Unicon Insurance Brokers Corporation, a 40%-owned associate of RBC, and such number of shares held by RBC in excess of 19% of GoTyme's total issued and outstanding capital stocks as of the closing date.

Management assessed that the carrying amount of Assets Held for Sale is lower than its fair value less costs to sell; thus, the amount recognized as Asset Held for Sale in the statements of financial position is equal to the carrying amounts as of December 31, 2022.

The results of operations of RBC in the consolidated statements of comprehensive income are presented below:

	2022	2021	2020
Revenue			
Sale of services	**₱10,647,329,942**	₱9,285,942,362	₱9,174,583,626
Equity in net earnings of associates and joint ventures	**(169,065,451)**	(45,311,729)	–
Dividend income	**8,916,075**	13,038,094	14,890,056
Rental income	**14,673,235**	18,757,411	17,912,729
	10,501,853,801	9,272,426,138	9,207,386,411
Cost of Sales and Services	**2,527,409,944**	1,731,571,481	2,236,992,833
Gross Income	**7,974,443,857**	7,540,854,657	6,970,393,578
Net Operating Expenses			
General and administrative expenses	**5,368,871,751**	4,734,241,667	4,372,308,287
Provision for impairment losses and others	**967,441,083**	1,304,264,928	1,102,054,520
	6,336,312,834	6,038,506,595	5,474,362,807
Operating Income	**1,638,131,023**	1,502,348,062	1,496,030,771
Other Income (Losses)			
Foreign exchange gains	**144,971,172**	51,023,326	(93,066,592)
Others	**118,070,260**	106,130,992	(324,203,636)
Income Before Income Tax	**1,901,172,455**	1,659,502,380	1,078,760,543
Provision for (Benefit from) Income Tax	**338,132,112**	280,408,959	(29,378,785)
Net Income from Discontinued Operations	**₱1,563,040,343**	₱1,379,093,421	₱1,108,139,328

	2022	2021	2020
Attributable to Parent Company	**₱937,824,206**	₱827,456,053	₱664,883,597
Attributable to non-controlling interest	**625,216,137**	551,637,368	443,255,731
	₱1,563,040,343	₱1,379,093,421	₱1,108,139,328

Other comprehensive income from discontinued operations consists of the following:

	2022	2021	2020
Net gains (losses) on financial assets at FVOCI	**₱237,060,688**	(₱1,130,933,945)	₱235,805,110
Remeasurements of the net defined benefit liability	**70,356,202**	(23,453,184)	7,330,181
Cumulative translation adjustment	**5,748,256**	49,786,866	87,417,783
	₱313,165,146	(₱1,104,600,263)	₱330,553,074

The assets and liabilities of RBC classified as held for sale as of December 31, 2022 are as follows:

Assets	
Cash and cash equivalents (Note 7)	₱6,638,014,005
Financial assets at fair value through profit or loss	518,889
Financial assets at fair value through OCI	6,729,169,787
Receivables (Note 11)	112,866,817,495
Investment securities at amortized cost (Note 10)	33,816,717,769
Investment in associates and joint ventures (Note 14)	342,153,153
Property, plant and equipment (Note 16)	569,719,780
Investment properties (Note 15)	1,203,084,788
Right-of-use assets (Note 42)	632,541,400
Goodwill (Note 19)	244,327,006
Intangible assets (Note 18)	1,365,390,155
Other assets	1,973,949,113
	₱166,382,403,340
Liabilities	
Accounts payable and accrued expenses*	₱123,776,941,398
Income tax payable	105,356
Lease liabilities (Note 42)	739,417,471
Other liabilities**	22,099,697,215
	146,616,161,440
Net Assets	₱19,766,241,900

**This amount includes the current portion of deposits liabilities amounting to ₱113,795,702,267*
***This amount includes the noncurrent portion of deposit liabilities amounting to ₱12,060,686,911*

As of December 31, 2022, the breakdown of RBC's receivables is as follows:

Receivables from customers	
Commercial	₱63,970,545,251
Real estate	34,282,154,489
Consumption	13,763,169,612
Domestic bills purchased	461,467,080
	112,477,336,432
Less: Unearned interests and discounts	(307,993,399)
	112,169,343,033
Other receivables	3,516,953,295
	115,686,296,328
Less: Allowance for credit losses	(2,819,478,833)
	₱112,866,817,495

The related cash flows arising from banking business activities for the year ended December 31, 2022 follow:

Net cash provided by operating activities	(₱21,694,908,580)
Net cash used in investing activities	(2,650,461,845)
Net cash used in financing activities	12,658,177,862
Effect of foreign exchange changes	5,748,256
	(₱11,681,444,307)

Sale of Oceania Business
In July 2019, Intersnack agreed to buy 40.0% 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 9.0% 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 ₱24.0 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
Sale of goods and services	**₱18,837,246,465**	₱19,978,296,082
Cost of sales	**12,856,083,612**	13,508,444,120
Gross profit	**5,981,162,853**	6,469,851,962
Selling and distribution costs	**(2,862,499,842)**	(3,175,852,507)
General and administrative expenses	**(1,077,497,034)**	(1,143,290,085)
Operating income	**2,041,165,977**	2,150,709,370
Finance revenue	**17,040,284**	19,081,780
Finance costs	**(740,256,456)**	(778,762,553)
Foreign exchange gain (loss) - net	**11,153,751**	17,892,394
Equity in net income of joint venture	**–**	31,586,911
Other income (expense) - net	**170,200,128**	(161,558,790)
Income before income tax	**1,499,303,684**	1,278,949,112
Provision for income tax	**319,170,663**	158,476,377
Net income	**₱1,180,133,021**	₱1,120,472,735
Gain on sale of 60% equity interest	**10,100,438,582**	–
Net income from discontinued operations	**₱11,280,571,603**	₱1,120,472,735

	2021	2020
Attributable to Parent Company	**₱10,808,518,394**	₱672,283,641
Attributable to non-controlling interest	**472,053,208**	448,189,094
	₱11,280,571,602	₱1,120,472,735

Other comprehensive income from discontinued operations consists of the following:

	2021	2020
Cumulative translation adjustments	**(₱214,775,311)**	₱514,552,426
Unrealized gain (loss) on cash flow hedge	**11,044,781**	(31,878,966)
	(₱203,730,530)	₱482,673,460

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.

Additionally, six (6) eligible persons were granted RSUs with three (3) years vesting period, commencing 2022. These will vest in three (3) tranches: 20%, 30% and 50% at the end of 2022, 2023 and 2024, respectively.

On December 31, 2021, 1,094,000 RSUs have vested. The shares were subsequently listed with the Philippine Stock Exchange on January 21, 2022. Further, on December 31, 2022, 1,327,000 RSUs have vested. The shares were subsequently listed with the Philippine Stock Exchange on January 13, 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, 2022 and 2021, 1,387,500 and 1,265,000 stock options have vested. No options were exercised, forfeited or expired during both years. Thus, a total of 2,652,500 and 1,265,000, vested stock options remain to be outstanding and exercisable as of December 31, 2022 and 2021, respectively.

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

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

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

46. **Other Matters**

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.

As this global problem evolves, the Group will continually adapt and adjust its business model according to the business environment in the areas where the Group operates, in full cooperation with the national and local government units.

