JG SUMMIT
HOLDINGS, INC.

2017 ANNUAL REPORT

Contents

2
Financial Highlights

4
Message from the Chairman and President

13
JG Summit Businesses and Investments

14
HOLDING COMPANY
JG Summit Holdings, Inc.

18
FOOD, AGRO-INDUSTRIAL AND COMMODITIES
Universal Robina Corporation

26
REAL ESTATE AND HOTELS
Robinsons Land Corporation

32
AIR TRANSPORTATION
Cebu Air, Inc.

44
PETROCHEMICALS
JG Summit Petrochemicals Group

48
BANKING AND FINANCIAL SERVICES
Robinsons Bank Corporation

55
CORE INVESTMENTS
PLDT, Inc.
United Industrial Corporation Limited
Manila Electric Company
Global Business Power Corporation

60
Corporate Governance

75
Sustainability
Making Life Better Tomorrow

84
Corporate Social Responsibility

90
Board of Directors and Executive Officers

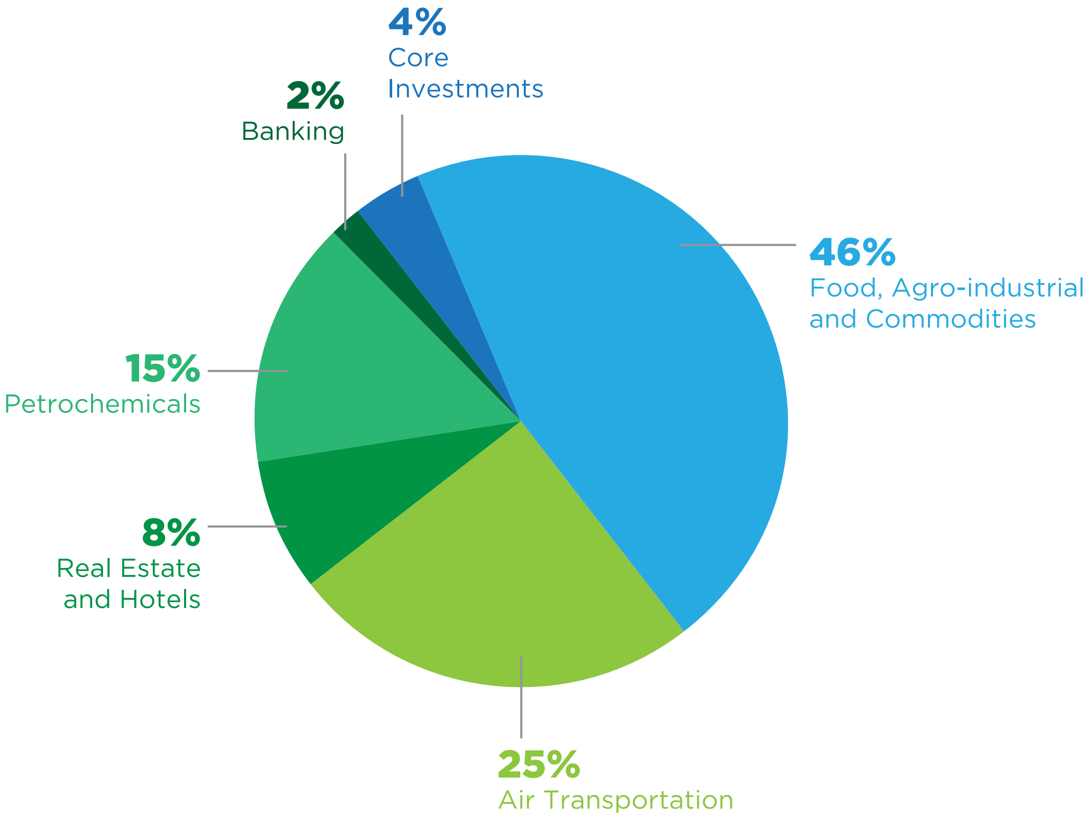
97
Financial Statements

Financial Highlights

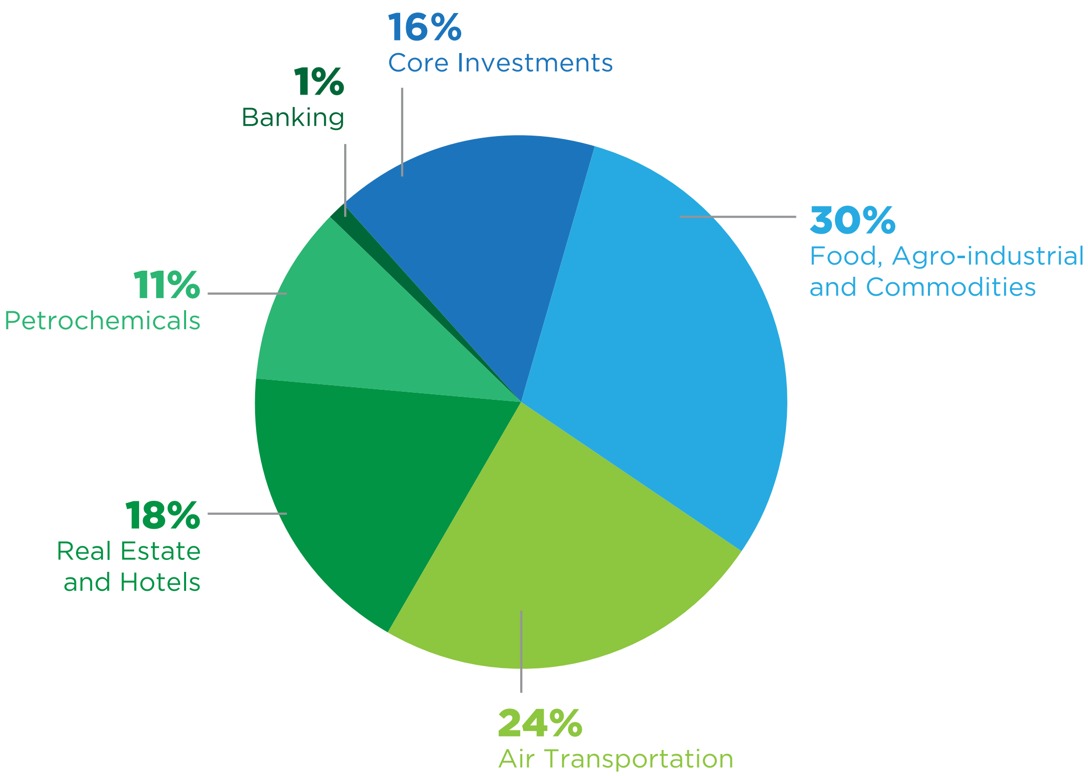
December 31 (in million pesos except per share and statistical data)

For the Year	2017	2016	2017 VS 2016 INCREASE (DECREASE) Amount	%
Revenues	273,445	240,503	32,942	14%
Core Net Income after Taxes	29,559	29,972	(413)	-1%
Net Income (Equity Holders of the Parent)	29,370	10,918	18,452	169%
EBIT	51,733	52,270	(537)	-1%
EBITDA	70,670	69,367	1,303	2%
As of Year End				
Total Assets	739,455	666,311	73,144	11%
Total Liabilities	393,035	353,527	39,508	11%
Total Equity (including Minority Interest)	346,420	312,784	33,636	11%
Per Share				
Basic Earnings	4.10	1.52	2.58	169%
Book Value	37.39	33.43	3.96	12%
Other Financial Data				
Current Ratio	1.14	1.01	0.13	13%
Gearing Ratio	0.66	0.71	(0.05)	-7%
Net Debt to Equity Ratio	0.50	0.55	(0.06)	-11%

REVENUE CONTRIBUTION



EBITDA CONTRIBUTION



Message from the Chairman and the President

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Dear Shareholders,

We are pleased to report that 2017 was another creditable year for JG Summit Holdings Inc. (JG Summit). We have consistently maintained a balanced business portfolio with a unique combination of market leading, cash generative and high dividend yielding investments. Our robust balance sheet has been sufficient in funding and supporting our growth plans. Our experienced management team's dexterity has also been key to the growth and advancement of the company.

JG Summit has proven itself to be present in most of the spending categories of Filipinos, through engagements in food and beverage, real estate and property development, air transportation, petrochemicals, banking and financial services, telecommunications, power distribution, and power generation. We are poised to benefit from a consumption driven economy on the account of increased income and the availability of more jobs for every *Juan*.

Share Price and Key Highlights

JG Summit has solidified its position as one of the major conglomerates in the country today. Our market capitalization has reached over ₱500 billion from only ₱78 billion in 2007. This shows a 10-year compounded annual growth rate (CAGR) of 21%, almost two times the CAGR of the Philippine Stock Exchange index for the same period. This is a testament to our continued focus on growing returns, tied to our emphasis on shareholder value creation.

We believe that in order to be ahead of the curve, we need to brace ourselves for the volatility of the markets and rapidly changing industry dynamics. Over time, we have established diversified legs to stand on, which we believe provide a fortress for inevitable headwinds that may come our way. In this regard, our company has attained a number of key milestones in 2017 that boosted the Group's financial standing, and bolstered its competitive advantage:

In February 2017, **Universal Robina Corp. (URC)** and Hong Kong's Vitasoy Group established a joint venture, leading to another addition to URC's beverage lines. Vitasoy's soy milk portfolio offers a variety of formulations, such as those that have zero cholesterol, are lactose free, low in saturated fat and rich in good quality protein. This will cater to the domestic market, promoting synergies for both consumer well-being and sustainable nutrition through plant-based beverage products.

In April 2017, **JG Summit** invested in Singapore-based Sea Limited (Sea), an internet-based platform company focused on greater Southeast Asia, through a convertible promissory note. Sea's platforms include *Garena*, a leading interactive eSports and social ecosystem provider; *Shopee*, a peer-to-peer e-commerce marketplace; and *Airpay*, which offers mobile network payment services.

In June 2017, **JG Summit** acquired an additional investment of 27.5 million common shares of Manila Electric Company (Meralco) at ₱250 per share, increasing the Group's stake by 2.44% to 29.6%. Meralco has been consistently issuing a steady stream of dividends for the Group.

In the same month, **Robinsons Land Corporation (RLC)** further diversified its revenue stream through the creation of a new business unit devoted on Infrastructure and Integrated Development (IID), including logistics and warehouse facilities. The new unit has so far undertaken three major projects namely the 18.5-hectare Sierra Valley (former Mitsubishi Motors compound) in the boundary of Cainta and Taytay, along Ortigas Avenue Extension; the 31-hectare Bridgetowne mixed-use development along C5 Road; and a 4.6-hectare warehousing hub in Muntinlupa.

In July 2017, **Express Holdings, Inc. (Express)**, a unit of JG Summit, formed a joint venture with Hong Kong-based Oriente. The joint venture envisioned to set-up a digital financial service to address the unbanked Filipino population, and enable them to tap into cheaper credit facilities to bridge their ever-growing needs. The joint venture's mobile application, *Cashalo*, is expected to be launched in the second quarter of 2018.

In October 2017, **Robinsons Bank** soft-launched the very first DOS Mastercard in the Philippines. It is the only credit card in the market that automatically splits all straight retail transactions into *2-Gives at* 0% interest. This partnership with Mastercard aims to give every Filipino a better credit experience. The public launch for the DOS credit card is slated for May 2018.

Also, in October 2017, **Cebu Pacific (CEB)** launched its Cadet Pilot training program "Study Now, Pay Later" scheme for 240 aspiring pilots who will train in Australia. This program will hone homegrown Filipino pilots through exposure to state-of-the-art pilot training facilities and best-in-class international standards.

Lastly, in December 2017, **JG Summit Petrochemicals Group (JGSPG)** has awarded CTCI of Taiwan, the Engineering, Procurement and Construction (EPC) contract for the JG Summit Stage-1 Expansion Package 2 Aromatics Extraction and Butadiene Extraction Unit Project. As EPC Contractor, CTCI will apply its expertise in developing the engineering design, procurement of materials and construction of the two extraction units, which will produce value added petrochemicals downstream of the naphtha cracker. CTCI's outstanding technological global expertise will help develop and further derive petrochemicals into additional downstream products.

JG Summit's core net income excluding the effects of foreign exchange and market valuation gains declined by 1.4% to ₱29.6 billion in 2017 from ₱30.0 billion in 2016, mainly due to elevated jet fuel prices for CEB.

Consolidated revenues however, grew by 13.7% year-on-year (YoY) to ₱273.4 billion from last year's ₱240.5 billion as all subsidiaries supported impressive revenue growth. Our equity income attributable to the parent increased by 169.0% YoY to ₱29.4 billion in 2017 from ₱10.9 billion in 2016, which was primarily a result of JGSPC's cracker and polymer plants running above 95% average capacity, leading to a sale of over 503,000 MT of polyethylene and polypropylene resins, and the increase in our equity earnings from Meralco, United Industrial Corporation Limited (UIC) and Global Business Power Corporation (GBP). It should be noted that last year's equity net income amount was depressed by a significant impairment charge recognized on the Group's PLDT investment. Consolidated EBITDA for the year increased 1.9% to ₱70.7 billion from last year's ₱69.4 billion.

As of end-December 2017, the Group's balance sheet remained strong, with a current ratio of 1.14:1. The Group's financial gearing ratio significantly improved to 0.66:1 in 2017 from 0.71:1 in 2016, while net debt to equity ratio was at 0.50:1 this year from 0.55:1 the previous year. Moreover, parent net debt stood at ₱72.3 billion at the end of 2017, leaving us open to capture newer and brighter opportunities in the year ahead.

The Group's capital expenditure (capex) in 2017 amounted to ₱43.5 billion, a 4.0% increase from last year's capex spending of ₱41.9 billion. RLC registered the biggest capex spending for 2017, which was spent on land acquisition, and the construction of malls and office buildings. CEB and URC accounted for the second and third biggest capex spending at 34.0% and 18.4%, respectively, for the continued re-fleeting program of the former, and sustained innovation of relevant and on-trend products of the latter.

Looking Ahead

As 2018 approaches, we recognize that there are risks which we must consider as we run our businesses. Evolving regulations involving tax, labor and the environment are realities that we continually address and adapt to, as we make our decisions. For example, the recent passage of the Tax Reform for Acceleration and Inclusion (TRAIN) Act had levied an increase in excise tax on sweetened beverages and petroleum products, among other things, and this elevates the cost base of conducting some of our operations. However, given our sound business fundamentals, we firmly believe that we can withstand the effects of these challenges, and continue making every Filipino's life better.

We have immense opportunities within our fingertips that still needs unlocking. Within our broad ecosystem of customers, suppliers and businesses, we are confident that we can further create value by uncovering potentials under the fields of e-commerce, logistics and finance. We also identify and welcome the risk of technology disruption, and we are ready to dive into innovative ideas that will allow our Group to ride the new digital wave.

For our **food business**, we expect URC to launch offerings beyond the white coffee mixes to address the aggressive competition in the coffee business, and eventually grow the category by mid-single digit. URC's Agro-Industrial Group had an impressive revenue take up in 2017, due to better feeds sales and an increase in volumes of value added products of Robina Farms, which we expect to continue for 2018. Our flagship ready-to-drink beverage C2 has started to show growth signs again, but volume is expected to be affected this coming year due to the recently implemented excise taxes on sugar sweetened beverages. URC International's Vietnam market is projected to grow positive EBIT moving forward along with the recovery of C2 and *Rongdo* and launch of new RTD formats. Other key ASEAN markets such as Thailand and Malaysia are expected to continue their growth momentum especially in the biscuits and wafers category. Lastly, URC Oceania will continue to improve margins as a result of synergies between Snack Brands Australia (SBA) and Griffin's.

For our **property development** arm, we expect RLC to develop townships with residential, retail, office and hospitality components under the IID division, allocating a 50% increase in capex this year. The company will maintain a balanced mix of investment and development portfolios wherein it will create complementary and value-enhancing developments within business units. Under the Commercial Division, RLC targets to open four new provincial malls in Ormoc, Pavia (Iloilo), Tuguegarao and Valencia (Bukidnon) in 2018, increasing gross leasable space by 9%. Under the Hotels Division, the company plans to roll out three brand segments in 2018, namely Dusit Thani Mactan Cebu Resort, Summit Hotel Tacloban and Go Hotels Iligan. Under the Residential Division, RLC is gearing up for three to four new projects with a total estimated range value within ₱6.0-₱7.0 billion, to be launched in the coming year. In order to cater to the needs that are arising from modern lifestyle and technological trends, RLC also aims to develop new business formats such as warehouses, dormitory facilities, shared office and digital spaces in the near future.