As of reporting date, the Group's lifestyle centers have resumed commercial operations. Hotel properties bounced back with the significant easing of travel restrictions, resurgence of domestic tourism, and reopening of international borders. Office properties and industrial facilities remained fully operational and construction works on projects have resumed accordingly.

Air Transportation
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. Since July 16, 2022, the National Capital Region (NCR) is under Alert Level 1 until further notice, according to the Philippine Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF). In the Situation Report regarding the epidemiological situation of the Philippines published by the World Health Organization (WHO), the trend of reported COVID 19 cases in the country is decreasing. However, in an extremely urgent memo, Memorandum No. 2022-0578 of the Department of Health (DOH), the country expressed its intention to intensify the monitoring and implementation of border control protocols for incoming individuals especially from China, at all ports of entry, in light of the rising cases of infections there. Despite of this, the National Government does not expect a need to close or tighten its national borders from all inbound travelers regardless of country of origin.

The COVID-19 pandemic has continued to cause significant disruption to the operations of the Group as its scale and duration remain uncertain as at the report date. The Group, however, is encouraged by the strong demand for airline services which started during the second quarter of 2022 and anticipates the same to continue as a result of the easing of COVID-19 restrictions in most parts of the country. The Group anticipates further recovery on the level of its domestic and international operations in 2023. Considering the evolving nature of the pandemic, the Group will continue to monitor the situation.

Events After Reporting Period
In a regular meeting held on March 9, 2023, the BOD of RLC approved the offer and issuance of peso-denominated fixed-rate bonds in the aggregate principal amount of up to Ten Billion Pesos (₱10,000,000,000) with an over-subscription option of up to Five Billion Pesos (₱5,000,000,000) (hereinafter referred to as the "Bonds"), as the second tranche from a shelf registration of a Debt Securities Program in the aggregate principal amount of Thirty Billion Pesos (₱30,000,000,000) subject to the requirements of the Securities and Exchange Commission ("SEC") and the ratings process of the Philippine Rating Services Corporation, with the Philippine Depository and Trust Corporation as Registrar and Paying Agent, and subject to such other terms and conditions that may be agreed upon by RLC and the Joint Issue Managers, Joint Lead Underwriters and Joint Bookrunners.

In a special meeting held on March 20, 2023, the BOD of RLC approved the extension of RLC's Share Buy-back Program by Three Billon Pesos (₱3,000,000,000) worth of RLC's common shares bringing the total buy-back program to Nine Billion Pesos (₱9,000,000,000).

47. Supplemental Disclosures to Cash Flow Statements

Changes in liabilities arising from financing activities in 2022 and 2021 follow:

	January 1, 2022	Cash Flows	Foreign Exchange Movement	Currency Translation Adjustment	Others*	December 31, 2022
Short-term debts	₱65,995,583,482	₱25,622,648,197	(₱58,980,126)	₱358,228,788	₱–	₱91,917,480,341
Long-term debts	220,332,192,883	(3,292,471,559)	1,449,594,948	5,741,718,504	9,306,631	224,240,341,407
Bonds payable	12,184,836,126	–	1,138,579,757	–	99,906,711	13,423,322,594
	₱298,512,612,491	₱22,330,176,638	₱2,529,194,579	₱6,099,947,292	₱109,213,342	₱329,581,144,342

**Others consist of amortization of bond issue cost.*

	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.*

The principal noncash activities of the Group include movements in the cumulative translation adjustment amounting to ₱6.0 billion, ₱1.7 billion and (₱1.9 billion) in 2022, 2021 and 2020, 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 29, 2023.

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, included in this Form 17-A, and have issued our report thereon dated March 29, 2023. 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

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. 9564639, January 3, 2023, Makati City

March 29, 2023

SGV
Building a better working world

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

Tel: (632) 8891 0307
Fax: (632) 8819 0872
ey.com/ph

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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022, and have issued our report thereon dated March 29, 2023. 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 and no material exceptions were noted.

SYCIP GORRES VELAYO & CO.

Vicky Lee Salas

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. 9564639, January 3, 2023, Makati City

March 29, 2023

JG SUMMIT HOLDINGS, INC.
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION (ANNEX 68-D) AS OF DECEMBER 31, 2022

The table below presents the retained earnings available for dividend declaration as of December 31, 2022:

Unappropriated Retained Earnings, beginning		₱34,098,575,579
Adjustment:		
	Fair value adjustment of financial assets at FVPL	(58,619,988)
Unappropriated Retained Earnings, as adjusted, beginning		34,039,955,591
Net income actually earned/realized during the year		15,770,046,179
Add:	Fair value adjustment of financial assets at FVPL	(5,861,999)
Less:	Dividend declaration during the year	(3,024,393,463)
Total Retained Earnings available for dividend declaration as of December 31, 2022		₱46,779,746,308

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

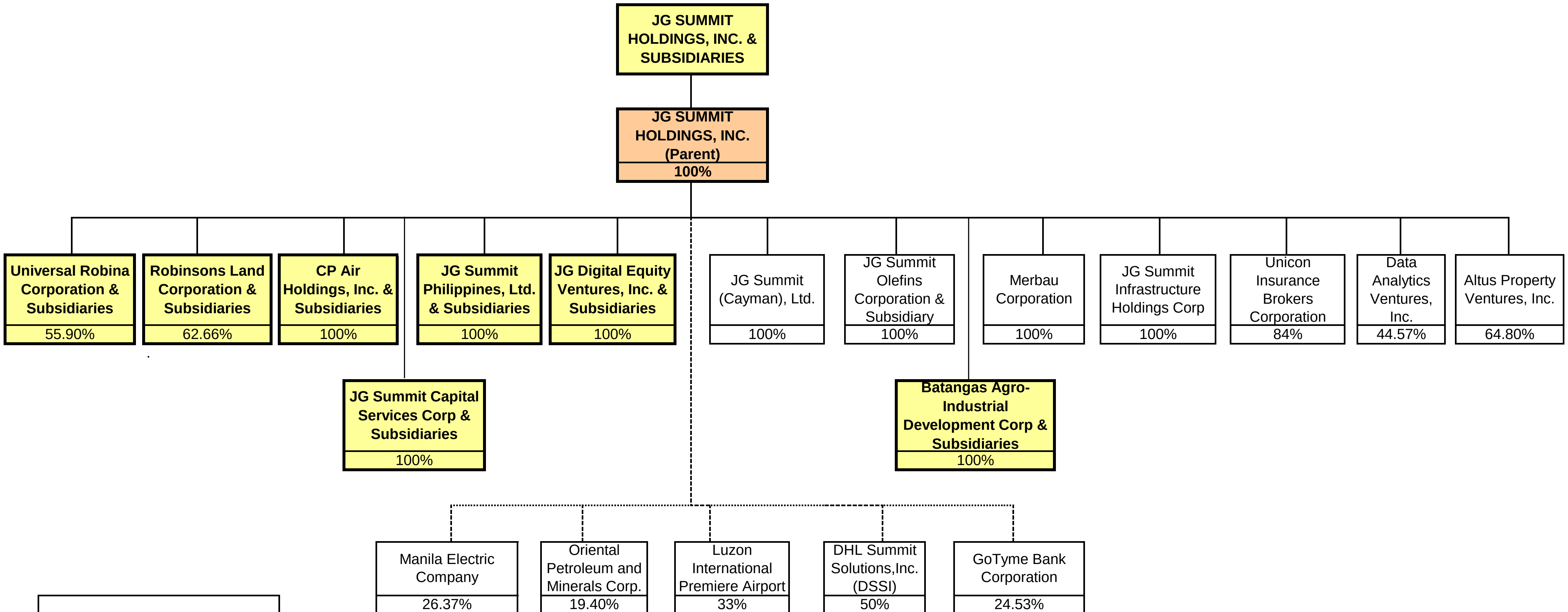
SCHEDULE OF FINANCIAL SOUNDNESS INDICATOR (ANNEX 68-E)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

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

Ratio	Formula *(in millions)*		2022	2021
Current ratio	Total Current Assets* Divide by: Total Current Liabilities* Current ratio **Excludes Assets held for sale and Liabilities directly associated with assets held for sale*	256,258 260,732 0.98	0.98	1.02
Debt-to-equity ratio/ Gearing ratio	Total Debt** Divide by: Total Equity Debt-to-equity ratio ***Short-term loans + Long-term loans+ Bonds Payable +Derivative Liabilities*	330,428 427,365 0.77	0.77	0.68
Asset-to-equity ratio	Total Assets Divide by: Total Equity Asset-to-equity ratio	1,073,202 427,365 2.51	2.51	2.31
Operating income margin	Operating Income Divide by: Total Revenues Operating income margin	18,264 301,908 0.06	0.06	0.04
Return on equity	Net income attributable to equity holders of the Parent Company Divide by: Average Equity attributable to equity holders of the Parent Company Return on equity	651 327,620 0.002	0.002	0.016

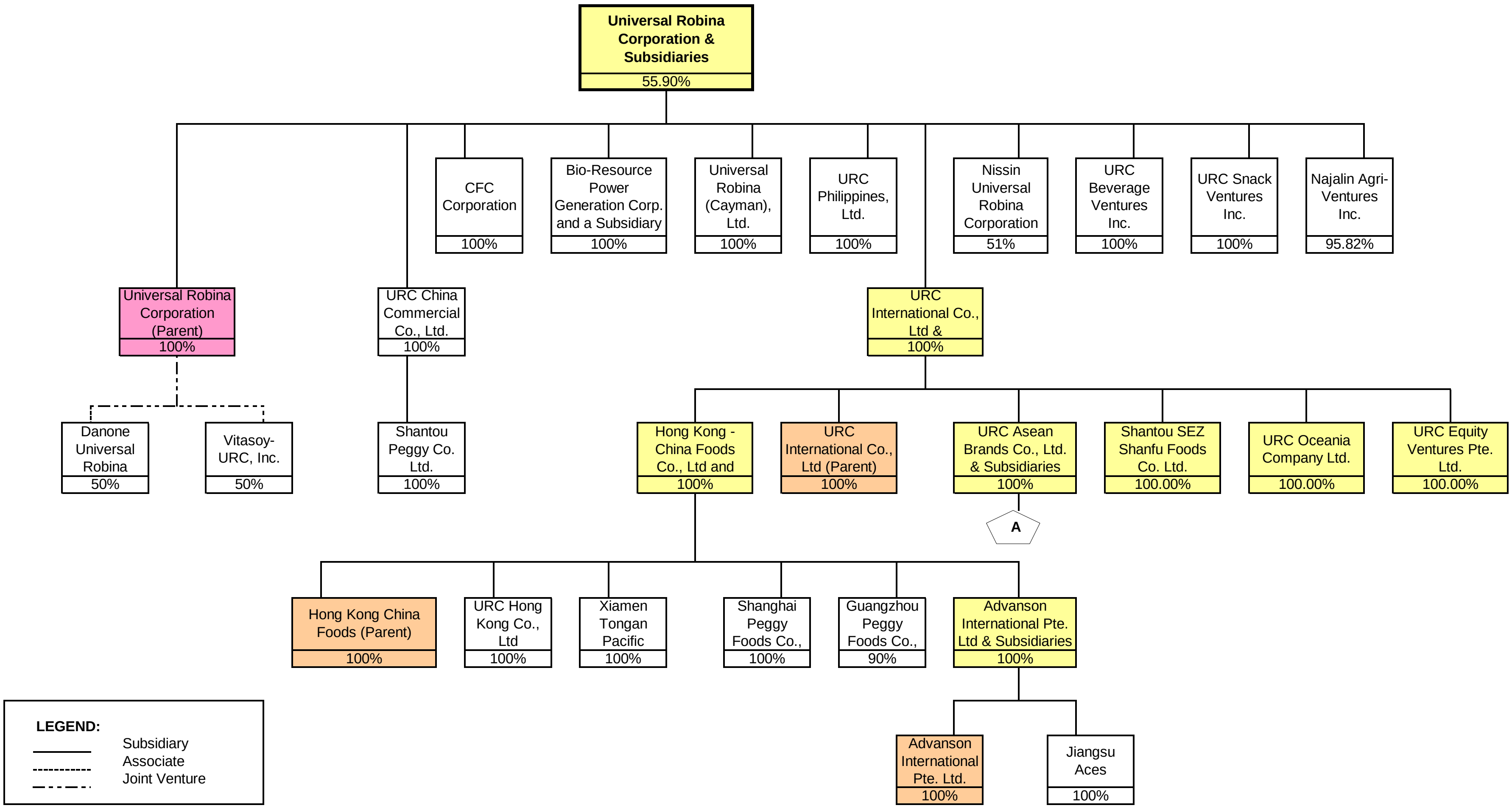
JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
43rd Floor, Robinsons-Equitable Tower
ADB Avenue corner Poveda Road, Pasig City