For our **airline business**, CEB is pleased to continue being a travel-enabler to every *Juan* and further establish seamless connections not only within the archipelago but to the rest of Southeast Asia. CEB ended 2017 with 61 aircraft comprised of one Airbus A319, 36 Airbus A320, eight Airbus A330, eight ATR 72-500, and eight ATR 72-600. For 2018, there are remaining deliveries of seven more A321 CEOs, one A321 NEO, and three more ATR 72-600, as well as an exit strategy of eight ATR 72-500s. We target to maintain a conservative and flexible fleet expansion plan.

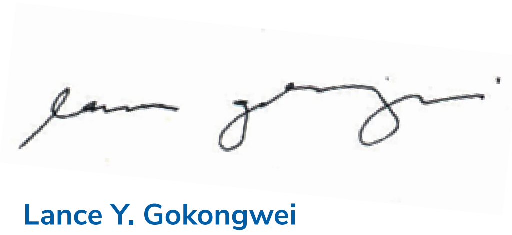
For our **Petrochemical business**, we continue to target a run rate of above 95% for 2018 and to develop its existing cracker and polypropylene production capacities by approximately 50%. JGSPG intends to further expand its naphtha cracker and polymer production units within the next three years, and enhance our ability to supply both the domestic and international markets with resins and petrochemicals. As a result of this, the market shall be able to enjoy a variety of competitive petrochemical products such as butadiene, aromatics, polyethylene and propylene derivatives that are designed to produce plastics in various formats.

For **Robinsons Bank**, we plan to end 2018 with 150 branches from 134 branches in 2017, and to continuously beef up on cyber-security. We are also looking into new sources of income and revenue streams for next year, such as Bancassurance and Electronic Invoice Presentment and Payment (EIPP) System. We aim to provide more opportunities for every *Juan* to experience rewards of having a bank that cares for its clients' needs in making their lives better.

Acknowledgment

We would like to extend our sincere gratitude to our shareholders, and the members of our Board of Directors for their continued trust and confidence in our company. We would also like to applaud our management team, our dedicated employees and business partners for their valuable contribution to JG Summit's commitment to making every Filipino life better. We look forward to standing alongside all of you in the year to come, as we hopefully face another remarkable and proactive year of excellence as a leading conglomerate in the Philippines.

James L. Go
Chairman and Chief Executive Officer



Lance Y. Gokongwei
President and Chief Operating Officer

Management Discussion and Analysis of Operating Performance and Financial Condition

JG Summit Holdings, Inc.'s consolidated net income from equity holders of the parent amounted to ₱29.37 billion in 2017, a 169% increase from ₱10.92 billion in 2016 due to the impairment losses recorded last year totaling ₱16.71 billion primarily from the decline in market value of the Group's investment in PLDT. The Group's consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱29.56 billion in 2017, relatively flat from ₱29.97 billion in 2016, mainly due to the lower net income of our airline business which was affected by the rise in fuel prices, offset by the double-digit income growth in our petrochemicals business and increase in our equity earnings from associates particularly from UIC, Meralco and GBP. Consolidated EBITDA reached ₱70.67 billion in 2017 from ₱69.37 billion in 2016.

Consolidated revenues grew 13.7% from ₱240.50 billion in 2016 to ₱273.45 billion in 2017 due to the performance of the following core subsidiaries:

- URC's total revenues increased by 11.0% from ₱112.61 billion in 2016 to ₱125.01 billion in 2017 driven by the 30.1% increase in BCFG international sales and 33.6% sales growth of the sugar business.

- JG Petrochemicals Group revenues increased by 42.4% from ₱29.07 billion in 2016 to ₱41.41 billion in 2017 due to higher sales volume and average selling price of polymers and olefins.

- CEB's total revenues went up by 9.9% from ₱61.90 billion in 2016 to ₱68.03 billion in 2017 mainly due to 3.2% growth in passenger volume and 3.8% increase in average fares.

- RLC's total revenues slightly decreased from ₱22.75 billion in 2016 to ₱22.45 billion in 2017 due to lower real estate sales partially offset by the increase in rental revenues.

- Banking revenue increased 31.2% from ₱3.41 billion in 2016 to ₱4.48 billion this year due to increase in interest income recognized from finance receivables and trading gains.

Revenues from our core investments, however, declined this year as dividend income received by the Group dropped 28.5% from ₱2.03 billion last year to ₱1.45 billion this year mainly due to lower dividend income declared by PLDT from ₱106 per share in 2016 to ₱76 per share in 2017. Equity in net earnings of associates, primarily from our investments in UIC/Singapore Land and Meralco, increased by 21.2% from ₱8.18 billion in 2016 to ₱9.91 billion in 2017, including the ₱719.18 million full-year equity earnings take-up from GBPC in 2017.

The Group's operating expenses increased by 13.6% from ₱44.14 billion last year to ₱50.16 billion this year due to higher selling, general and administrative expenses in the food and airline business units while operating income or EBIT amounted to ₱51.73 billion in 2017 from ₱52.27 billion in 2016.

JG Summit's consolidated total assets reached ₱739.45 billion as of end of December 2017. Current ratio stood at 1.14. The Group's indebtedness remains manageable with a gearing ratio at 0.66 and net debt to equity ratio at 0.50. Stockholders' equity, excluding minority interest, stood at ₱267.84 billion as of December 31, 2017 from ₱239.52 billion last year. Book value per share amounted to ₱37.39 as of December 31, 2017 from ₱33.43 as of December 31, 2016.

Universal Robina Corporation generated a consolidated sale of goods and services of ₱125.01 billion for the year ended December 31, 2017, an 11.0% growth over last year. URC's branded consumer foods (BCF) segment, excluding packaging division, increased 10.5% to ₱101.82 billion in 2017 from ₱92.14 billion registered in 2016. BCF domestic operations' net sales slightly decline from ₱59.19 billion in 2016 to ₱58.95 billion in 2017 mainly due to lower volume and unfavorable mix in the coffee category. BCF international sales increased by 30.1% to ₱42.87 billion in 2017 against ₱32.95 billion in 2016 due to full year consolidation of SBA as well as growth from Thailand and Malaysia, partly offset by Vietnam's slower than expected recovery. Sale of goods and services in URC's packaging division increased by 16.4% to ₱1.28 billion in 2017 from ₱1.10 billion recorded in 2016 while sales of Agro-Industrial segment amounted to ₱10.11 billion in 2017, a 9.9% increase from ₱9.20 billion recorded in 2016. Sale of goods and services in Commodity Foods segment amounted to ₱11.80 billion in 2017, up by 15.9% from ₱10.18 billion reported in 2016. Sugar and Renewables businesses grew by 33.6% and 15.5%, respectively, on the account of higher volumes. On the other hand, Flour business declined by 3.8% due to lower volume and average selling price. Equity in net losses of joint ventures amounted to ₱280.53 million in 2017 from ₱166.72 million in 2016 due to equity share in the net losses of newly created joint venture, Vitasoy-URC. Net income attributable to equity holders of the parent decreased by 13.1% to ₱10.89 billion in 2017 from ₱12.87 billion in 2016 and EBITDA (operating income plus depreciation and amortization) was at ₱21.06 billion for 2017, 1.6% lower than the ₱21.40 billion posted in 2016.

Robinsons Land Corporation generated total gross revenues of ₱22.45 billion in 2017, a slight decrease of 1.3% from ₱22.75 billion in 2016. EBIT grew 3.4% to ₱8.56 billion while EBITDA posted a 3.5% growth to ₱12.48 billion. Net income attributable to equity holders of the parent stood at ₱5.88 billion, up by 2.3% compared to last year. The Commercial Centers Division accounted for ₱10.79 billion of the real estate revenues for the year versus ₱10.14 billion last year or a 6.4% increase. Rental revenues increased due to opening of new malls in Iligan, Naga and North Tacloban and expansion of Robinsons Place Antique and Robinsons Butuan this year. The Division's EBIT and EBITDA grew by 3.3% and 3.4%, respectively. Revenues of Office Buildings Division grew by 8.8% to ₱3.27 billion from ₱3.00 billion over the same period last year. Revenue growth was mainly attributable to sustained occupancy rates, and escalation of rents in existing offices and contribution from the new offices namely Cyber Sigma, Galleria Cebu Office, Robinsons Lusitia Office and Cybergate Delta. The division's EBIT and EBITDA showed positive variances of 10.3% and 7.9%, respectively. The Residential Division realized revenues is at ₱6.57 billion this year, a decrease of 16.5% from last year, due to lower level of buyers meeting the equity requirement in recognizing sales based on percentage of construction completion. Both EBIT and EBITDA of the division decreased by 5.4% and 3.8%, respectively. The Hotels Division, a major contributor to the RLC's recurring revenues, registered gross revenues of ₱1.89 billion as against last year's ₱1.81 billion. The 4.8% increase in hotel revenues principally came from the new hotels, Go Hotels Davao and Summit Galleria Cebu. The hotel average occupancy rate is 66% in 2017. Hotels Division's EBIT and EBITDA grew by 9.0% and 7.5%, respectively.

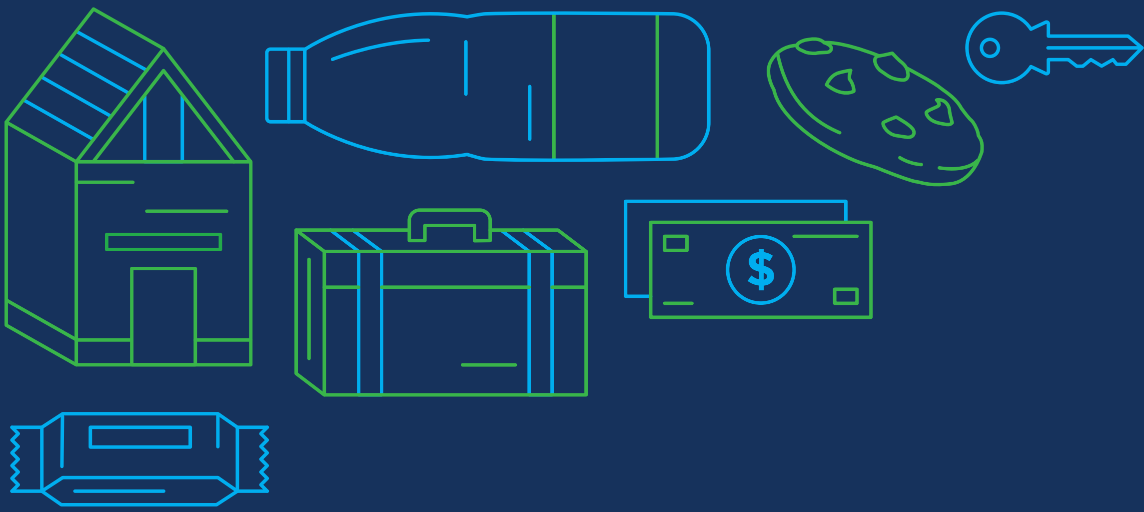
Cebu Air, Inc. generated gross revenues of ₱68.03 billion for the year ended December 31, 2017, 9.9% higher than the ₱61.90 billion revenues earned last year mainly attributed to the increase in passenger revenues by 7.2% to ₱49.93 billion for the year ended December 31, 2017 from ₱46.59 billion registered in 2016. This increase was primarily due to the 3.2% growth in passenger volume to ₱19.7 million from last year's ₱19.1 million resulting from the increase in CEB's fleet from 57 aircraft as of December 31, 2016 to 61 aircraft as of December 31, 2017. The increase in average fares by 3.8% to ₱2,529 in 2017 from ₱2,436 in 2016 also contributed to the increase in revenues. Cargo revenues grew 29.2% to ₱4.60 billion for the year ended December 31, 2017 from ₱3.56 billion in the same period last year following the increase in the cargo volume and yield in 2017. Ancillary revenues went up by 14.9% to ₱13.49 billion for the year ended December 31, 2017 from ₱11.74 billion posted last year consequent to the 3.2% increase in passenger traffic and 11.3% increase in ancillary revenue per passenger. Operating expenses for the year ended December 31, 2017 increased by 16.6% to ₱57.90 billion from ₱49.65 billion last year primarily due to the rise in fuel prices in 2017 coupled with the weakening of the Philippine peso against the U.S. dollar. CEB finished with an operating income (EBIT) of ₱10.13 billion in 2017, 17.3% lower than the ₱12.25 billion earned in 2016. EBITDAR amounted to ₱22.82 billion from ₱23.62 billion last year and net income for the year ended December 31, 2017 decreased by 18.9% to ₱7.91 billion from ₱9.75 billion last year.

Petrochemicals Group (consist of JGSPC and JGSOC) combined gross revenues reached ₱41.41 billion in 2017, 42.4% increase from last year's ₱29.07 billion due to higher sales volume from 1.15 million metric tons (MT) in 2016 to 1.39 million MT in 2017. Costs and expenses increased by 49.4% from ₱24.15 billion in 2016 to ₱36.08 billion in 2017 due to higher naphtha cost. As a result, net income amounted to ₱5.99 billion in 2017 from ₱5.13 billion in 2016, or an improvement of 16.9%.

Robinsons Bank, generated banking revenue of ₱4.48 billion in 2017, a 31.2% increase from last year's ₱3.41 billion brought about by higher interest income and trading gains for the year. Cost and expenses also increased by 32.1% as the bank continued its expansion and as a result, net income for the year ended December 31, 2017 amounted to ₱307.39 million, a 19.8% increase from last year's ₱256.65 million.

Equity in net earnings of associate companies and joint ventures amounted to ₱9.91 billion for the year ended December 31, 2017, a 21.2% increase from last year's ₱8.18 billion primarily attributable to the 34.5% increase in equity earnings from UIC from ₱2.79 billion last year to ₱3.75 billion this year, 12.5% increase in equity income from Meralco from ₱4.98 billion in 2016 to ₱5.60 billion in 2017 and the full-year equity earnings take-up from GBP amounting to ₱719.18 million this year from ₱356.43 million last year since its acquisition in June 2016. UIC recorded a 22.7% growth in its net income from operations from S$249.42 million in 2016 to S$305.98 million in 2017 due to higher revenue recognition from trading properties mainly contributed by the higher sales in Alex Residences and Pollen & Bleu. Since the Group's policy for the valuation of property, plant and equipment is the cost basis method, the equity income taken up by the Group represents the adjusted amounts after reversal of the effect in the income statement of the revaluation of the said assets.

JG Summit Businesses and Investments



HOLDING COMPANY

JG Summit Holdings, Inc.

JG SUMMIT
HOLDINGS, INC.

The business of **JG Summit Holdings, Inc.** began in the 1950's when Universal Corn Products established a cornstarch plant in Manila. Since then, JG Summit has pioneered breakthroughs, broadened its enterprise, and stayed at the forefront of every phase of the country's development, built on a strong entrepreneurial culture and robust financial management.

Currently, JG Summit is one of the largest and most diversified conglomerates in the Philippines, engaged in businesses which serve a growing middle class with rising disposable incomes in the Philippines, Southeast Asia and Australasia. Its largest subsidiary, Universal Robina Corporation, is one of the leading food and beverage companies in the ASEAN and Oceania regions, serving well-loved quality products with great value for money. Cebu Pacific Air is the Philippines' leading airline and one of the fastest growing low-cost carriers in the world, with a growing international network reaching Asia, Australia, Middle East and the US, serving millions of Filipino workers, tourists and business travelers with affordable and reliable air transportation. Robinsons Land Corporation is a leading mixed-use property developer engaged in the development and operation of shopping malls, hotels, offices, residential buildings, as well as land and residential housing projects

located in key cities and urban areas in the country. JG Summit Petrochemicals Group is the first and only integrated petrochemical manufacturing operation in the Philippines, which is from naphtha cracking to polymer operations, serving the requirements of the country's manufacturing sector. Robinsons Bank is a full-service commercial bank which caters to the deposit, loan, cash management and investment requirements of its retail consumers, business partners, and the general public through a wide range of products and services.

In addition to these businesses, JG Summit also has significant minority positions in the Philippines' largest telecoms company – PLDT, Inc.; its largest electricity distributor – Manila Electric Company; one of Singapore's leading property developers – United Industrial Corporation; and the largest independent power producer in the Visayas and Mindoro region – Global Business Power Corporation.

JG Summit's has cemented its place in Philippine business and has, for its cornerstone, a business portfolio of market leaders, a solid financial position, a formidable management team, a disciplined strategy, and a vision of leading the country to global competitiveness and making life better for every Filipino.