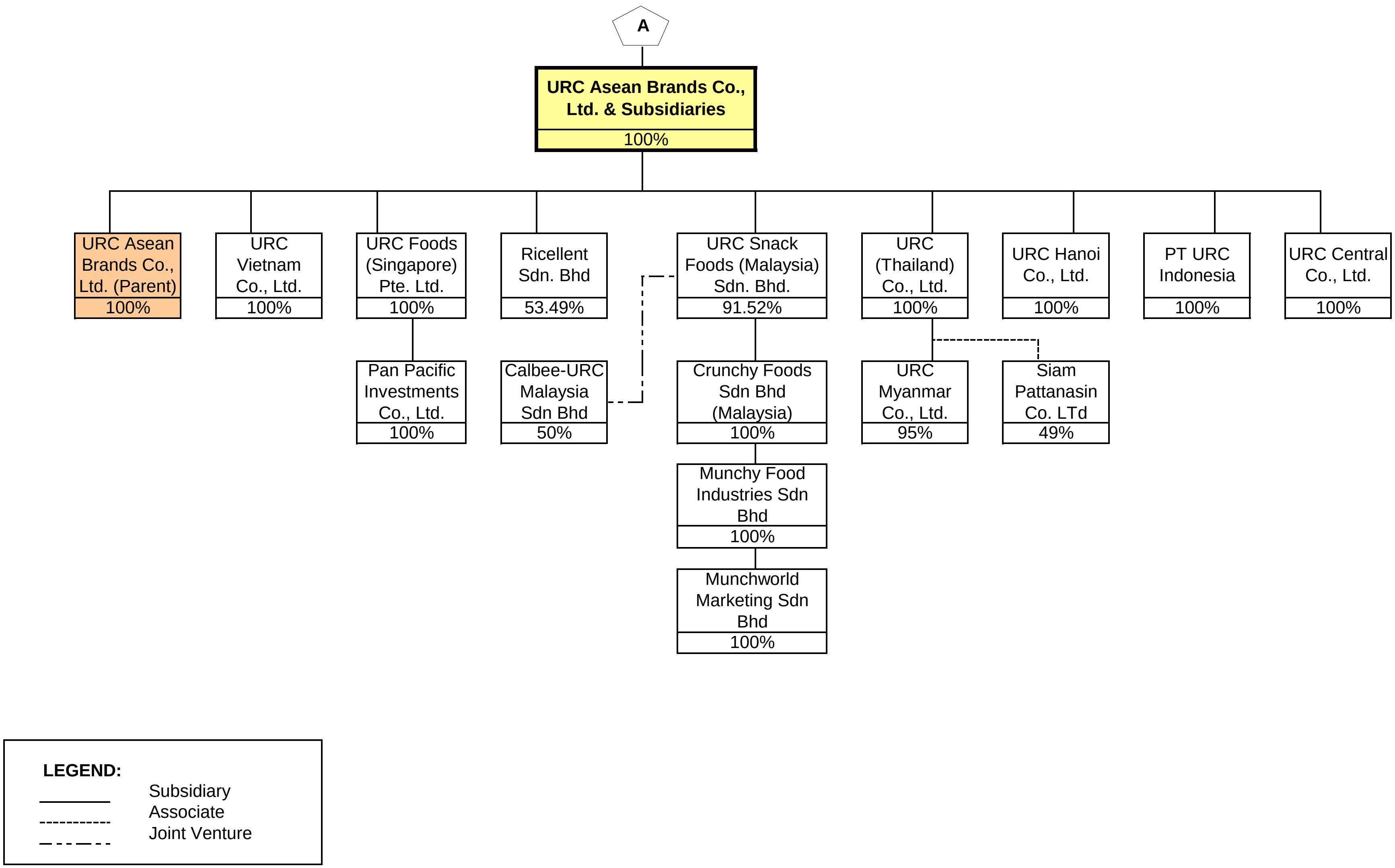
MAP OF THE RELATIONSHIPS OF THE COMPANIES WITHIN THE GROUP

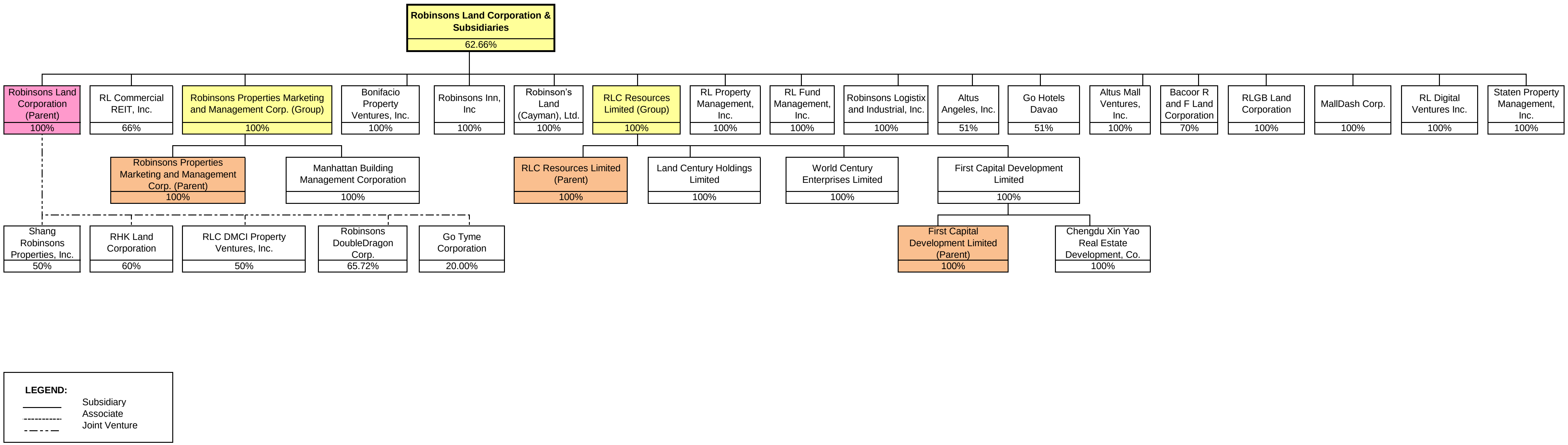


LEGEND:
Subsidiary
Associate
Joint Venture

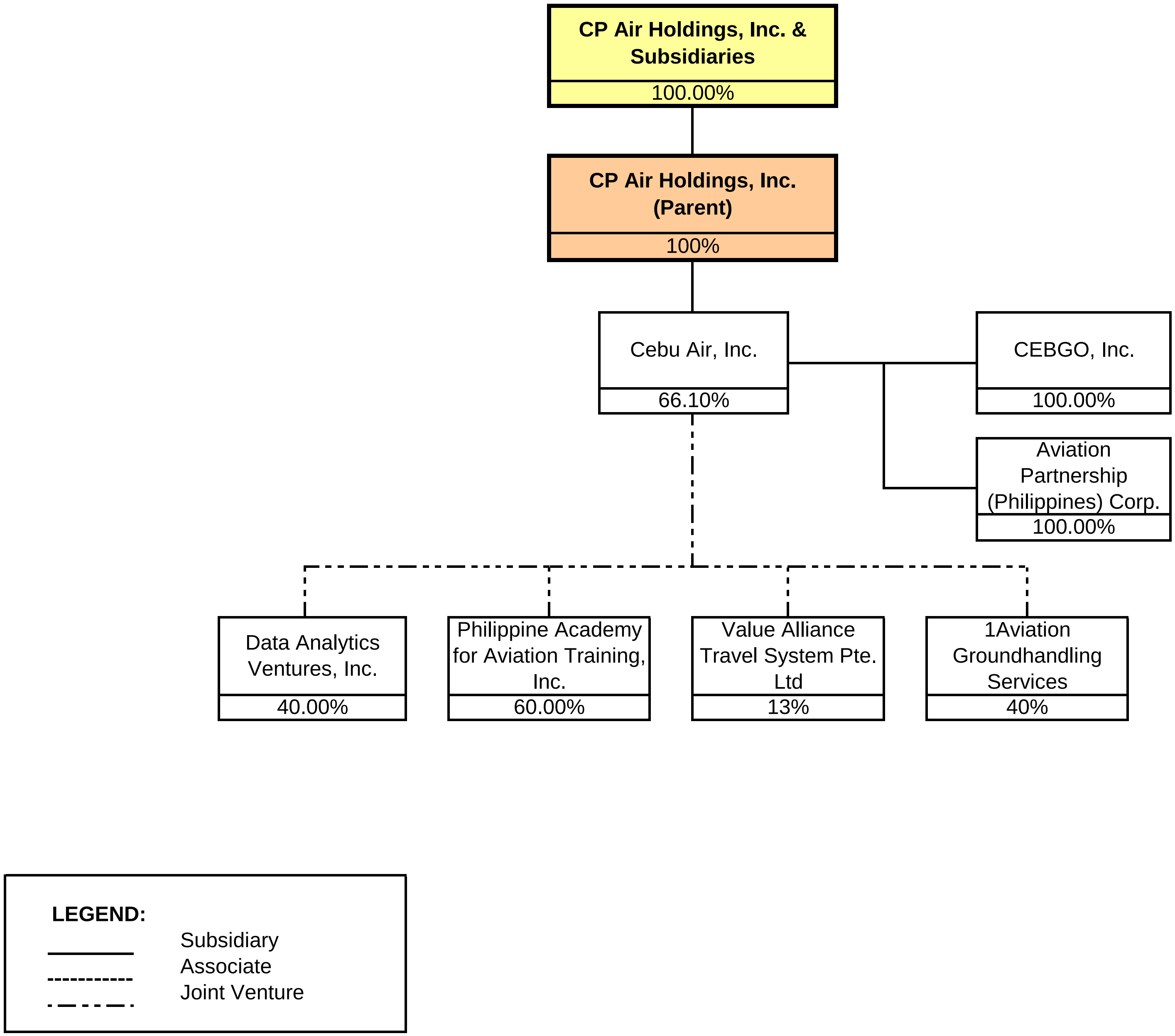
NOTE: Please see separate sheets for the organizational structures of the various consolidation groups.

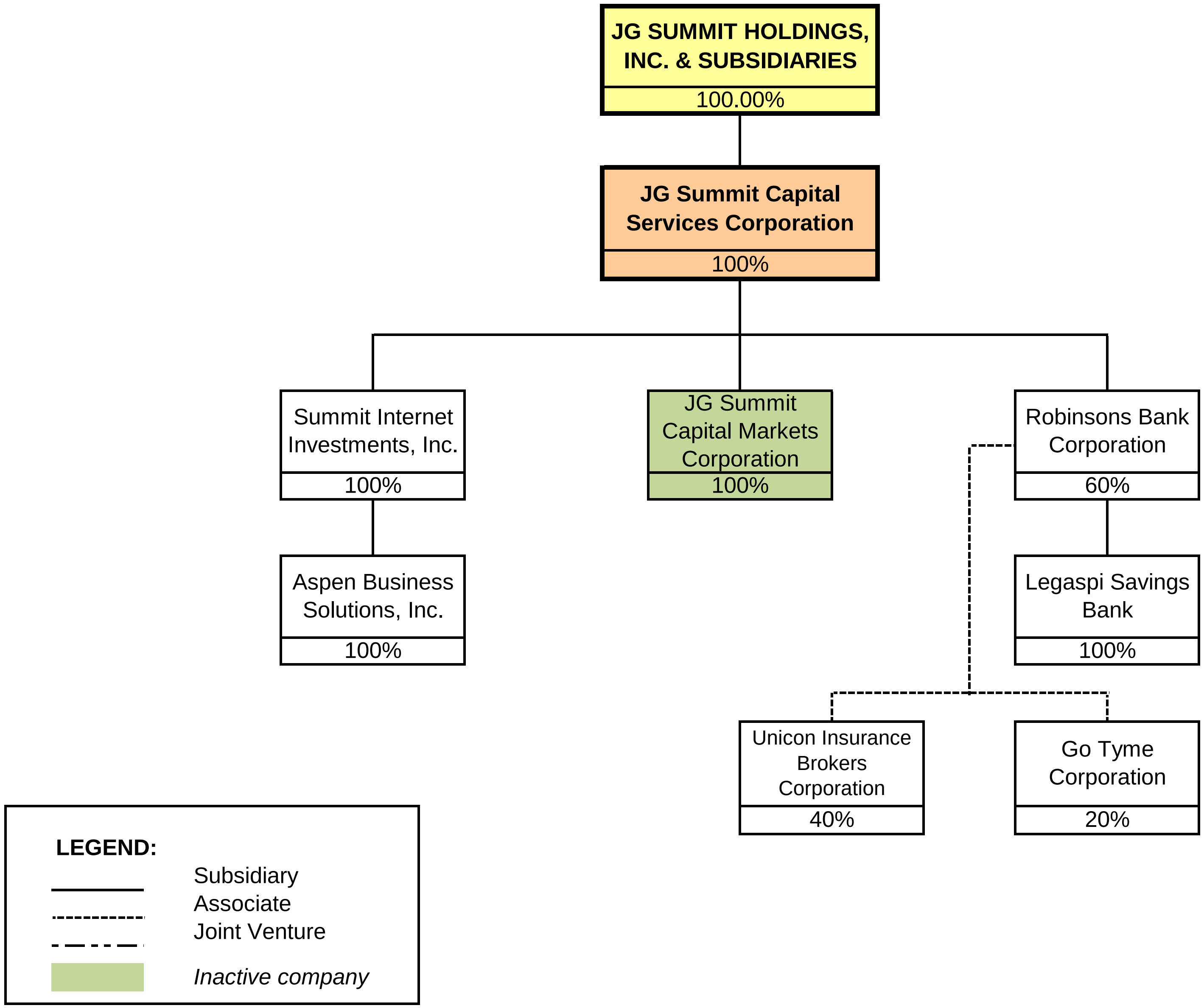

Universal Robina Corporation & Subsidiaries
55.90%
CFC Corporation
100%
Bio-Resource Power Generation Corp. and a Subsidiary
100%
Universal Robina (Cayman), Ltd.
100%
URC Philippines, Ltd.
100%
Nissin Universal Robina Corporation
51%
URC Beverage Ventures Inc.
100%
URC Snack Ventures Inc.
100%
Najalin Agri-Ventures Inc.
95.82%
Universal Robina Corporation (Parent)
100%
URC China Commercial Co., Ltd.
100%
URC International Co., Ltd &
100%
Danone Universal Robina
50%
Vitasoy-URC, Inc.
50%
Shantou Peggy Co. Ltd.
100%
Hong Kong - China Foods Co., Ltd and
100%
URC International Co., Ltd (Parent)
100%
URC Asean Brands Co., Ltd. & Subsidiaries
100%
A
Shantou SEZ Shanfu Foods Co. Ltd.
100.00%
URC Oceania Company Ltd.
100.00%
URC Equity Ventures Pte. Ltd.
100.00%
Hong Kong China Foods (Parent)
100%
URC Hong Kong Co., Ltd
100%
Xiamen Tongan Pacific
100%
Shanghai Peggy Foods Co.,
100%
Guangzhou Peggy Foods Co.,
90%
Advanson International Pte. Ltd & Subsidiaries
100%
Advanson International Pte. Ltd.
100%
Jiangsu Aces
100%
LEGEND:
Subsidiary
Associate
Joint Venture