JG Summit enters the tech space

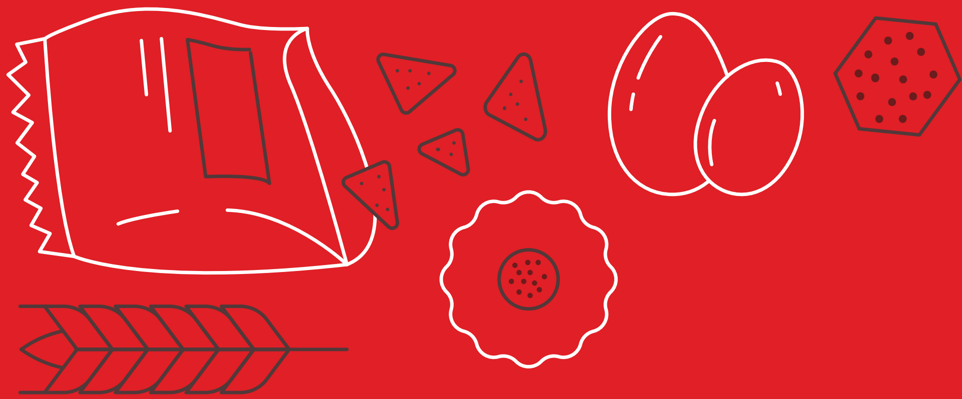
To move with the changing of times, JG Summit motioned to obtain a foothold in the forward-looking segment of technology.

In the first half of the year, JG Summit invested in **Sea Limited (SEA)**, a Singapore-based internet platform company focused on South-east Asia through a convertible promissary note. Formerly known as Garena Interactive Holding Limited, SEA rose to fame in the tech and gaming ecosystems for its eSports brand. JG Summit was among the institutional investors who participated in its early-2017 funding round, which generated a total of US$ 550 million in fresh capital. Majority of the new capital infusion would be used to grow SEA's e-commerce platform *Shopee*, with a focus on key markets.

In the second half of the year, JG Summit signed a joint venture agreement with Hong Kong-based Oriente to form **Oriente Express Techsystem Corporation**, which aims to set up a digital financial services marketplace that will address the financial exclusion problem of underbanked consumers, and micro, small and medium enterprises (MSMEs) in the country through financial technology solutions. The joint venture recognizes the game-changing potential of digital financial inclusion, and hopes to help improve lending in the country, enabling Filipinos to tap into cheaper credit facilities.

Through these investments, JG Summit hopes to continue to empower and make life even better for the Philippine and ASEAN middle class, by serving them new and progressive opportunities to bridge their ever-growing needs.

From left: BJ Sebastian, JG Summit Chief Strategist; Lance Y. Gokongwei, JG Summit President and COO; Geoffrey Prentice, co-founder of Oriente and Skype; PrRyncess Esguerra, JG Summit Corporate HR Manager



FOOD, AGRO-INDUSTRIAL AND COMMODITIES

Universal Robina Corporation

Universal Robina Corporation, is one of the leading food and beverage companies in Southeast Asia, and a major player in agro-industrial, commodity and renewable businesses in the Philippines.

In the 1950's, URC started as a cornstarch manufacturer, and then eventually branched out to enter the branded consumer foods (in 1960's) and commodities (in 1970's-80's) businesses. Today, URC has established a strong position in the ASEAN markets, and was able to expand its reach to the Oceania region through its acquisition of ***Griffin's***, the leading snack foods player in New Zealand, and ***Snack Brands Australia***, the second largest player in Australia.

The **Branded Consumer Foods Group (BCFG)** continuously grows its international presence in both the ASEAN and Oceania markets with its manufacturing facilities in Vietnam, Thailand, Malaysia, Indonesia, Myanmar, New Zealand and Australia; trading offices in Hong Kong and Singapore; and exclusive distributor presence in Laos and Cambodia.

Alongside its geographic expansion, URC was able to develop its own set of brands and product portfolio. BCFG banners the *Jack 'n Jill* megabrand, which houses well-loved snack foods brands like *Piattos, Chippy, Magic, Cream-O, Maxx*, and *Cloud 9. Jack 'n Jill* also launched innovative new brands like *Mang Juan* and *Fun-O*. And through its co-branding partnership with *Calbee*, the largest snacks maker in Japan, it has introduced a new sophisticated range of salty snacks for a new market in the Philippines. *Jack 'n Jill* has grown to represent the simple pleasures of life as well as the fun and camaraderie of snacking. It has become one of the most recognizable brands in the Philippines and is well-recognized in other Southeast Asian countries.

In the Philippines, URC is the market leader in salty snacks, candies, chocolates, and a significant player in biscuits, with leading positions in cookies and pretzels. Outside its domicile market, URC is the market leader in biscuits and wafers in Thailand.

Premium brands were also added into URC's portfolio through its acquisitions such as *Griffin's* and *Nice & Natural* from Griffin's Foods, and *Kettle, Thins, CC's* and *Cheezels* from SBA.

URC has a strong presence on its beverage categories with the success of *Great Taste* and *C2 Cool & Clean. Great Taste* has become one of the leaders in coffee business innovation through its launch of *Great Taste White*, which is the number one brand in the white coffee format. While C2, being the first of its kind in the Philippines, has become the cornerstone for the entire RTD tea market and is the largest player in the Philippines in RTD Tea.

URC's joint venture with *Vitasoy* opened a new beverage portfolio in the domestic market which is plant-based nutrition. *Vitasoy's* soy milk offerings come in different flavors such as original, oats, chocolate and coffee.

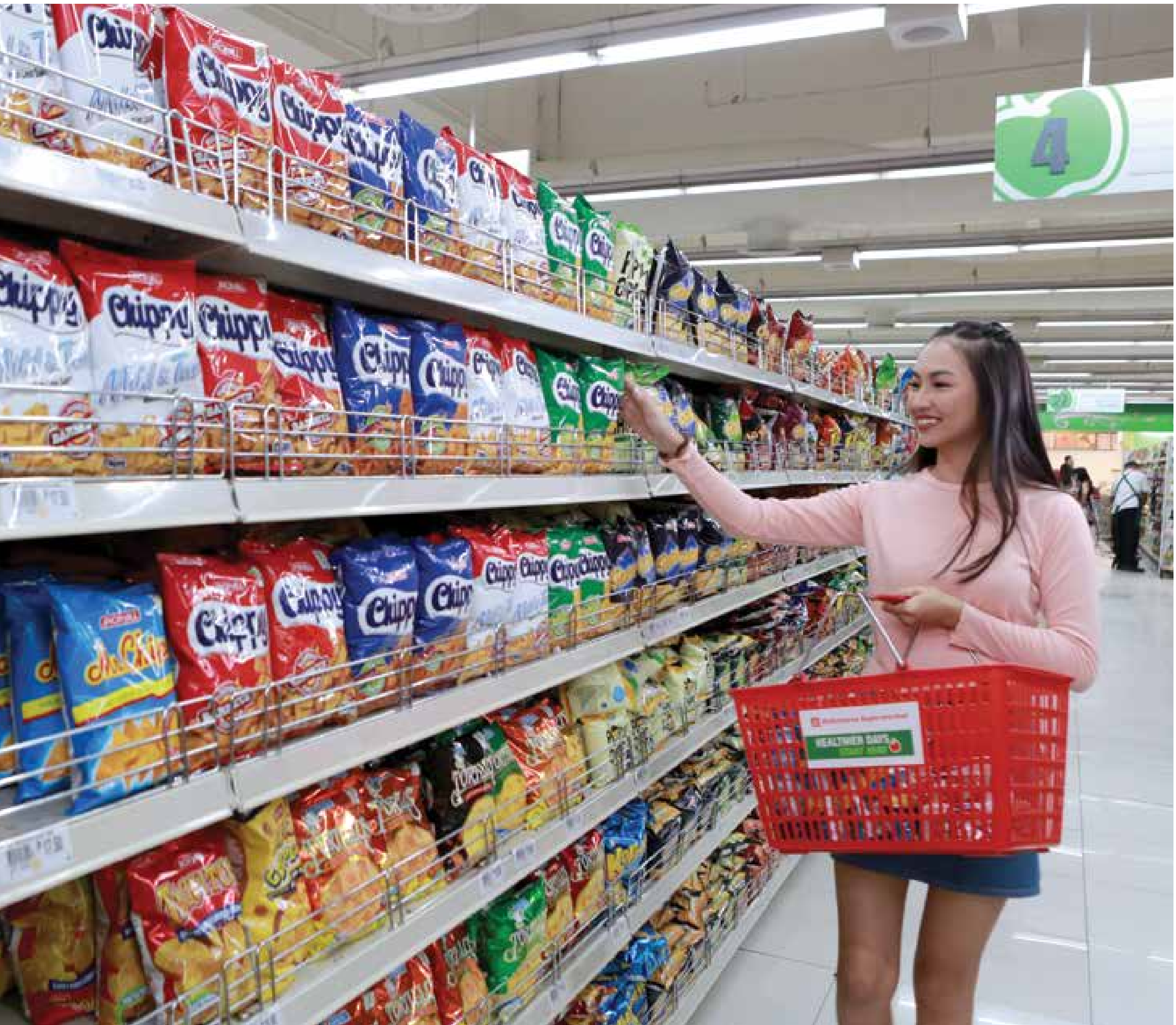
The **Agro-Industrial Group (AIG)** provides live animals (hogs and chicken), premium meat cuts and eggs, high quality feeds, and veterinary medicines, making it one of the biggest agro-industrial business players in the Philippines.

AIG is focused and known in providing Total Agri-Solution and farm management expertise, including state-of-the-art diagnostic capability, to its customer-partners. Its strategy has evolved to a ***Farm to Fork*** model that ensures high quality products in every aspect of its value chain – from animal husbandry to value-added meat products. AIG managed to retain certifications on Good Animal Husbandry Practices (GAHP), Good Manufacturing Practice (GMP) and Hazard Critical Control Points (HACCP) and its produces (meats and eggs) are "***no-hormone-and-antibiotic-residue-free***"-certified. AIG's Robina Farms brand – "***Robina raised, Family safe products***", embodies these high-level of standards that enabled the business to aggressively capture the quality-conscious segment. AIG also efficiently operates their AAA Slaughterhouse and Meat Fabrication facility in Antipolo City.

The **Commodity Foods Group (CFG)** is engaged in flour milling, pasta production and distribution under the URC Flour Division, as well as in sugarcane milling, raw sugar refining, biomass power cogeneration and distillery under the URC Sugar and Renewables Division (SURE).

URC is also engaged in the manufacturing of product packaging through URC BOPP Packaging and URC Flexible Packaging.

URC is committed to bringing Filipino taste and culture worldwide, in line with JG Summit's vision to make lives better, not only for Filipinos, but also for the rest of the world.



BRANDED CONSUMER FOODS GROUP

BCFG is a dominant player in the industry being the market leader in salty snacks, confectioneries, and ready-to-drink tea while continuously holding a strong presence on coffee and bakery.

Salty Snacks

Bakery

- Biscuits
- Cakes

Confectioneries

- Candies
- Chocolates

Ready-To-Drink Beverages

- Tea
- Water
- Chocolate
- Juices
- Coffee
- Soy

Powdered Beverages

- Instant Coffee (Pure Soluble and 3 in 1 Mixes)
- Chocolate
- Creamer

JOINT VENTURES

Nissin-URC

URC manufactures and markets Nissin's instant noodles in cups and pouches, and Payless, a value-for-money instant noodles in pouches through its joint venture with Nissin Foods Holdings, Co. Ltd

ConAgra-URC

ConAgra-URC recently sold its Hunt's business as a strategic move for URC to focus more on its core categories such as snack foods and beverages. The joint venture will launch new, exciting products in 2018 that are convenient, on-the-go and are aligned with URC's current product portfolio.

Calbee-URC, Inc.

URC manufactures premium and innovative potato snacks through its joint venture with Calbee of Japan.

Danone Universal Robina Beverages, Inc.

URC manufactures a millennial water plus drink through its joint venture with Danone Asia Holdings Private Ltd. (Danone Asia), a unit of the multinational Danone Group of France

Vitasoy-URC

URC ventured into plant-based beverage by offering a wide range of soy milk products through its partnership with Vitasoy of Hong Kong

AGRO-INDUSTRIAL GROUP

Robina Farms Poultry breeds and grows day-old pullet, layer chicks, and premium table eggs

Robina Farm Hogs breeds and sells live pigs, fresh meat cuts and carcasses

URC Feeds manufactures and distributes animal feeds for hogs, poultry and game fowl, dog food and other specialty feeds

URC Veterinary Drugs manufactures, distributes and sells a wide range of high-quality animal health products

COMMODITY FOODS GROUP

URC Flour Division produces and distributes hard, soft and specialty flour. It also manufactures and sells pasta products under the brand El Real

URC Sugar and Renewables Division provides sugarcane milling and raw sugar refining services, and produces fuel grade anhydrous ethanol suitable for gasoline blending, biomass power cogeneration and liquid CO_2 through Carbon Dioxide (CO_2) Recovery and Liquefaction plant.

URC BOPP PACKAGING

Manufactures and offers a wide range of Bi-axially Oriented Polypropylene (BOPP) films which are primarily used for packaging of different consumer products.

URC FLEXIBLE PACKAGING

Manufactures flexible packaging materials that cater to various URC branded products. The Board of Directors approved in 2015 the merger of CFC Clubhouse Property Inc. (CCPI) and URC, with the latter as the surviving entity, to integrate processes, attain greater efficiency and economy in the management of operations, and increase financial strength. Having been integrated with URC, CCPI will now be named as URC Flexible Packaging (UFLEX).

URC started out as a cornstarch manufacturing company in the 1950's. With ***Panda Cornstarch*** as its first brand, URC soon grew to include the ***Jack 'n Jill*** brand of fun snack foods, ***Blend 45*** and ***Great Taste*** coffee, ***C2*** ready-to-drink tea, and many other favorites. The company further expanded its portfolio with premium brands from its joint ventures and acquisitions.

—

URC launched the first locally manufactured coffee blend in the 1960s with Blend 45. With its distinctly Filipino blend and flavor, it soon became a local favorite. URC also introduced the first 3-in-1 coffee mix with Great Taste which has been a trailblazer on innovation in the coffee mixes segment. Great Taste White remains to be the number one brand in the white coffee format in the Philippines.

OUR BRANDED CONSUMER FOODS

URC's first branded snack product was ***Jack 'n Jill Chiz Curls***. It has since been followed by ***Chippy***, ***Nova***, ***Piattos*** and many other fun snacks that have become Filipino favorites for generations.

—

URC continuously innovates and introduces new products both locally and in the region to constantly excite the market. The company realizes that innovation is one of the key factors for the success and sustainability of the business.

—

URC entered the ready-to-drink market in 2004 with **C2 Green Tea**. Originally available in lemon and green tea flavors, **C2** was a runaway success, creating the RTD Tea market in the Philippines. **C2** also maintained its dominance in the market for 13 years after its launch despite the stiff competition from multinational brands.

—

URC has also built **C2** as a strong player in the RTD tea category in Vietnam. Vietnam presents a significant market for URC as it is a natural tea drinking country. While the initial attempt to sell **C2** in more traditional tea flavors of jasmine and lotus did not excite the market, URC's **C2** came roaring back using the sweeter fruit-flavored formulation that has endeared Filipino consumers.

—

In 2011, **URC** successfully launched extruded and pelletized snacks called ***Chicharron ni Mang Juan*** as well as ***Great Taste White Coffee*** mixes, a first in the domestic market.

—

URC expanded in the ASEAN and Oceania markets after the international investments of the Gokongwei family in food manufacturing were folded-in into the company. From operations in Thailand, Malaysia, Indonesia, Vietnam, Myanmar and New Zealand, the company has added new facilities in Australia through the acquisition of SBA.

OUR AGRO-INDUSTRIAL AND COMMODITY FOODS GROUPS

URC supports the livestock industry with ***Robina Farms***, which raises hogs and poultry; URC Feeds, which provides a variety of feeding and nutritional needs for them; and URC Veterinary Drugs, which takes care of their veterinary requirements. URC ensures healthy, well-tended livestock - just one of the ways URC helps make life better for the Filipino.

—

URC is a major player in commodity foods, with strong positions in flour milling, sugar milling, and sugar refining. In 2017, URC has a combined capacity of milling 35,500 tons of sugar cane and 32,000 bags of refined sugar per day. With the acquisition of Balayan Mill in February 2016 and increased capacity of its existing mills, **URC** is now the largest sugar producer of the country. The company is also expanding its flour milling capacity in Davao and Pasig to support the growth of this business. These expansions ensure a consistent supply of these raw materials for URC's branded consumer foods group.