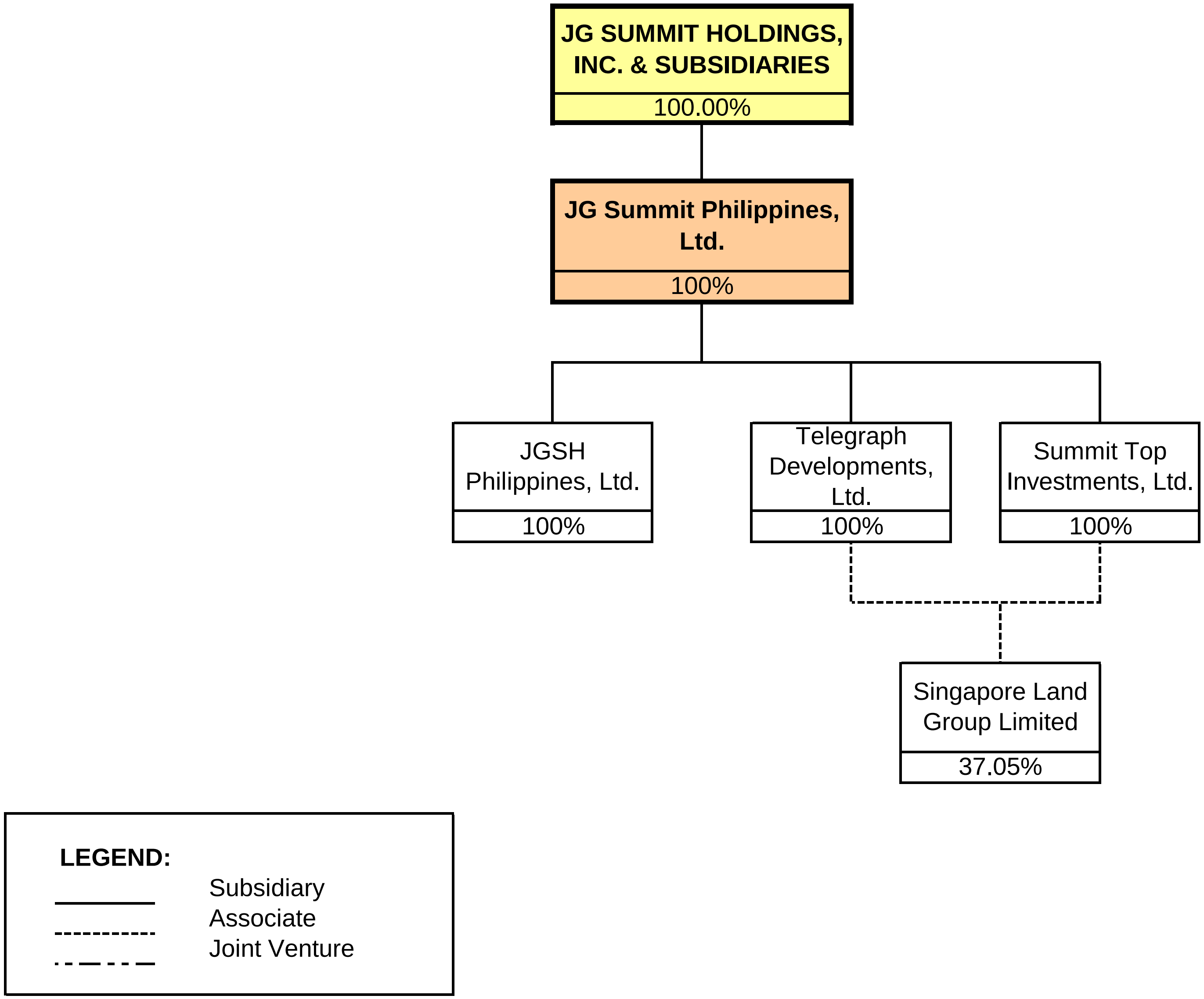

A
URC Asean Brands Co., Ltd. & Subsidiaries
100%
URC Asean Brands Co., Ltd. (Parent)
100%
URC Vietnam Co., Ltd.
100%
URC Foods (Singapore) Pte. Ltd.
100%
Ricellent Sdn. Bhd
53.49%
URC Snack Foods (Malaysia) Sdn. Bhd.
91.52%
URC (Thailand) Co., Ltd.
100%
URC Hanoi Co., Ltd.
100%
PT URC Indonesia
100%
URC Central Co., Ltd.
100%
Pan Pacific Investments Co., Ltd.
100%
Calbee-URC Malaysia Sdn Bhd
50%
Crunchy Foods Sdn Bhd (Malaysia)
100%
URC Myanmar Co., Ltd.
95%
Siam Pattanasin Co. LTd
49%
Munchy Food Industries Sdn Bhd
100%
Munchworld Marketing Sdn Bhd
100%
LEGEND:
Subsidiary
Associate
Joint Venture

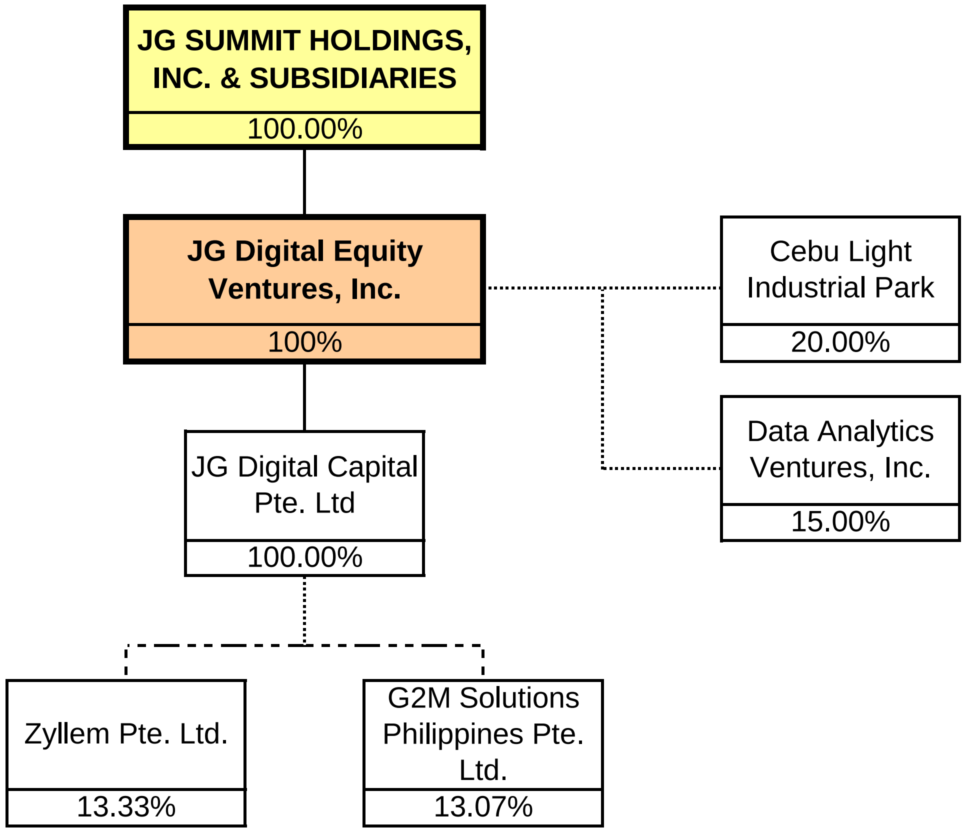


Robinsons Land Corporation & Subsidiaries
62.66%
Robinsons Land Corporation (Parent)
100%
RL Commercial REIT, Inc.
66%
Robinsons Properties Marketing and Management Corp. (Group)
100%
Bonifacio Property Ventures, Inc.
100%
Robinsons Inn, Inc
100%
Robinson's Land (Cayman), Ltd.
100%
RLC Resources Limited (Group)
100%
RL Property Management, Inc.
100%
RL Fund Management, Inc.
100%
Robinsons Logistix and Industrial, Inc.
100%
Altus Angeles, Inc.
51%
Go Hotels Davao
51%
Altus Mall Ventures, Inc.
100%
Bacoor R and F Land Corporation
70%
RLGB Land Corporation
100%
MallDash Corp.
100%
RL Digital Ventures Inc.
100%
Staten Property Management, Inc.
100%
Robinsons Properties Marketing and Management Corp. (Parent)
100%
Manhattan Building Management Corporation
100%
RLC Resources Limited (Parent)
100%
Land Century Holdings Limited
100%
World Century Enterprises Limited
100%
First Capital Development Limited
100%
Shang Robinsons Properties, Inc.
50%
RHK Land Corporation
60%
RLC DMCI Property Ventures, Inc.
50%
Robinsons DoubleDragon Corp.
65.72%
Go Tyme Corporation
20.00%
First Capital Development Limited (Parent)
100%
Chengdu Xin Yao Real Estate Development, Co.
100%
LEGEND:
Subsidiary
Associate
Joint Venture