—

URC has ventured into the renewable energy with its Bioethanol Distillery, Biomass Cogeneration plants, Biogas facilities and Carbon Dioxide (CO_2) Recovery and Liquefaction plant. The ethanol distillery plant, which is located in Manjuyod, Negros Occidental, produces fuel grade anhydrous ethanol suitable for gasoline blending using sugar molasses as feedstock. It has a capacity of 100,000 liters per day. The 46MW Biomass Fired Power Cogeneration plant in Negros Occidental, which started its installation in 2014 has been inaugurated in June 2015 and currently exports around 20MW power to the national grid. The company also developed two Biogas facilities for its agro-industrial business which convert manure of its hogs and poultry into energy to save on electricity costs and to eliminate manure hauling for a better waste management. Most recently, we also started operating a Carbon Dioxide (CO_2) Recovery and Liquefaction plant to produce liquid CO_2.

JOINT VENTURES AND ACQUISITIONS

URC acquired Griffin's, the leading player in snack foods in New Zealand in November 2014. URC invested in a new bar line for Griffin's Wiri plant which was commissioned in October 2015. This has augmented the company's supply for wrapped snacks and bars given the growing demand for products that are anchored on health, wellness and nutrition.

—

URC has entered into a 50-50 joint venture partnership with Calbee of Japan, a major Japanese snack food maker, with products enjoying a huge popularity in Asia and the United States. Calbee-URC, Inc. offers a diverse range of innovative potato snacks with ***Potato Chips***, ***Pizza Potato***, ***Jagabee Potato Fries***. In March 2017, ***Potato Chips Honey Butter*** was launched in the Philippines.

—

URC signed a joint venture agreement in October 2014 with Danone Asia Holdings Private Ltd. (Danone Asia), a unit of the multinational Danone Group. In January 2015, Danone Robina Beverages, Inc (DURBI) introduced B'lue, a unique and refreshing water plus drink to the Philippine market.

—

URC has completed its acquisition of Consolidated Snacks Pty Ltd (CSPL) which trades under the company name Snack Brands Australia in September 2016. SBA is the second largest salty snacks player in Australia and one of the most preferred suppliers and partners of major Australian retailers. The consolidation of Griffin's and SBA will enable URC to build a profitable and more dynamic snacking business in the Oceania region.

—

URC and Hong Kong's Vitasoy Group have established a joint venture in February 15, 2017, which explores the potential of plant-based sustainable beverage products in the Philippine market.

URC's Purposeful Transformation

URC recently released its first sustainability report called, "Our Purposeful Transformation". The report aims to show URC's current status in terms of sustainability performance and provide a sustainability strategy framework that is aligned with what truly is material to the company. The sustainability commitment is focused on five pillars. Our first three focus areas are natural resources, people and product, and later we will also cover economic focus and supply chain. Our envisioned timeline is by the end of 2030, which coincides with the culmination of the United Nations Sustainable Development Goals (SDGs).

The release of the report is one of our first step as we embark on our journey to grow a more competitive and sustainable business. This shows our desire to do business with integrity, guided by transparency, ethics, and fairness in all our dealings.

To know more about URC's first sustainability report, kindly visit http://www2.urc.com.ph/sustainability.

URC established a joint venture with Vitasoy Group, a leading manufacturer and distributor of sustainable plant based nutrition

On February 15, 2017, URC established a joint venture with Vitasoy Group in Hong Kong to promote high-quality sustainable plant-based beverage products in the Philippines. VITASOY is a leading food and beverage company focused in promoting sustainable plant-based nutrition. Its portfolio offerings under the VITASOY brand include tofu, soy and other types of plant milk while under the VITA brand

ConAgra-Universal Robina Corporation sells Hunt's license for the Philippines

Hunt-Universal Robina Corporation (HURC), a partnership between URC and American Company ConAgra, sold the Philippine license for Hunt's branded products to Century Pacific Food. This includes the manufacturing, selling and distribution of Hunt's branded products in the Philippines. HURC was the first joint venture of URC that started way back 1983. It established a strong grocery category in Pork & Beans and sauces in the domestic market.

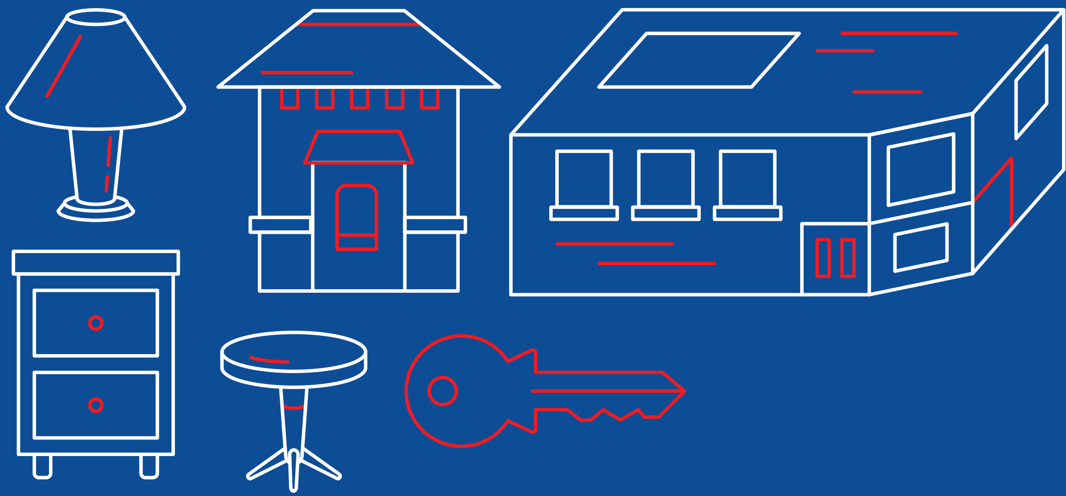
The selling of Hunt's brand is driven by URC's strategic intention to focus its food and beverage portfolio towards convenience and on-the-go occasions. The partnership will launch new line of products in 2018 that is aligned with URC's current strategy.

CBUR
CONAGRA BRANDS | UNIVERSAL ROBINA

From left: Ricardo Gabriel T. Po, Century Pacific Food, Inc. Vice Chairman; Christopher T. Po, Century Pacifc Food, Inc. Executive Chairman; Lance Y. Gokongwei, URC President and CEO; Cornelio S. Mapa, Jr., Executive Vice-President and Managing Director, URC Branded Consumer Foods Group

are teas, juices, distilled water and other types of beverage. Vitasoy also has international presence with manufacturing operations outside Hong Kong such as in Mainland China, Australia and Singapore and sells to more than 40 markets globally.

The joint venture is meant to address the emerging consumer trends on well-being and sustainable nutrition in the Philippines. On May 2017, the joint venture launched soy milk products under the brand Vitasoy with flavors like coffee, chocolate, oat, and original. This expanded the ready-to-drink portfolio of the Branded Consumer Foods Group.



REAL ESTATE AND HOTELS

Robinsons Land Corporation

Robinsons Land Corporation 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 development and operation of shopping malls and hotels; the development of mixed-use properties, office and residential buildings, and integrated townships; as well as land and residential housing developments, including socialized housing projects located in key cities and urban areas nationwide. RLC adopts a diversified business model, with both an "investment" component, in which RLC develops, owns and operates commercial real estate projects (principally shopping malls, office buildings and hotels) and a "development" component, in which RLC develops residential real estate projects for sale (principally residential condominiums, upper-middle to high-end residential developments, and low-and-middle-cost lots and houses in its subdivision developments).

RLC is one of the country's largest mixed-use property developers. It has numerous mixed-use developments such as Robinsons Galleria, Robinsons Place Manila, Robinsons Magnolia and Robinsons Cybergate Complex which integrate shopping malls, office buildings, hotels and/or residential projects. RLC's newest mixed-use development is the 30-hectare Bridgetowne complex in Pasig and Quezon City.

Each and every project of RLC has led to the rise of thriving, harmonious communities in line with JG Summit's vision to make life better for the Filipino nation.

RLC's operations are divided into five business divisions:

The **Commercial Centers Division** develops, leases and manages shopping malls throughout the Philippines. As of December 31, 2017, RLC operated 47 shopping malls, comprising nine malls in Metro Manila and 38 malls in other urban areas throughout the Philippines.

The **Office Buildings Division** develops office buildings for lease. As of December 31, 2017, this division had 17 office developments, 11 of which are located in Metro Manila, two in Cebu, and one each in Tarlac, Davao, Naga and Ilocos Norte. These office projects are primarily developed as investment properties and leased out to tenants by the company.

The **Hotels Division** owns and operates hotels all over the country. As of December 31, 2017, RLC's Hotels Division had a portfolio of 16 hotel properties, under the three brand segments, namely,

- **Internationally branded hotels**
  Crowne Plaza Manila Galleria and Holiday Inn Manila Galleria
- **Summit Hotels**
  Summit Circle Cebu, Summit Ridge Tagaytay, Summit Galleria Cebu and Summit Hotel Magnolia
- **Go Hotels**
  10 Go Hotels in Mandaluyong, Palawan, Dumaguete, Tacloban, Bacolod, Otis, Iloilo, Ortigas Center, Butuan and Davao

The **Residential Division** develops and sells residential developments including low-, mid-, high-rise condominium buildings and housing divisions. As of December 31, 2017, RLC's Residential Division completed 88 residential condominium buildings/towers/housing projects, and had 19 ongoing projects. It currently has several projects in various stages for future development that are scheduled for completion in the next one to five years. RLC's residential division is categorized into four brands – Robinsons Luxuria, Robinsons Residences, Robinsons Communities, and Robinsons Homes.

The **Infrastructure and Integrated Developments Division** is responsible for master planning, master developing and maintaining the township developments as well as populating the same with an optimal mix of locators and other RLC business units including the selling of commercial lots. The division also acquires vast tracks of land for township developments. They also develop and lease warehouses and industrial buildings.

RLC was incorporated in June 1980 to serve as the real estate arm of JG Summit Holdings, Inc.

—

RLC pioneered the mixed-use property development concept in the country supporting the live-work-play lifestyle. Robinsons Galleria complex, which opened in 1990, is the company's first and premier mixed-use development project where two deluxe hotels, two high-rise office buildings, an upscale residential condominium, and its flagship mall are all fully integrated. More mixed-use development projects followed thereafter and more are planned for future openings. As of December 2017, RLC has 17 mixed-use developments.

—

In 1996, the real estate development and hotel management activities of JG Summit was consolidated under **RLC** through the share swap transactions of two affiliated entities, Manila Midtown Hotels and Land Corporation and Robinsons Inn.

—

RLC was the first JG Summit subsidiary to list in the Philippine Stock Exchange in 1989 with a successful follow-on offering in 2006. It was also the first to list in Philippine Dealing and Exchange Corp. (PDEX) in 2010. RLC carried out three successful stock rights offerings, a first for any JG Summit company.

—

RLC is the second largest mall developer in the country in terms of number of malls spanning 1.39 million sqm of gross leasable area with an occupancy rate of 95% as of December 31, 2017.

—

RLC is one of the leading office space providers in the country with 405,000 sqm of leasable space from its 17 office developments as of December 31, 2017. Major office tenants are the IT-BPM companies which occupy 80% of the total office space.

—

RLC is a leading owner and operator of hotels in the Philippines with a total of 2,516 guest rooms. The company successfully opened its first essential services/value hotel chain in the country in 2010, Go Hotels, viewed as a complement to its other property developments and also as a good strategic fit to an affiliate company, Cebu Pacific.

—

In 2012, **RLC** was the top gainer in the Philippine Stock Exchange Index with an 83.63% increase in its stock price from January 2 to December 28, 2012.

—

For two consecutive years, 2013 and 2014, **RLC** was awarded as the Overall Best Managed Company in the Philippines by Euromoney, a leading international magazine, in their annual poll. Analysts praised RLC for its leading role in promoting transparent communication to investors as well as for its prudent gearing, good governance, visibility and clear articulation of strategy.

—

In 2015, **RLC** won the bidding for the acquisition of land use right to a property located in Chengdu Province, China. The property has a gross floor area of approximately 220,000 sqm which will be used for residential projects with a minor commercial component. This is RLC's first foray into the international real estate market.

—

In 2016, **RLC** took the lead in ecological sustainability by harnessing renewable energy to become the country's biggest producer of solar power for self-consumption with the installation of solar power facilities in 14 of its malls.

—

In 2017, the Philippine Property Awards awarded Robinsons Galleria Cebu as the Best Retail Development. It also recognized The Sapphire Bloc with the Best Residential Interior Design award.

—

RLC Recognized as 2017 Best Developer

Robinsons Land Corporation, one of the country's largest mixed-use developers, continues to be recognized both locally and abroad not just for its size, but also for the quality of its residential, mall, office and hotel offerings, as well as for its corporate citizenship.

Robinsons Land was recognized as the Best Developer in 2017 by the DOT Property Awards, while its President Frederick D. Go was named Real Estate Personality of the Year during the 2017 PropertyGuru Philippine Property Awards, as the company maintained its stable growth.

In 2017, the company expanded its portfolio of developments to 47 vibrant shopping malls, 17 strategically located office buildings, 16 hotels under three brands, and 88 completed residential projects. During the year, RLC's Commercial Centers Division focused on thriving yet underserved economies in the provinces and opened three new malls: Robinsons Place Iligan, Robinsons Place Naga, and Robinsons Place Tacloban. It also expanded its existing malls in Robinsons Antique and Butuan. The company now has 47 malls in Metro Manila and in the provinces, with more in the pipeline. RLC continues to be the second largest mall developer in the country with 1.39 million sqm of gross leasable area.

The division added another feather to its cap with its Robinsons Galleria Cebu mall being named as The Best Retail Development during the PropertyGuru Philippine Property Awards. RLC's focus on sustainability by developing green buildings was also highlighted with a Special Recognition in Sustainable Development.

RLC's Office Buildings Division completed four more office towers in 2017, namely Cybergate

Naga, Naga City; Cybergate Delta, Davao City; Cyber Sigma, Taguig City; and Robinsons Luisita Office, Tarlac City. This grew its net leasable area to 405,000 sqm, increasing its recurring revenue base by catering to the steadily rising demand for high quality office space, particularly from the business process outsourcing sector.

With the government's focus on expanding the Philippine tourism industry, the Robinsons Hotels and Resorts Division opened the doors of the luxurious 220-room Summit Galleria Cebu located at the gateway to the rich, natural and cultural wonders of the Visayas. RLC is a leading owner and operator of hotels in the country with a total of 2,516 guestrooms.

The company's Residential Division also continued to reap accolades with the PropertyGuru Philippine Property Awards naming The Sapphire Bloc as having the Best Residential Interior Design, and The Radiance Manila Bay as a Highly Commended Development. Chimes Greenhills won in the High Rise Development Category of the International Property Awards for Asia Pacific, while Acacia Escalades was the Silver Winner in the Residential High Rise Category of the FIABCI Philippines Property and Real Estate Awards.

RLC also created a new business unit this year, the Infrastructure and Integrated Developments Division, which is now responsible for master planning, master developing and maintaining township developments. It is also tasked with acquiring vast tracks of land for township developments and the lease of warehouses and industrial buildings.

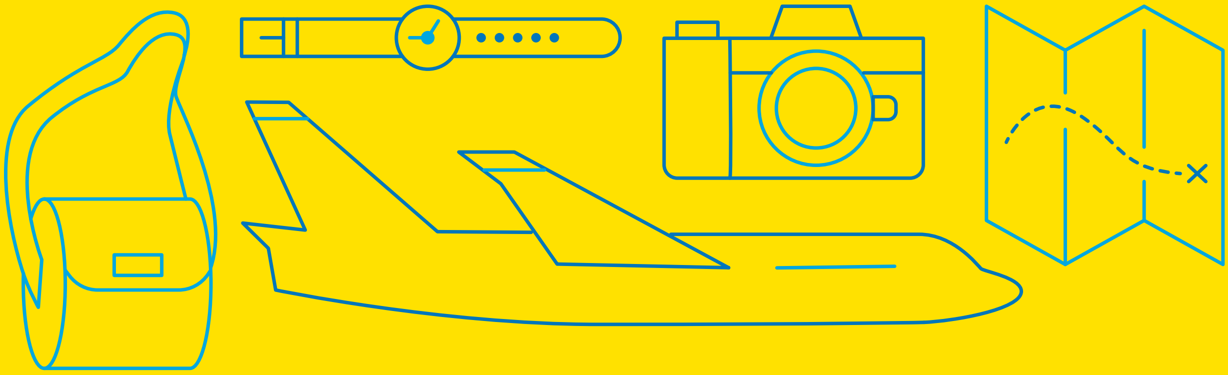
Outside of creating more value for its shareholders, RLC has been actively making life better for Filipinos through its various Corporate Social Responsibility programs. As part of its environmental sustainability thrust, one ongoing campaign is the company's gradual shift to the use of green energy by installing solar panels in its malls to reduce dependence on power generated from the burning of fossil fuels.

In terms of social contribution, through The Gift of Change (TGOC), the malls' coin bank donation campaign, RLC has been able to provide free eye screenings and eyeglasses for thousands of indigent beneficiaries. In 2017, the program was held in Robinsons Place Antipolo and Robinsons Place Palawan.

Through TGOC and volunteer employees, RLC was also able to mobilize relief operations during calamities, giving much-needed aid to over 1,000 families in Butuan, Malabon, Tacloban, Palawan and Iligan. In cooperation with ABS-CBN's TV Patrol, Robinsons Malls also conducted various educational programs to boost employment and livelihood as well as disaster-preparedness. Robinsons Malls and TGOC have also been able to provide free lighting fixtures in Malabon, life vests for Puerto Princesa Underground River tours, and wall fans for classrooms in Malabon.

Meanwhile, Robinsons Malls continue to provide more convenient access to various government services through its Lingkod Pinoy Centers which hosts satellite offices for agencies such as the Social Security System (SSS); Government Service Insurance System (GSIS); Land Transportation Office (LTO); Home Development Mutual Fund (PAG-IBIG); Land Registration Authority (LRA); National Bureau of Investigation (NBI); Philippine Health Insurance Corporation (PhilHealth); Department of Foreign Affairs (DFA); Securities and Exchange Commission (SEC); Department of Trade & Industry (DTI) SB Corp.; Technical Education and Skills Development Authority (TESDA); Philippine Postal Corporation (PHLPost); Bureau of Immigration (BI); Tourism Infrastructure and Enterprise Zone Authority (TIEZA); and Professional Regulation Commission (PRC).

The various projects and free services provided by the company were commended as it received Special Recognition in CSR during the PropertyGuru Philippine Property Awards while the Philippine Quill Awards cited the company for Communication Management for Corporate Social Responsibility ("Robinsons Starmills is Powered by the Sun") and Communication Management for Non-Profit Campaigns (Robinsons Galleria Cebu Festival of Trees).



AIR TRANSPORTATION

Cebu Pacific

Cebu Pacific is the Philippines' leading airline and one of the fastest growing low-cost carriers in the world. It has a unique low-fare, great-value strategy that allows travelers to enjoy year-round affordable flights to 37 domestic and 25 international destinations. CEB uses a tiered pricing system that provides low fares through advanced bookings, making air travel a truly viable option for the Filipino.

CEB pioneered many firsts in the Philippine aviation industry—innovations such as e-ticketing, web and mobile check-in, self check-in kiosks, seat selection and online booking through www.cebupacificair.com.

On March 20, 2014, CEB acquired Tiger Airways Philippines (TAP), as a wholly owned subsidiary. CEB and TAP (collectively known as "CEB Group") are consolidated for financial reporting purposes.

In line with its commitment to make air travel more affordable and accessible, the CEB Group operates an extensive route network serving 76 domestic routes and 38 international routes with a total of 2,632 scheduled weekly flights as of December 31, 2017. It has three principal distribution channels: the Cebu Pacific website; direct sales through booking sales offices (reservations call center and government/corporate client accounts); and third-party sales outlets. CEB Group operates from seven hubs: 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; Kalibo International Airport in Kalibo, Aklan; and its newest hub, the Laguindingan Airport, serving Cagayan de Oro and Iligan City, in Misamis Oriental.

As of December 31, 2017, CEB Group operates a fleet of 61 aircraft comprised of one Airbus A319, 36 Airbus A320, eight Airbus A330, eight ATR 72-500 aircraft and eight ATR 72-600. CEB Group's fleet is one of the youngest in the world, with an average age of 5.01 years. To support its growth requirements, the CEB Group will take delivery of 47 aircrafts over the course of the next five years.

CEB Group defended its dominance in the Philippine domestic market on all important metrics – most passengers, most seats, highest seat load factor, most destinations, routes, and daily flights. Based on the Civil Aeronautics Board (CAB) data, the group's domestic market share as of the end of 2017 is 55.29% and its competitive performance index (CPI) for the year posted at 1.06, which means its share of the market remains higher than its capacity share. CEB's CPI remains the highest among the domestic players in the Philippines.

CEB Group continued to grow in the international market with 19.45% market share based on 2017 CAB data. HongKong, Singapore, and Japan are its largest markets. In 2013, CEB started flying to Dubai, its first long-haul destination. CEB further widened its reach and flew to its first US destination, Guam in March 2015.

CEB's destinations and connections boost its position in the cargo business to now become the largest domestic carrier, owning 47% of the domestic market as of the end of 2017.

We continue to work at making more dreams of flight a reality for every Juan, true to JG Summit's vision to make a better life available to the Filipino.

Domestic Destinations

- Bacolod
- Boracay (Caticlan)
- Busuanga (Coron)
- Butuan
- Cagayan de Oro
- Camiguin
- Cauayan (Isabela)
- Cebu
- Clark
- Cotabato
- Davao
- Dipolog
- Dumaguete
- General Santos
- Iloilo
- Kalibo
- Legazpi
- Laoag
- Manila
- Masbate
- Naga
- Ormoc
- Ozamiz
- Pagadian
- Puerto Princesa
- Roxas
- San Jose (Mindoro)
- Siargao
- Surigao
- Tablas
- Tacloban
- Tagbilaran
- Tandag
- Tawi-Tawi
- Tuguegarao
- Virac
- Zamboanga

International Destinations

- Australia (Sydney)
- Brunei (Bandar Seri Begawan)
- Cambodia (Siem Reap)
- China (Beijing, Guangzhou, Shanghai, Xiamen)
- Hong Kong
- Indonesia (Bali, Jakarta)
- Japan (Fukuoka, Nagoya, Narita, Osaka)
- Korea (Incheon)
- Macau
- Malaysia (Kota Kinabalu, Kuala Lumpur)
- Singapore
- Taiwan (Taipei)
- Thailand (Bangkok)
- United Arab Emirates (Dubai)
- United States of America (Guam)
- Vietnam (Hanoi, Ho Chi Minh)

CEB was established in **August 1988** and was granted a **40-year congressional franchise** to operate international and domestic air transport services in 1991. In March 1996, the company launched its domestic operations 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 No. 219. In November 2001, CEB inaugurated its first international flight from Manila to Hong Kong.

—

CEB pioneered the **no-frills approach** in 2005 with the vision of providing great value fares that re-invented the industry and made traveling affordable to everyone.

—

In January 2006, *CEB* introduced its **online 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. As of December 31, 2017, CEB has a network of nine organic booking offices located throughout the Philippines and two regional booking offices, one in Hong Kong and another in Seoul, South Korea.

—

In 2008, *CEB* was ranked among the **Top 3** LCCs in Asia by number of passengers carried.

—

In 2009, *CEB* was awarded as the **most recognized airline brand** in the Philippines according to brand equity survey conducted by Nielsen.

—

On October 26, 2010, the company's common stock was listed with the Philippine Stock Exchange, the company's initial public offering.

—

CEB is the Philippines' **largest turbo-prop operator,** operating the most inter-island flights to the top tourist destinations in the country.

—

Among *CEB*'s famous flight and cabin crew are **Capt. Brooke Castillo**, the first female commercial jet captain in the Philippines, and its Safety Demo dancers who garnered more than 11 million views on YouTube for their fun and innovative dance.

—

On January 24, 2012, *CEB*, in partnership with Canada-based CAE, broke ground for the **Philippine Academy for Aviation Training (PAAT)**, its aviation training joint investment in Clark, Pampanga.The new training center is a world-class, one-stop training center for the Company and a hub for training services for other airlines. The facility was formally inaugurated on December 3, 2012.

—

On October 7, 2013, *CEB* launched its **first long-haul flight** from Manila to Dubai. CEB is the first Philippine carrier to land in Dubai in 15 years. In September 2014, CEB launched a thrice weekly service to Kuwait and a four times weekly service to Australia. In October 2014, CEB launched thrice weekly services to Riyadh.

—

Tigerair Group and CEB have entered into a strategic alliance. This allows both companies to leverage on their extensive networks spanning from North Asia, ASEAN, Australia, India, all the way to the Middle East. As part of the strategic alliance, on February 10, 2014, CEB signed a sale and purchase agreement to acquire 100% of Tiger Airways Philippines. The acquisition was completed on March 20, 2014.

—

On January 8, 2015, *CEB* flew its **100 millionth passenger.**

—

On March 8, 2015, *CEB* launched its rewards program for frequent fliers namely, the **GetGo lifestyle rewards program**. Members of GetGo can earn points when flying with Cebu Pacific. Their GetGo points can be used to redeem Cebu Pacific flights.

—

On May 10, 2015, Tigerair Philippines is rebranded as **Cebgo**. The new brand clearly identifies it as part of the Cebu Pacific group with its logo also utilizing CEB colors.

—

On September 25, 2015, *CEB* started transferring its **ATR fleet** to Cebgo eventually transitioning the latter into an all-turboprop fleet while Cebu Pacific focuses on an all-jet fleet. This allows both airlines to operate with greater efficiency and to focus on network expansion opportunities.

—

On March 15, 2016, *CEB* launched Manila to Guam with a four-times-weekly frequency. Guam is CEB's **first US destination** and CEB is the first low cost carrier to operate this route.

—

On May 16, 2016, *CEB*, together with seven other market champions in Asia Pacific, announced the formation of the world's first, pan-regional low cost carrier alliance, the **Value Alliance**. CEB, Jeju Air (Korea), Nok Air (Thailand), NokScoot (Thailand), Scoot (Singapore), Tigerair Singapore, Tigerair Australia and Vanilla Air (Japan) will deliver greater value, connectivity and choice for travel throughout Southeast Asia, North Asia and Australia, as the airlines bring their extensive networks together. The Value Alliance airlines collectively fly to more than 160 destinations from 17 hubs in the region. In 2017, Cebu Pacific started offering flights on Value Alliance routes on its website.

—

On November 9, 2016, *CEB* opens its **regional office in Korea** as part of its regional promotion and expansion. The Korea branch office will provide tickets sales, reservations, cargo services and customer support. It will aid in boosting the airline's promotion and marketing strategies in Korea.

—

CEB FACTS

On November 28, 2016, *CEB* signed a **Government Fares Agreement** with Procurement Service, an attached agency of Department of Budget and Management. This Procurement Service administers the Philippine Government Electronic Procurement System (PhilGEPS), the agreement that entitles government employees discounted fares on official business trips.—

—

CEB is the launch partner for Southeast Asia of the United Nations Children's Fund (UNICEF) **Change for Good © initiative,** an innovative global partnership between UNICEF and the international airline industry. It aims to convert airline passengers' donations of loose change and spare foreign currency into life-saving materials and services for vulnerable children in more than 150 countries in the world. *CEB*'s Change for Good program was initially launched in flights to and from the Manila hub, and expanded to the Iloilo and Cebu hubs in 2017. Change for Good in the Philippines supports the health and nutrition needs of children in their first 1,000 days of life.

—

AWARDS

CEB has been **recognized and awarded** by a number of travel institutions and groups, affirming our unyielding commitment to excellence:

- Featured by Air Transport World Magazine as Asia's Low Fare Success Story in February 2003
- Received a gold award for Best Marketing Program from the Air Carrier Domestic Category Pacific Asia Travel Association 2004
- Awarded as Domestic Airline of the Year during the Kalakbay Awards in 2004. This is considered as one of the most prestigious awards in the Philippine Travel Industry
- Gold award for the Best Established Service Brand Campaign in 2005 andSilver winner for the Best Established Service Brand Campaign in 2007. Awarded by the University of Asia and the Pacific, recognizing CEB as the airline with the most effective brand campaigns across different industries.
- A gold awardee in the Readers Digest Trusted Brands in 2010
- Awarded by the Changi Airport Group as the top Southeast Asian airline which registered the highest growth in passenger traffic in 2009.
- 2010 WWF Partner of the year award. Awarded by the WWF-Philippines for the company that has made the most difference in saving the environment.
- Airport Transport World's World Airline Report special feature last July 2011 cited *CEB* as fifth in net profit and eighth in operating profit in a list of international low-cost carriers including USA's Southwest Airlines and Europe's Ryanair.
- *CEB* bested other airlines in the 2011 Digital Filipino Web Awards, when it was recognized as the winner for the airline category.
- Budgie$ and Travel Awards 2012 Low-Cost Carrier of the Year and LCC CEO of the Year.Awarded during the Low Cost Airlines World Asia Pacific Congress in Singapore last February 2012.
- Recognized as one of Asia's Most Promising Brands for 2012-2013 in the Asian Brand and Leadership Summit held last August 2013 in Dubai.
- In 2014, *CEB* was highly commended as Most Creative Campaign by Airline in the Simplifying Awards for Excellence in Social Media 2014, and received the Airline Personality of the Year award from Skal Tourism.
- In October 2014, Center for Aviation (CAPA) recognized *CEB* as the Asia Pacific Low Cost Carrier of the Year during the CAPA Aviation Awards for Excellence 2014.

Cebu Pacific flew its 120 millionth passenger in 2017. A few weeks shy of celebrating its 21st anniversary celebration, it had beaten its record number of passengers flown in a single day and flew 19 million passengers the year previous. When the airline began operations back in March 8, 1996, Cebu Pacific was a fleet of four McDonnell Douglas DC-9-30 planes, with services between Manila and Cebu.

It was inevitable that Cebu Pacific would grow bigger and better in the next two decades since then. The airline started to service more routes, and with this continuous development in its mission to fly *everyJuan*, had also opened more and more of the Philippines to opportunities for commerce and tourism. Cebu Pacific had not only revolutionized air travel for the average Filipino; it had also contributed to nation-building.

The CEB Effect

Just in time for the summer, CEB, through its wholly owned subsidiary Cebgo increased flight frequencies to Siargao, long renowned for being the Surfing Capital of the Philippines. CEB launched its first flight to Siargao in 2009, only as a twice weekly service to and from Cebu. In 2017, it had expanded to serve 14 flights between Cebu and Siargao. Siargao has proved to be a prime destination of demand to those seeking its surfing thrills and laidback island charm. So much so that on December 2017, Cebu Pacific launched its twice weekly service from Manila to Siargao.

Siargao is one of Cebu Pacific's greatest success stories and a showcase of how inter-island connectivity can boost travel, which in turn, brings with it business and tourism.

Route Expansions and New Routes

In July, flights from Manila to Cauayan, Legazpi and Virac, previously serviced by turbo-prop aircraft, upgraded to the 180-seater Airbus 320s, which translated to over 130% more capacity or about 102 additional seats. Additional flights were mounted to key Cebu Pacific destinations in the Visayas, such as Iloilo and Bacolod. At the same time, the 436-seater Airbus 330 were shifted to service some flights of the Cebu, Davao and Hong Kong routes, which resulted in 59% capacity increase for each flight.

With the existing routes pushing to greater capacity, the airline looked towards bringing *everyJuan* to more routes. The two new routes

were launched in February 2017, further expanding its network to fast-rising areas in Luzon –Masbate and Tablas.

Tourism and leisure travel propelled the opening of more routes out of the Clark and Cebu hubs. Catching the tail end of the summer, Cebu Pacific, through Cebgo opened the Clark to Caticlan (Boracay) flights, as well as Clark to Busuanga. This is a testament to Cebu Pacific's commitment of making safe, convenient and affordable air travel available to all, particularly those who are residents of Central and Northern Luzon.

The Cebu hub also contributed to stronger inter-island connectivity with its services to Busuanga and Cotabato.

In the second half of the year, CEB further expanded its Visayas and Mindanao networks with five new routes. Through wholly-owned subsidiary Cebgo, CEB started flights between Cebu and Masbate, Davao and Dumaguete, Zamboanga and Cotabato, Cagayan de Oro and Zamboanga, and Davao and Tacloban. The new routes stem from requests from stakeholders, particularly in Mindanao, to improve the connectivity of key cities.