CP Air Holdings, Inc. & Subsidiaries
100.00%
CP Air Holdings, Inc. (Parent)
100%
Cebu Air, Inc.
66.10%
CEBGO, Inc.
100.00%
Aviation Partnership (Philippines) Corp.
100.00%
Data Analytics Ventures, Inc.
40.00%
Philippine Academy for Aviation Training, Inc.
60.00%
Value Alliance Travel System Pte. Ltd
13%
1Aviation Groundhandling Services
40%
LEGEND:
Subsidiary
Associate
Joint Venture

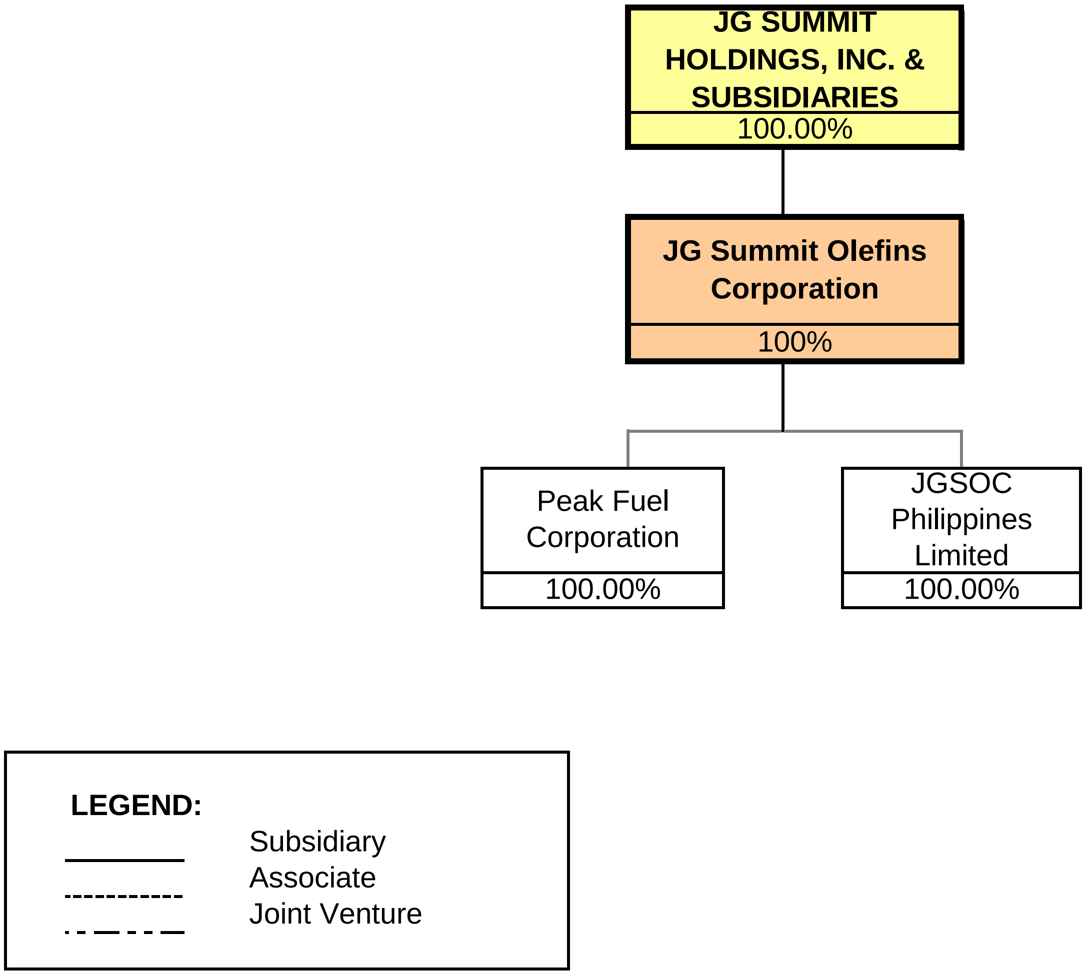

JG SUMMIT HOLDINGS, INC. & SUBSIDIARIES
100.00%
JG Summit Capital Services Corporation
100%
Summit Internet Investments, Inc.
100%
JG Summit Capital Markets Corporation
100%
Robinsons Bank Corporation
60%
Aspen Business Solutions, Inc.
100%
Legaspi Savings Bank
100%
Unicon Insurance Brokers Corporation
40%
Go Tyme Corporation
20%
LEGEND:
Subsidiary
Associate
Joint Venture
Inactive company