CEB's Seventh Hub: Cagayan de Oro

Cebu Pacific continued in its effort to contribute to nation-building by naming Cagayan de Oro's Laguindingan Airport as its seventh hub. Located in Misamis Oriental province, Laguindingan Airport serves the gateway to Northern Mindanao, catering Cagayan de Oro City and neighboring areas, including Iligan City, Marawi City, and Bukidnon province. The airport complex currently has a 7,200 square meter passenger terminal and a 2,100 meter runway, capable of four takeoffs and landings per hour. Since it opened in 2013, the airport has become the sixth-busiest in the country, serving over 1.7 million passengers per year.

The expansion of the CEB domestic route network served to increase the carrier's capacity and reach for cargo service. This means faster and more efficient movement of goods across the country.

What once was Cebu Pacific's fourth destination has grown to become a hub of operations, serving a total of nine connections to and from Laguindingan Airport—Manila, Bacolod, Caticlan, Cebu, Dumaguete, Iloilo, Tagbilaran, Davao and Zamboanga.

New Aircraft

Cebu Pacific marked its 21st year of operations by welcoming the 59th aircraft of its fleet, a new ATR 72-600. This was the fourth of 16 firm orders of the ATR 72-600 that CEB made in 2016. The brand-new aircraft was in line with the airline's expansion plans in the Philippine archipelago.

The airline placed an order for seven additional Airbus A321CEO (Current Engine Option) aircraft, for delivery beginning March 2018. This was the conservative approach to meeting the increased capacity demand of both domestic and international operations, as CEB deferred the orders of A321NEO (New Engine Option) towards the fourth quarter of 2018.

Cebu Pacific ended the year with a fleet of 61: one Airbus A319, 36 Airbus A320, eight Airbus A330, eight ATR 72-500, and eight ATR 72-600 aircraft.

Customer Focus

A key strategy in Cebu Pacific's growth is to center efforts on the delighting *everyJuan*—the Cebu Pacific customer. In 2017, the airline developed products and services which center on the passenger and aim to create a pleasant overall Cebu Pacific experience from pre- to post-flight, one that reflects the Cebu Pacific brand of fun.

Customer Command Center

Cebu Pacific went all-out in its customer-first initiatives with the unveiling of its Customer Command Center. CEB is among the first airlines in Asia to invest in an integrated facility and technology for social intelligence and customer engagement.

Tasked to assist travelers on their concerns and inquiries, the 24/7 Command Center is equipped with social monitoring, publishing and engagement tools. The CEB Command Center, which went online last August, is manned by a 55-strong integrated customer care team. Aside from CEB's official Facebook and Twitter pages, they also handle schedule changes through the hotline. The team also works closely with the airline's Network Control Center, especially during weather or other flight disruptions, so it can provide passengers with the most updated information and options.

The integrated CEB Customer Command Center has created a heightened awareness of customer needs. Since the facility was put online, response time on CEB's official social media accounts went up from two days to hours, even as fast as eight minutes.

Aimed at improving and personalizing communications with customers, the Customer Command Center allows CEB's customer care team to better address passenger concerns by providing relevant and timely information and updates. The facility makes it easier to engage customers and understand how CEB services are resonating with them.

Services for PWD

In line with this transformation of delivering quality customer care and passenger experience, Cebu Pacific allocated over ₱100 million for 35 Disabled Passenger Lifts (DPL)—the first carrier to invest in facilities that cater to the needs of Persons with Disability (PWDs) and Persons with Reduced Mobility (PRMs). The DPLs will allow PWDs and PRMs to board and deplane aircraft safely, easily and more comfortably.

Further, Cebu Pacific has implemented the 20% discount, on top of the exemption from the 12% Value-Added Tax (VAT), on airfare for

PWDs across all booking systems. This means that bookings of Cebu Pacific flights by eligible PWDs, whether done via ticket office, call center, online via the CEB website, or through the CEB mobile app, now reflect the applicable discounts on the base fare for flights within the Philippines.

The same implementation is extended to Senior Citizens, who are entitled to these discounts and exemptions.

For the OFW

In 2017, Cebu Pacific implemented the International Passenger Service Charge (IPSC), or the Terminal Fee exemption at the Ninoy Aquino International Airport (NAIA) for Overseas Filipino Workers (OFWs) flying to their job site. The airline has worked hand in hand with the Manila International Airport Authority to make the benefit available to OFWs, the first carrier to do so.

More Offerings for the General Flying Public

In addition, Cebu Pacific has also incorporated the Domestic Passenger Service Charge (DPSC), or the terminal fee into the cost of its tickets for all domestic flights operating out of airports managed by the Civil Aviation Authority of the Philippines (CAAP). The integration of the terminal fee DPSC across all booking systems took effect on September 15, 2017.

The year saw Cebu Pacific unveil new meals on its inflight menu. Ranging from rice meals, pasta and noodles, and premium sandwich packs, the new Cebu Pacific inflight menu was created exclusively for the airline to cater to the varied tastes and preferences of the CEB flier.

Cebu Pacific's new on-board pleasers are all Halal-certified, and adhere to the Hazard Analysis Critical Control Points (HACCP) system for international food safety. Moreover, these dishes come with nutritional and product information, as reference for an increasing number of health-conscious passengers on CEB.

For a limited period, CEB offered an extra 25kg baggage allowance, free of charge, to all passengers who purchased 40kg baggage allowance and were travelling from the Middle East. The 25kg extra baggage allowance is extended to the domestic flight legs of guests who were connecting, provided their flight itineraries were booked under one reference number only.

Paperless Cockpits and Frontliner Support

Cebu Pacific took another step towards a paperless cockpit technology, through the deployment of iPad devices for its pilots. The iPad contains the pilots' Electronic Flight Bag (EFB), an information management device that will help flight crew perform tasks necessary to fly and navigate an aircraft.

While the iPad EFBs are primarily aligned towards the airline's investment in systems that enhance safety and efficiency in flight operations, the use of iPad EFBs is also an initiative to reduce environmental footprint and manage operational costs. Going paperless has helped CEB to reduce anywhere from 30 to 50 pounds worth of flight manuals, charts and other documentation that are traditionally on paper. Less weight reduces cumulative aircraft fuel burn, and consequently, carbon emissions.

Along with this initiative towards operational efficiency, and to achieve more effective service delivery, CEB also invested in customer-facing information and communications technology solutions. CEB began to implement digital platforms designed to make airport operations more efficient, and poured investment into a software system that verifies passengers' international travel documentation, via a real-time database of visa requirements of various countries.

Corporate Social Responsibility

With 21 years of operations, Cebu Pacific is looking towards the future, pouring efforts towards sustainability and corporate citizenship. It is taking strides towards nation-building, environmental protection and enabling the next generation through strategic partnerships and programs with like-minded institutions.

UNICEF Change for Good

Cebu Pacific strengthened its partnership with the United Nations Children's Fund (UNICEF) to reach millions of undernourished children in the country. The endeavor is part of the global organization's Change for Good program which accepts contributions from passengers on board flights of partner airlines. Proceeds contribute to the UN children's agency's First 1,000 Days campaign which provides optimal nutrition, from a mother's pregnancy to a child's second year of life.

Since July 1, 2016, CEB has been accepting contributions of all currencies from passengers. The contributions are used to fund nutritional supplements distributed to poor households with pregnant mothers or malnourished children. A portion of the funds also support barangay-level information drives on nutrition in UNICEF's focus areas in Northern Samar, Zamboanga, and Maguindanao.

Initially launched on all flights to and from Manila, CEB's Change for Good program expanded to include accepting contributions from flights to and from Iloilo and Cebu beginning April 1, 2017.

Donations of passengers of Cebu Pacific to and from Manila have so far provided nutritional supplements to over 31,000 poor households with pregnant mothers and over 27,500 children, 6-23 months of age at risk of developing micronutrient deficiencies in the Philippines this year.

Cebu Pacific is the first and only partner of UNICEF for this initiative in the Philippines and Southeast Asia.

Efforts for the Environment

The airline takes its responsibility towards the environment very seriously. CEB involves its passengers in the effort to reduce carbon emissions, through donations to the Bright Skies Program via its continued partnership with the World Wildlife Fund (WWF).

Apart from this, Cebu Pacific engages its employees to contribute to greening in partnership with Haribon Foundation. On July 15, 2017, active CEB volunteers participated in a tree-planting activity Haribon's Rainforest Organizations and Advocates (ROAD) to 2020 program. This is part of the airline's commitment to help in Haribon's reforestation efforts. The airline donated 500 seedlings in 2016, that are planted in the Mt. Banahaw-San Cristobal Protected Landscape, Brgy. Bukal, Nagcarlan, Laguna.

2017 marked the third year of a committed five-year support to the Philippine Eagle Foundation in a bid to conserve the Philippine Eagle. CEB adopted a Philippine Eagle named Mindanao in 2015, supporting it in its total care while retained in its breeding facility.

Marawi Relief Efforts

On May 23, 2017, what would become a heavily armed conflict in Marawi City, Lanao Del Norte began between the Philippine government's security forces and militants identified with the Islamic State of Iraq and the Levant, including the Maute and Abu Sayyaf Salafi groups.

In the next five months, Cebu Pacific extended its assistance to the Armed Forces of the Philippines through free-of-charge deployment and bringing back home of troops, including baggage allowance. Since the conflict in Marawi broke out, Cebu Pacific has been providing airlift support for cargo of relief goods for affected Marawi residents, notably for the Department of Social Welfare and Development and the Philippine Business for Social Progress.

Further, CEB supported #OGOPMarawi program of the Philippine Army, enabling the delivery of PureIt water purifying devices. The water purifiers, donated by Unilever, were used in relief operations for displaced residents of Marawi City. Ogop, the local word in Marawi for "help," aims to help internally displaced residents and give moral support to soldiers deployed in Marawi.

In addition to carrying relief goods free-of-charge in aid of Marawi relief, CEB also worked with the Philippine Red Cross to transport blood and life-saving organs at no cost. Total cargo support amounted to almost ₱850,000.00 in 2017.

Cadet Pilot Program

Cebu Pacific launched its Cadet Pilot Program, in partnership with Flight Training Adelaide (FTA) in late 2017. This represents CEB's substantial investment in future Filipino aviators and aims to address the airline's expansion requirements.

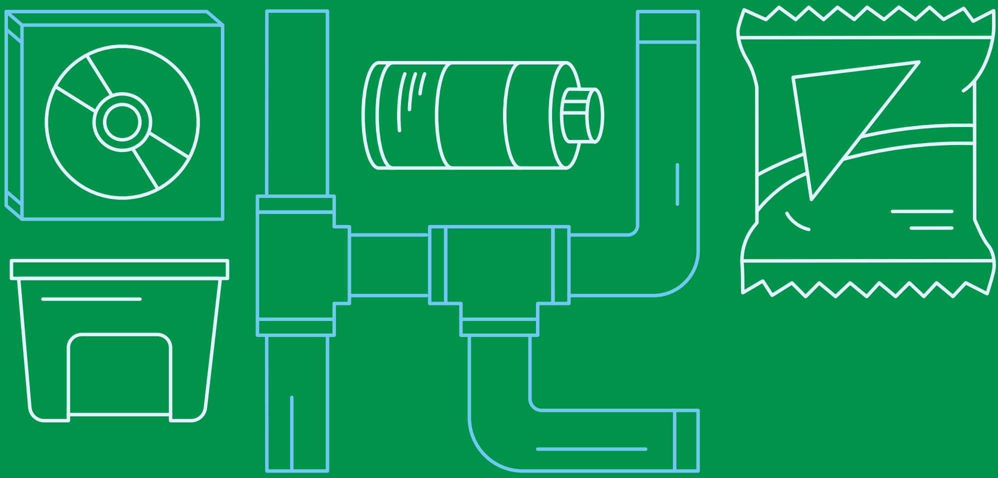
The Cebu Pacific Cadet Pilot Program is a program that recruits candidates from ab initio,

and puts them on a 56-week integrated flying training, flight theory and education course to become licensed Commercial Pilots. After completion of the program, the cadet-pilots become First Officers at CEB, and join the corps of aviators at Cebu Pacific, flying domestic and international routes.

Cadet-pilots are enabled to study and train at flight school, and after which, they can amortize the payment for the course during employment. The entire program will be financed by Cebu Pacific, with successful cadet-pilots guaranteed employment with the airline upon graduation. They will then pay for the cost of the program through salary deduction over a maximum of ten years.

Sixteen candidates will be chosen per batch, with CEB sending three batches of cadet-pilots per year. The screening process for applicants begins with an online screening, followed by an on-site screening for core skills and pilot aptitude tests, among other examinations where a fee of AU$425.00 (₱17,000.00) will be charged. CEB and FTA will jointly select the final list of candidates.

The successful candidates will then be sent to the FTA campus in Adelaide, Australia for 52 weeks. There, they will undergo learning modules and training and earn diplomas in Aviation. The cadet-pilots will then move on to training on a flight simulator, and then acquire flight time on an actual aircraft, to complete the licensing requirements to become a Commercial Pilot. The cadet-pilots then return to Manila for a four-week training period, to obtain a Pilot's License under the Civil Aviation Authority of the Philippines.



PETROCHEMICALS

JG Summit Petrochemicals Group

JG SUMMIT PETROCHEMICALS GROUP

JG Summit is a pioneer in the Philippine petrochemical industry, with two wholly-owned petrochemical investments operating in its 250-hectare fully integrated world-class manufacturing complex in Batangas City, around 120 km south of Manila. These subsidiaries, JG Summit Petrochemical Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC), are collectively known as the JG Summit Petrochemicals Group (JGSPG).

About JGSPC

JG Summit Petrochemical Corporation is the largest manufacturer of polyolefins in the Philippines, with current rated production capacities of 320,000 metric tons per annum (MTA) for polyethylene (PE) and 190,000 MTA of polypropylene (PP). JGSPC uses UNIPOL™ polymer production technology, known for its safety, operational stability, cost-effectiveness and versatility.

JGSPC was incorporated in 1994 and was awarded pioneer status by the Board of Investments in the same year. Construction of the US$ 350 million polymer plants started in 1995, and was completed in 1998, with commercial operations commencing in August of the same year.

JGSPC is a proud ISO 9001:2008 and ISO 14001:2004 certified company, and markets its world-class quality PE and PP resins under the brand name **EVALENE™**. **EVALENE™** is a dominant player in the local resins market, and is distributed by reputable trading partners in more than 30 countries all over the world.

About JGSOC

JG Summit Olefins Corporation operates the first and only naphtha cracker plant in the country. It uses Lummus™ Olefins Conversion Technology in manufacturing 320,000 MTA of polymer-grade ethylene and 190,000 MTA of polymer-grade propylene, which are used as feedstock by the downstream polymer plants operated by JGSPC. The cracker's products also include pyrolysis gasoline and mixed C4, which in turn are raw materials used to manufacture important intermediate chemicals such as benzene, toluene, mixed xylenes and butadiene.

JGSOC was incorporated in 2008 and was awarded pioneer status by the Board of Investments in 2010. Engineering works for the US$ 800 million naphtha cracker started in 2009, and was completed in 2014. Integrated commercial operations with JGSPC commenced in November of the same year. In 2016, JGSOC was likewise also certified to ISO 9001:2008 and ISO 14001:2004 standards.

With JGSOC's ability to supply the olefin requirements of JGSPC, the polymer plants from 2014 onwards have been able to run at much improved rates, thereby ensuring stability in the supply and price competitiveness of its PE and PP resins that are widely used by the domestic plastics industry and by export markets worldwide.

Faithful to its commitment of contributing to nation building, the JG Summit Petrochemicals Group offers a diverse array of products – from the bulk petrochemicals used as feedstock by various chemical industries, to polyolefin plastic resins that are used as raw materials in flexible and rigid packaging, durable goods, infrastructure, as well as commercial and industrial markets.

Petrochemicals

Ethylene is the main product from naphtha cracking whose primary use is as raw material for the manufacture of polyethylene. It is also used as raw material for ethylbenzene (precursor to styrene), ethylene dichloride (precursor to PVC) and ethylene glycol, among many other applications.

Propylene is the second most important starting product in the petrochemical industry after ethylene. Its primary use is as raw material for the manufacture of polypropylene. It is also used for the production of other important chemicals such as acrylonitriles, propylene oxide, propylene glycol, isopropanol, cumene and acrylic acid.

Mixed C4 is a by-product of the steam cracking process. It is primarily used as feedstock in butadiene extraction units to recover butadiene and other 4-carbon chemicals. Main application of these products is in the manufacture of industrial rubbers used for tires.

Pygas is a naphtha-range, high aromatics by-product of the steam cracking process. It is primarily used as feedstock in aromatics extraction units to produce benzene, toluene and xylene.

PE and PP Resins

EVALENE™ High Density Polyethylene (HDPE) grades exhibit superior balance of stiffness, impact strength and chemical resistance, making **EVALENE**™ **HDPE** ideal for a broad range of applications such as extrusion (blown film, pipe and monofilament) as well as injection and blow molding for consumer, household and industrial products.

EVALENE™ Linear Low Density Polyethylene (LLDPE) grades combine outstanding toughness, stretchability and good processability, making **EVALENE**™ **LLDPE** a good choice for flexible packaging and film extrusion applications.

EVALENE™ Homopolymer Polypropylene grades are ideal for a broad range of applications that require rigidity, transparency, moisture barrier and hot-fill property.

EVALENE™ **Random Copolymer Polypropylene** grades offer high clarity, light weight and excellent hot-fill property suitable for transparent rigid packaging container.

JG Summit Petrochemicals Group to add capacity and new products by 2020

2017 was a banner year for JG Summit's petrochemical operations, with both the cracker and polymer plants having averaged above 95% running capacities, and with JGSPC selling over 503,000 MT of PE and PP resins, an almost 16% increase from 2016 sales.

By 2020, JGSPG will be expanding its naphtha cracker and polymer production units further, increasing existing cracker and polypropylene production capacities by approximately 50%. JGSPG will also start to produce new products such as butadiene, aromatics and bimodal PE. For these, JGSPC has secured additional technology licenses, namely Lummus/BASF's BDE technology for the butadiene extraction unit and GTC's GT-BTX® and GT-DWC® technologies for the aromatics extraction unit, while the bimodal PE unit will use MarTECH® double-loop slurry PE technology licensed from Chevron Phillips Chemical Company.

With this next phase of expansion, JGSPG looks forward to boosting further the supply of value-added petrochemicals and plastic resins for both domestic and export markets, thereby continuing to significantly contribute to JG Summit's portfolio and also towards the resurgence of Philippine local manufacturing.

BANKING AND FINANCIAL SERVICES

Robinsons Bank Corporation

ROBINSONSBANK
A Commercial Bank

Robinsons Bank is the financial services arm of the JG Summit Group. The Bank is 60.0% owned by JG Summit Capital Services Corp. and 40.0% owned by Robinsons Retail Holdings, Inc. Robinsons Bank is a full-service Philippine commercial bank which serves the banking requirements of its retail consumers, business partners, and general public via a wide array of products and services.

Robinsons Bank started as a savings bank in November 1997 amid the backdrop of the Asian financial crisis. In 2002, then Robinsons Savings Bank acquired the branches of ABN Amro Savings Bank (Philippines) and its licenses to operate the branches and bank deposit portfolio. This acquisition made Robinsons Savings Bank the seventh largest thrift bank during that period. In February 2010, Robinsons Savings Bank acquired the controlling interest of the Royal Bank of Scotland (Philippines). In August of the same year, Royal Bank of Scotland (Philippines) was renamed as Robinsons Bank Corporation. Then, by December, the Bangko Sentral ng Pilipinas (BSP) approved the merger of Robinsons Savings Bank and Robinsons Bank Corporation, with Robinsons Bank Corporation as the surviving entity. With this merger, Robinsons Bank became the 14th largest amongst commercial banks and the 31st largest bank in the Philippine banking system at that time. In 2012, BSP approved the Bank's move to acquire Legazpi Savings Bank (LSB). The acquisition of LSB opens up business lines and grows the target market for Robinsons Bank in the Bicol region. LSB became a wholly-owned subsidiary of Robinsons Bank.

Robinsons Bank is one of the fastest growing commercial banks in the Philippines today. The Bank is committed to position itself for further business growth, and aims to be among the largest banks in the country, guided by the Bank's Vision, Mission, and Core Values.

Vision

We are the **Bank of Choice** driven to fulfill your changing needs.

Mission

Aiming to be better everyday.
Committed to provide to the:

- Customers – best experience
- Employees – winning culture
- Owners – outstanding returns
- Community – responsive organization

Core Values

- Concern for the Individual
- Excellence
- Leadership
- Teamwork
- Integrity
- Change

Products and Services

Deposit Products

- Peso Savings Account
  - Regular Passbook
  - Debit Card
  - Payroll Account
  - Tykecoon Kiddie Account
- Peso Checking Account
  - Individual Account
  - Corporate Account
- Peso Term Deposits
  - Special Savings Account
  - Time Deposit
  - Other Foreign Currency
- Savings and Time Deposit Accounts
  - US Dollar
  - Euro (EUR)
  - Japanese Yen (JPY)

Consumer Loan Products

- Home Loan
- Auto Loan
- Personal Loan
- PLP Secured Loan
- Microfinance
- Motorcycle Financing
- Fleet Financing
- Small Business Loan
- mSME Loan

Corporate Banking Products

- Revolving Promissory Note Line
- Short, medium, and long-term loans
- Trade Financing (Import/ Domestic/LC/OA/DP)
- Trust Receipts Financing
- Supplier and Buyer Financing
- Trade Check Discounting
- Receivables Financing
- Vehicle Fleet Financing
- Domestic Bills Purchase Line

Treasury Products

- Peso Special Savings
- Peso Sovereign Bonds (TBills, FXTNs, RTBs)
- Peso Corporate Bonds
- US$, Euro and Yen TD
- Spot and Forward Foreign
- Exchange for US$ and Third Currencies
- US$ Sovereign Bonds (ROPs and Sovereign Bonds)
- US$ Corporate Bonds

Transaction Banking Products

- SME Builder (CheckPro & HRIS)
- Disbursements
  - Payroll Crediting
  - Electronic Crediting
  - Outsourced Manager's Check
  - Outsourced Corporate Check
  - Domestic and Cross-Border
  - Wire Payments
- Collections
  - Reference Account Solution
  - PDC Warehousing
  - Merchant Collection (Bills Payment)
  - Check Collection
- Others – Liquidity Management
- Electronic Banking Services
  - Automated Teller Machine (ATM)
  - Corporate Internet Banking (e2Banking)
  - Personal Online Banking (POB)
  - Robinsons Bank Mobile App

Trust Products

- Unit Investment Trust Fund
  - Money Market Fund
  - Balanced Fund
  - Tax-Exempt Retirement Fund
- Escrows
- Retirement Fund Management
- Safekeeping
- Peso/USD Personal Investment Management Agreement
- Peso/USD Corporate Investment Management Agreement

Trade Services Products

- Import
  - Letter of credit issuance/ amendment (Import/ Domestic/
  - Standby LC/Bank Guarantee)
  - Non-documentary import collection
  - Shipside Bond/Shipping Guaranty Issuance
  - Trust Receipt Financing
  - Duties and Taxes Collection
- Export
  - Advising export letter of credit
  - Export bills purchase
  - Export bills for collection

Other Banking Services

- Telegraphic Transfer
- Philippine Domestic Dollar Transfer System (PDDTS)
- Real Time Gross Settlement (RTGS)
- Western Union
- OTC Bills Payment
- Foreign Exchange
- Deposit Pick-up Service
- Day and Night Depository Box
- Safety Deposit Box (SDB)
- ATM Guard
- Credit Card
- Bancassurance

List of Branches (As of December 31, 2017)

METRO MANILA

A. Arnaiz Avenue
Acacia Lane - Shaw Boulevard
Alabang
Asuncion - Binondo
Ayala
Banawe
Better Living
BGC - Burgos Circle
BGC 34th Street
BGC 7th Avenue
Binondo
Bonifacio Global City
Bridgetowne - C5
Caloocan
Chino Roces Avenue Extension
Cubao - P. Tuazon
D. Guevara Mandaluyong
Del Monte Avenue
Domestic Road
E. Rodriguez Sr. Ave
Eastwood City
EDSA Caloocan
Ermita
Filinvest, Alabang
Gil Puyat Ave.
JP Rizal St. - Makati
Katipunan
Las Piñas
Las Piñas - Pamplona
Legazpi Street, Makati
Maginhawa St.
Magnolia Town Center
Main Office Branch - Robinsons Galleria
Makati - Evangelista
Malabon
Marikina
McKinley West
Meralco Avenue
MOA Complex
Muntinlupa Bayan
N.S. Amoranto Sr. Avenue
Ninoy Aquino Avenue
Novaliches
Ortigas Greenhills
P. Rada Tondo
Pasay - Libertad
Paseo de Roxas
Pasig - C. Raymundo
Pasig - Metro East
Pioneer Cybergate
Quezon Avenue
Regalado Avenue
Roosevelt Avenue
Samson Road
San Miguel
Santolan - Pasig
Sedeño Salcedo Village
Shaw Boulevard
Soler
Sucat
Tomas Morato
Valenzuela
Visayas Avenue
West Avenue
White Plains
Wilson St. – Greenhills

LUZON

Angeles
Antipolo
Bacoor
Baguio
Balagtas
Balanga
Balayan
Batangas City
Cabanatuan
Cainta
Calamba
Calapan
Calasiao
Dagupan
Dasmariñas
Dolores - SFDO
General Trias
Ilocos Norte
Imus
Legazpi City
Lipa
Lucena
Luisita Tarlac
Malolos
Meycauayan
Naga
Olongapo
Palawan
San Fernando
San Pablo
San Pedro
Santiago
Sta Rosa
Sta. Rosa Estates 2
Sto. Tomas
Tagaytay
Taytay
Tuguegarao
Urdaneta
Vigan

VISAYAS

Antique
Bacolod
Bais
Bayawan
Cebu Galleria
Cebu Mandaue
Cebu Osmena
Cebu, Garcia - Llorente
Dumaguete
Iloilo
Jaro
Kabankalan
North Tacloban
Passi
Robinsons North Tacloban
Roxas
Tacloban
Tagbilaran

MINDANAO

Butuan
Cagayan de Oro
CDO-Divisoria
Davao
Davao - Monteverde
Davao - Cybergate
General Santos
Iligan
Ozamis
Tagum

Robinsons Bank Celebrates 20 Years!

Robinsons Bank continues to step up in its 2017 performance following the successful implementation of its strategies. Guided by its five-year strategic thrust Roadmap 2020, the bank completed another milestone alongside strong domestic economic performance. The bank's performance was supported by strong growth in its assets, breaching the ₱100 billion mark

Robinsons Bank takes pride of its 20 years of sustained growth momentum. Pivotal to the Bank's growth was the successful implementation of the three phases of the Roadmap 2020, strengthening its people, processes, and policies, which are now contributing in the bank's core income growth. These three are encapsulated in the bank's 20-year anniversary logo.

OPERATIONAL HIGHLIGHTS

Robinsons Bank's financial performance improved significantly in 2017. Net income was at ₱306.32 million, 24% higher than 2016. Both the strong growth in the lending business and the robust deposit increase drove the bank's net interest income by 23% to ₱2.99 billion.

The Bank's total loan portfolio grew 49% to ₱57.88 billion from ₱38.94 billion in 2016. This was anchored on the 49% growth in both Commercial and Consumer Loans segments at ₱41.53 billion and ₱16.35 billion, respectively.

Likewise, the Bank's total deposits jumped 42% to ₱89.98 billion in 2017 from ₱63.3 billion last year. This deposit level was sustained due to growing branch network, adding 11 branches in

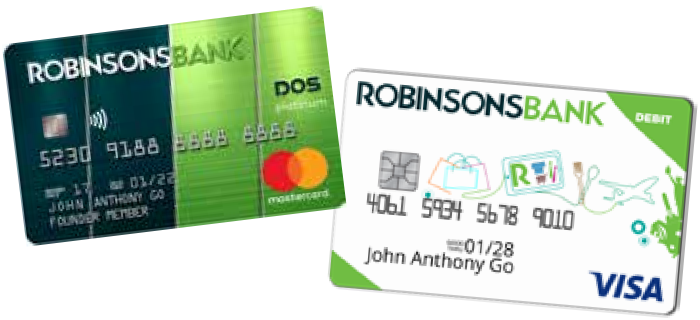
2017, bringing the Bank's total nationwide footprint to 134 branches.

These achievements in 2017 are testaments to the bank's sustained determination to be among the top banks in the country. Robinsons Bank made a significant leap as it turns 20. Moving forward, major initiatives are still in the pipeline, which will contribute to the continued growth of the bank. With the support of its 1,629 employees, Robinsons Bank is confident that it will fulfill its vision to be ***"the Bank of Choice."***

KEY INITIATIVES

Term Negotiable Certificate of Deposit (LTNCD)
Robinsons Bank's debut entry into Debit Capital Market raised ₱4.18 billion, oversubscribed from the BSP approved ₱3.0 billion offer-size due to strong demand.

Credit Card
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%. DOS card holders can now ***live life lighter***. The card is 3D Secure, providing the card holders protection from fraud and scheme.



Visa Debit Card Full Swing
Robinsons Bank Visa Debit Card (VDC) was fully launched in 2017. The VDC is an EMV (Europay Mastercard Visa) chip-enabled card which makes transactions more secure, allowing cardholders to shop online, dine, and travel with ease and protection.

ROBINSONS BANK FACTS

Robinsons Bank started as a **savings bank** in November 1997.

—

Then Robinsons Savings Bank acquired the **20 branches and deposit portfolio** of ABN Amro Savings Bank (Philippines) in 2002.

—

In February 2010, Robinsons Savings Bank acquired the **controlling interest** of the Royal Bank of Scotland (Philippines).

—

Royal Bank of Scotland (Philippines) was renamed as **Robinsons Bank Corporation** in August 2010.

—

BSP approved the **merger** of Robinsons Savings Bank and Robinsons Bank Corporation, with **Robinsons Bank Corporation** as the surviving entity in December 2010.

—

Robinsons Bank **acquired Legazpi Savings Bank (LSB)** in 2012. LSB is a wholly-owned subsidiary of Robinsons Bank.

—

As of the third quarter of 2017, amongst the 43 commercial and universal banks in the Philippines, **Robinsons Bank** is the 19th largest bank in terms of Assets, 18th in terms of Total Loan Portfolio, and 19th in terms of Deposit Portfolio.

—

Personal Online Banking
Banking through computer is now possible through the Robinsons Bank Online. The website was designed to provide optimal view experience – easy reading and navigation – across a wide range of devices, from mobile phones to desktop computer monitors.

Mobile App
The Robinsons Bank Mobile App is the bank's omni solution to improve customer experience. The app's features include multi-factor authentication for security and fingerprint scanner for convenience. The app runs on both iOS and Android, and allows the customer to perform the same transactions available in Robinsons Bank Online.

Network Expansion
Robinsons Bank further strengthened its presence in key cities and brought its products and services closer to more Filipinos by opening 11 new branches in 2017, expanding its footprint to 134 branches nationwide.

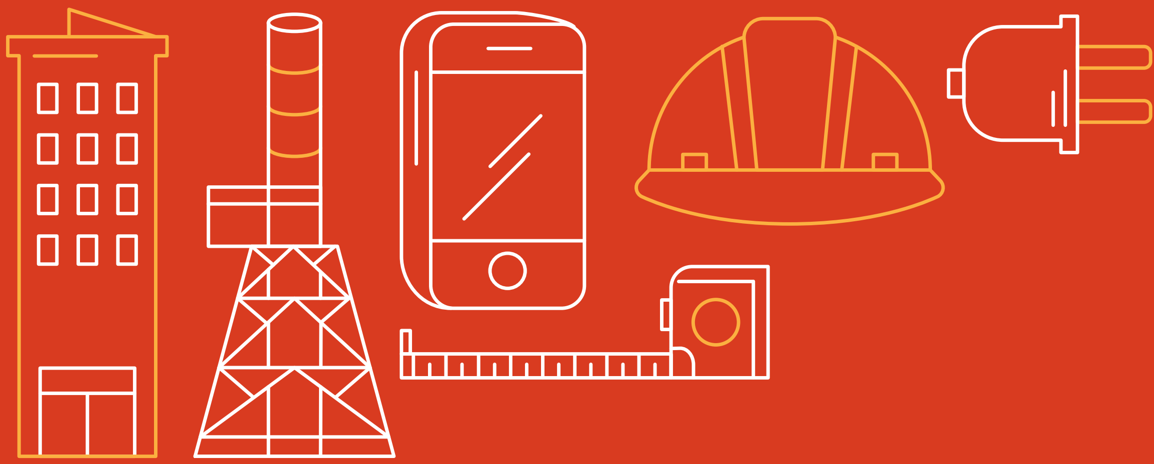
Moreover, the Bank deployed 21 ATMs, capping 2017 with 234 ATMs all over the Philippines.