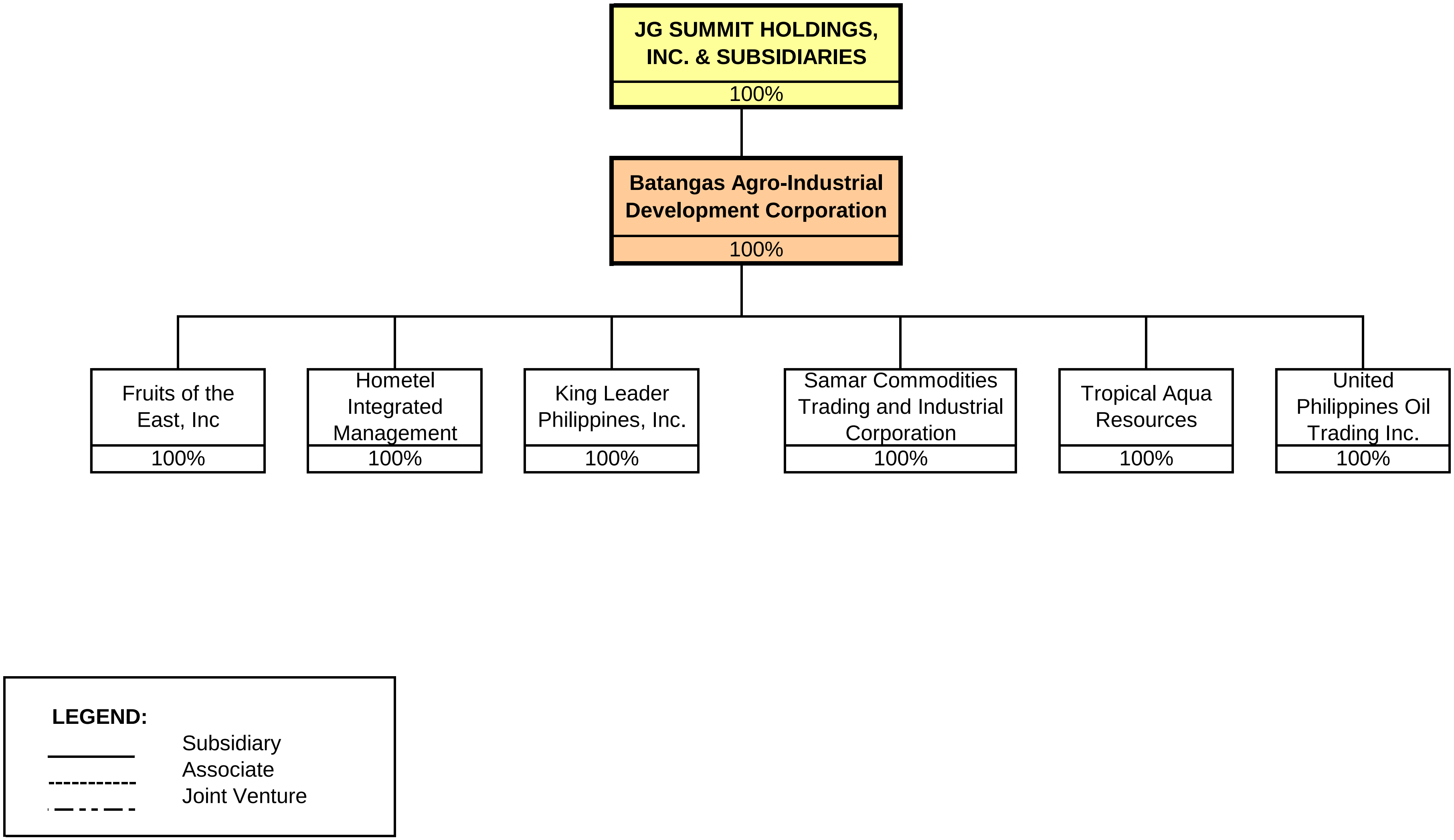

JG SUMMIT HOLDINGS, INC. & SUBSIDIARIES
100.00%
JG Summit Philippines, Ltd.
100%
JGSH Philippines, Ltd.
100%
Telegraph Developments, Ltd.
100%
Summit Top Investments, Ltd.
100%
Singapore Land Group Limited
37.05%
LEGEND:
Subsidiary
Associate
Joint Venture



LEGEND:

Subsidiary
Associate
Joint Venture


JG SUMMIT HOLDINGS, INC. & SUBSIDIARIES
100.00%
JG Summit Olefins Corporation
100%
Peak Fuel Corporation
100.00%
JGSOC Philippines Limited
100.00%
LEGEND:
Subsidiary
Associate
Joint Venture


JG SUMMIT HOLDINGS, INC. & SUBSIDIARIES
100%
Batangas Agro-Industrial Development Corporation
100%
Fruits of the East, Inc
100%
Hometel Integrated Management
100%
King Leader Philippines, Inc.
100%
Samar Commodities Trading and Industrial Corporation
100%
Tropical Aqua Resources
100%
United Philippines Oil Trading Inc.
100%
LEGEND:
Subsidiary
Associate
Joint Venture

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE A - FINANCIAL ASSETS
DECEMBER 31, 2022

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 at Fair Value Through Profit or Loss			
Derivatives classified as FVTPL	₱60,911,158	₱60,911,158	₱–
Investment in Convertible Note	4,402,220,200	4,402,220,200	–
Various Equity Quoted Securities	2,782,797,656	2,782,797,656	182,160,447
	7,245,929,014	7,245,929,014	182,160,447
Financial Assets at Fair Value Through Other Comprehensive Income			
Various / Private Bonds	8,700,391,508	8,700,391,508	536,155,003
Various / Government Bonds	549,548,489	549,548,489	39,372,046
Philippine Long Distance Telephone Corp.	32,059,014,552	32,059,014,552	2,848,067,235
Various Equity Quoted Securities	446,502,519	446,502,519	35,679,727
Various Equity Unquoted Securities	2,316,610,083	2,316,610,083	3,574,385
	44,072,067,151	44,072,067,151	3,462,848,396
	₱51,317,996,164	₱51,317,996,164	₱3,645,008,843

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, 2022

Name and Designation of Debtor	Balance at Beginning of Period	Additions	Collections	Write Offs	Balance at End of Period		
					Current	Noncurrent	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, 2022

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 *(Subsidiary)*	₱270,256,036	₱18,690,459	₱–	₱–	₱288,946,495	₱–	₱288,946,495
Cebu Air, Inc. *(Subsidiary)*	6,540,724	44,935,805	(51,476,529)	–	–	–	–
Data Analytics Ventures, Inc. *(Subsidiary)*	205,974	15,209,222	(8,772,982)		6,642,214	–	6,642,214
JG Digital Equity Ventures, Inc. (formerly Express Holdings, Inc.)	8,563	–	–	–	8,563	–	8,563
JG Summit Holdings, Inc. *(Parent)*	3,526,124,386	1,128,261,295	(3,864,472,310)	–	789,913,370	–	789,913,370
JG Summit Olefins Corporation *(Subsidiary)*	–	125,781,020	(117,790,739)		7,990,280		7,990,280
Unicon Insurance Brokers Corporation *(Subsidiary)*	–	104,399,219	(93,777,037)		10,622,182		10,622,182
JG Summit Infrastructure Holdings Corporation *(Subsidiary)*	2,480,831	80,841	–		2,561,672		2,561,672
Robinsons Bank Corporation *(Subsidiary)*	172,608,491	173,007,751	(232,469,823)	–	113,146,419	–	113,146,419
Robinsons Land Corporation and Subsidiaries *(Subsidiary)*	144,603,993	97,916,764	(145,594,018)	–	96,926,739	–	96,926,739
Summit Internet Investments, Inc. and Subsidiaries *(Subsidiary)*	101,891,728	–	(38,429,213)	–	63,462,515	–	63,462,515
Universal Robina Corporation and Subsidiaries *(Subsidiary)*	393,213,629	382,824,010	(776,037,640)	–	–	–	–
	₱4,617,934,355	₱2,091,106,386	(₱5,328,820,291)	₱–	₱1,380,220,449	₱–	₱1,380,220,449

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
SCHEDULE D - LONG-TERM DEBT
DECEMBER 31, 2022

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 2023, 2024 and 2025	₱–	₱9,982,675,523	₱8,788,317,547	
Floating Rate Term Loans Due 2023 and 2024	–	4,985,298,591	6,992,577,939	
Guaranteed Notes Due 2023	–	34,055,265,439	–	
Guaranteed Notes Due 2030	–	(14,549,028.97)	32,912,157,320	
CAI - Commercial Loans	–	3,699,412,709	36,680,069,702	See
RLC - Fixed Rate Retail Bonds Due 2023, 2025 and 2027	–	12,686,684,150	16,660,353,815	Notes
RLC - Fixed Rate Term Loans	–	5,065,645,497	16,746,432,204	Below
Petrochem - Floating Rate Term Loans	–	–	18,508,000,000	
Petrochem - Fixed Rate Term Loans	–	–	16,492,000,000	
	₱–	₱70,460,432,880	₱153,779,908,527	

Title of Issue and Type of Obligation	Amount Authorized by Indenture	Amount Shown under Caption "Bonds Payable" in Related Balance Sheet
Convertible bonds	₱–	₱13,423,322,594

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, 2022

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, 2022

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, 2022

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	Number of Shares Held by Directors, Officers and Employees	Number of Shares Held by Others
Common Shares at ₱1 par value	12,850,800,000	7,520,983,658	–	284,267,025	1,064,035,144	6,172,681,489
Preferred Voting Shares at ₱0.01 par value	204,000,000,000	42,000,000	–	–	–	42,000,000