SUBSIDIARY

Legazpi Savings Bank

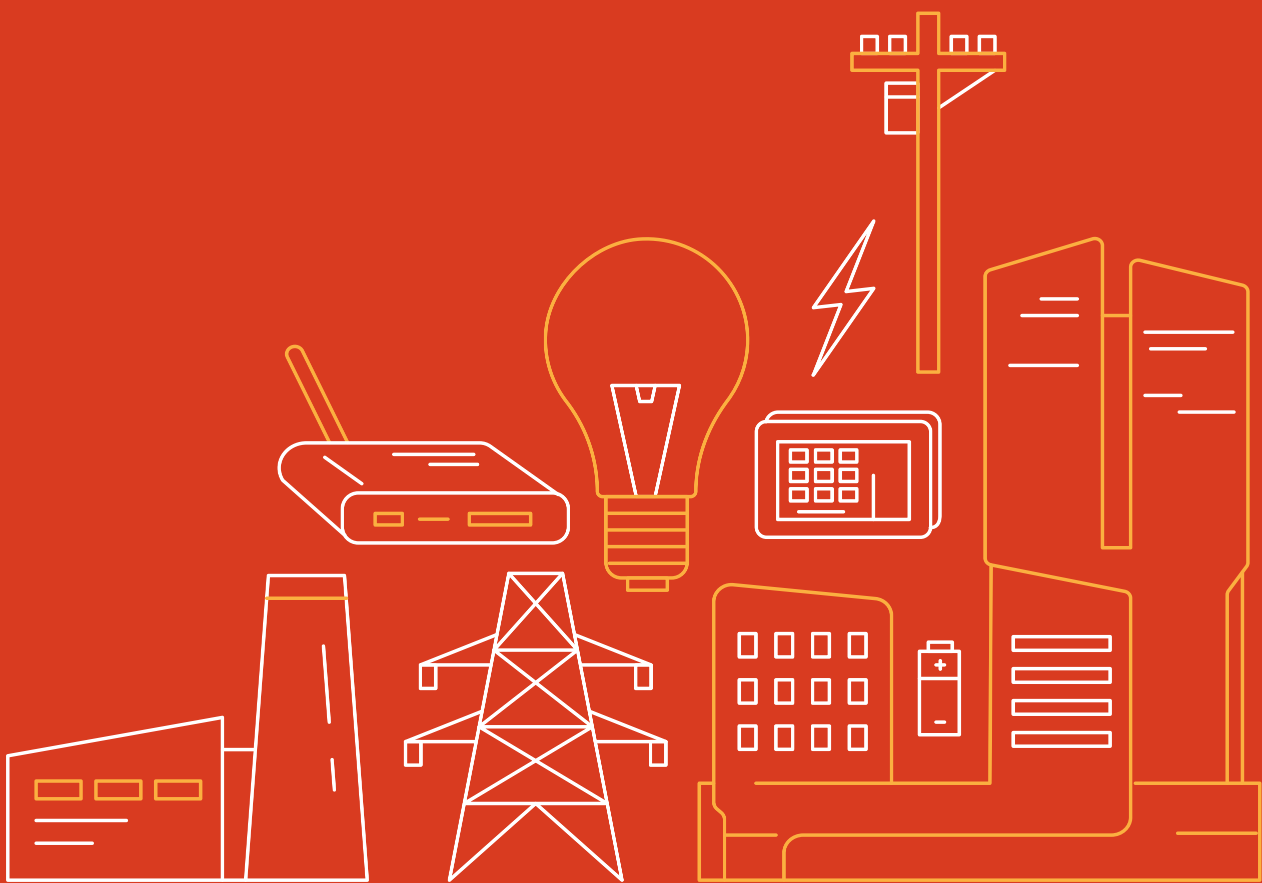
Legazpi Savings Bank is a wholly owned subsidiary of Robinsons Bank. RBC acquired LSB in 2012 to focus on highly retail loans in order to serve countryside demand. Aligned with the parent bank's core income thrusts, LSB was able to contribute ₱29.00 million in income versus last year's ₱20.69 million. LSB added another branch in Lucena, Quezon, bringing its total branch network to 14. LSB also has 14 ATMs to date.

Legazpi Savings Bank
A wholly owned subsidiary of ROBINSONSBANK



OTHER BUSINESSES

Core Investments



Website: www.pldt.com

PLDT, Inc. (PLDT) is the leading telecommunications and digital services provider in the Philippines. Through its principal business groups — fixed line, wireless and others — PLDT offers a wide range of connectivity services across the Philippines' most extensive fiber optic backbone, and fixed line and cellular networks.

PLDT, the country's leading fixed line service provider has a combined number of over 4.6 million broadband and fixed line subscribers nationwide as at December 31, 2017. Mobile unit Smart Communications, Inc., together with the other PLDT Group cellular service provider, Digitel Mobile Philippines, Inc. (which offers Sun Cellular), accounts for 58.3 million wireless subscribers.

PLDT is listed on the Philippine Stock Exchange (PSE: TEL) and its American Depositary Shares are listed on the New York Stock Exchange (NYSE:PHI).

JG Summit currently holds 8% stake in PLDT.

Website: www.uic.com.sg

United Industrial Corporation (UIC) is a Singapore-listed company whose core business is property development and investment. With the acquisition of the majority equity of Singapore Land Limited (SingLand) a well-established property company in 1990, the Group became a major real estate developer with a portfolio of 2.5 million sq ft of office space and 1 million sq ft of retail premise in Singapore. In 2014, Singapore Land Limited was delisted from the Singapore Stock Exchange.

The Group's property portfolio includes some of Singapore's best known commercial and retail landmarks as well as residential projects in prime and suburban areas, such as UIC Building Singapore Land Tower, Clifford Centre, SGX Centre, The Gateway, ABACUS Plaza and Tampines Plaza, West Mall and Marina Square. Overseas investments include properties in Shanghai, Beijing and Tianjin, China and London, UK.

The Group's landmark development, V Sheraton, a 54-storey residential tower alongside a 23-storey grade A office building has recently been completed at the former UIC Building at Shenton Way.

JG Summit is one of the largest individual shareholders of UIC, at 37.1% stake.

Website: www.meralco.com.ph

Manila Electric Company (Meralco) is the largest private sector electric distribution utility company in the Philippines, which holds a 25-year congressional franchise under Republic Act No. 9209. It provides electricity to 6.3 million customers in 36 cities and 75 municipalities, in a 9,685 km^2 franchise area that includes Metro Manila, Rizal, Cavite, Bulacan and portions of Pampanga, Batangas, Laguna and Quezon. The franchise covers the core of the country's industrial, commercial, and population centers.

Assisting with Meralco's power distribution operations is its 65%-owned subsidiary, Clark Electric Distribution Corporation (CEDC), a registered private distribution utility serving exclusively within its franchise area including the Clark Freeport Zone and the sub-zone as determined pursuant to Presidential Decree No. 66.

The company participates in retail electricity supply (RES), through a local RES known as MPower, a business unit within Meralco, and a wholly-owned subsidiary, Vantage Energy Solutions and Management, Inc., which was granted a license to operate as a RES by the Energy Regulatory Commission (ERC) in 2017.

Meralco, through wholly-owned subsidiary Meralco PowerGen Corporation (MGen), is developing aportfolio of power generation plants. MGen has a minority equity interest in power generating company Global Business Power Corporation, one of the country's leading power producers. FPM Power, which is 40% owned by MGen, has a 70% interest in PacifiLight Power Limited, which owns and operates a 2x400 MW LNG-fired power plant in Jurong Island, Singapore.

The Company formalized its entry into the renewable energy space with the creation of MSpectrum, Inc. a wholly-owned subsidiary.

Meralco is listed in the Philippine Stock Exchange (PSE: MER), and celebrates its 115th year of service in 2018.

JG Summit currently holds 29.56% stake in Meralco.

GLOBAL BUSINESS POWER

Website: www.gdpc.com.ph

Global Business Power Corporation (GBP) is one of the leading independent power producers in the Visayas region and Mindoro island, with a combined gross maximum capacity of 854 MW. In 2017, it entered Mindanao with the acquisition of a 50% stake in Alsons Thermal Energy Corporation, the holding company for Alsons Consolidated Resources' baseload coal-fired power plant assets in the island.

GBP owns eleven power generation facilities. Panay Energy Development Corporation (PEDC), in which GBP holds an 89.3% beneficial interest, owns a 164 MW clean coal-fired power plant that supplies the energy requirement of Panay and the rest of the Visayas region. To support the growing needs of the region, PEDC built a 150 MW coal-fired expansion plant utilizing the same circulating fluidized bed (CFB) technology. The new 150 MW plant in Panay began commercial operations during the first quarter of 2017, however, final project acceptance is pending until all rectification works are completed, probably in early 2018.

In Cebu, GBP operates a 246 MW clean coal-fired power plant in Toledo City, through Cebu Energy Development Corporation (CEDC). CEDC is a joint venture between Global Formosa Power Holdings, Inc. (GFPHI) and Abovant Holdings, Inc., in which, GFPHI has 56.0% beneficial interest. GBP, having 93.2% ownership stake in GFPHI, effectively has 52.2% interest in CEDC. This facility is the first commercial clean coal power plant in the Philippines.

Both the PEDC and CEDC plants utilize the CFB boiler technology, which produces very low levels of sulfur dioxide and nitrogen oxide, and captures most solid emissions.

GBP's other power generation facilities consist of a 60 MW coal facility, an 82 MW coal facility and a 40 MW fuel oil facility operated by Toledo Power Co.(TPC); a 72 MW fuel oil facility, a 20 MW fuel oil facility, a 7.5 MW fuel oil facility and a 5 MW fuel oil facility operated by Panay Power Corporation (PPC); and a 7.5 MW fuel oil facility operated by GBH Power Resources Inc. (GPRI).

JG Summit Holdings, Inc. holds 30% stake in GBP.

Corporate Governance

The Board of Directors, officers and employees of JG Summit Holdings, Inc. (JGSHI) are committed to the principles of corporate governance contained in the Corporate Governance Manual. The Board recognizes that Corporate Governance is a necessary component of sound business management which will in turn contribute to the improvement of the value of the Company for the benefit of its shareholders and stakeholders.

While there is an agile pursuit to foster the long-term success of the Company and sustain its competitiveness and profitability, the Company ensures JGSHI is committed to institutionalizing corporate governance standards and strikes a balance between the two. As a publicly listed company in the Philippines, JGSHI is covered by corporate governance rules and regulations of the Philippines Securities and Exchange Commission (SEC) and the Philippine Stock Exchange (PSE).

The Company adheres to the principles and practices of good corporate governance, as embodied in its Corporate Governance Manual, Code of Business Conduct and related SEC Circulars. Continuous improvement and monitoring of governance and management policies have been undertaken to ensure that the Company observes good governance and management practices. This is to assure the stockholders and other stakeholders that the Company conducts its business with the highest level of integrity, transparency and accountability.

The Company submits corporate governance reports to various government agencies in compliance to the regulatory requirements. To wit:

CORPORATE GOVERNANCE MANUAL

The Revised Manual of Corporate Governance is the foundation of the Company's governance policies, which states the responsibilities of the Board, Management and the Company to stockholders and all other stakeholders. It complies with the SEC Code of Corporate Governance under SEC Memorandum Circulars No. 2 Series of 2002, No. 6 Series of 2009, No. 9 Series of 2014, and No. 19 Series of 2016. The Revised Corporate Governance Manual was amended and submitted to the SEC on May 31, 2017. The Manual elaborates the Responsibilities of the Board, Management and the Company to the stockholders and other stakeholders of the Company.

ANNUAL CORPORATE GOVERNANCE REPORT (ACGR)

The Company submits to the SEC the accomplished ACGR Form in compliance with SEC Memorandum Circular Numbers 5 and 9, Series of 2013; 1 and 12, Series of 2014; and 20 Series of 2016. This report discusses the Company's Board and Committee responsibilities, code on business conduct and ethics, Board and Management remuneration, risk management and internal control system, stakeholder roles, corporate social responsibility initiatives, investor relations program and internal policy on sanctions.

PSE CORPORATE GOVERNANCE (CG) DISCLOSURES SURVEY

The Company fully complies with the annual submission of the Corporate Governance Disclosure Report to the Philippine Stock Exchange

(PSE) in accordance with PSE Memorandum No. 2010-0574.

GOVERNANCE STRUCTURE

Board of Directors

- The Board of Directors is primarily responsible for the governance of the Company and provides an independent check on management.
- It is the Board's responsibility to foster the long-term success of the Company, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of the Company, its Shareholders and Stakeholders, as a whole.
- The Board formulates the Company's vision,mission, strategic objectives, policies and procedures that guides its activities, including the means to effectively monitor Management's performance.

The Board exercises care, skill and judgment and observe good faith and loyalty in the conduct and management of the business and affairs of the Company. The Board ensures that all its actions are within the scope of power and authority as prescribed in the Articles of Incorporation, By-Laws, and existing laws, rules and regulations.

To ensure high standard for the Company, its Shareholders and other Stakeholders, the Board conducts itself with honesty and integrity in the performance of, among others, the following duties and responsibilities:

- Act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the Company and all Stakeholders;
- Oversee the development of and approve the Company's business objectives and strategy, and monitor their implementation, in order to sustain the Company's long-term viability and strength. The Board reviews and guides corporate strategy, major plans of action, risk management policies and procedures, annual budgets and business plans; set performance objectives; monitor implementation and corporate performance; and oversee major capital expenditures, acquisitions and divestitures;
- Oversee the adoption of an effective succession planning program and remuneration policies;
- Adopt policies on board nomination and election that will ensure diversity in board composition in terms of knowledge, expertise and experience;
- Oversee the implementation of a policy and system on RPTs which includes the review and approval of material or significant RPTs and ensure fairness and transparency of the transactions;
- Oversee the adoption of policies on the selection of Management and Key Officers and the assessment of their performance;
- Oversee the establishment of an internal control system to monitor and manage potential conflicts of interest and an ERM framework to identify, monitor, assess and manage key business risks;
- Annually review, together with Management, the Company's vision and mission;
- Ensure the Company's faithful compliance with all applicable laws and regulations, and best business practices;
- Establish and maintain an Investor Relations Program that will keep the Shareholders informed of important developments in the

Company.

- Identify the Company's Stakeholders in the community in which it operates or are directly affected by its operations and formulate a clear policy of accurate, timely, and effective communication with them;
- Adopt a system of check and balance within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times;
- Ensure that the Company has an independent audit mechanism for the proper audit and review of the Company's financial statements by independent auditors;
- Ensure that the Company establishes appropriate Corporate Governance policies and procedures pursuant to this Manual and the Governance Code, including but not limited to, policies on conflict of interest, and oversee the effective implementation thereof;
- Consider the implementation of an alternative dispute resolution system for the amicable settlement of conflicts or differences between the Company and its Shareholders, if applicable.

INTERNAL CONTROL RESPONSIBILITIES OF THE BOARD

The control environment of the Company consists of:

- the Board which ensures that the Company is properly and effectively managed an supervised;
- Management that actively manages and operates the Company in a sound and prudent manner;
- the organizational and procedural controls supported by effective management of information and risk management reporting systems; and
- an independent audit mechanism to monitor the adequacy and effectiveness of the Company's governance, operations, and information systems, including the reliability and integrity of financial and operational information, the safeguarding of assets, and compliance with laws, rules, regulations and contracts.

The internal control mechanisms for the performance of the Board's oversight responsibility may include:

- Definition of the duties and responsibilities of the CEO;
- Selection of the person who possesses the ability, integrity and expertise essential for the position of CEO;
- Evaluation of proposed Senior Management appointments;
- Evaluation of appointments of Management Officers; and
- Review of the Company's human resource policies, conflict of interest situations, compensation program for employees and management succession plan

The Company's systems of effective organizational and operational controls are continuously developed and updated based on, among others, the following factors: nature and complexity of the businessand the business culture; volume, size and complexity of transactions; degree of risks involved; degree of centralization and delegatio of authority; extent and effectiveness of information technology; and extent of regulatory compliance.

The Company establishes an Internal Audit system that can provide assurance service to the Board, Management and Shareholders and ensure that key organizational and operational controls are in place. The Board appoints an Internal Audit Head to perform the Internal Audit function. The Internal Audit Head is guided by the Local and International Standards on Professional Practice of Internal Auditing.

BOARD MEETINGS AND QUORUM REQUIREMENT

The Board schedules meetings at the beginning of the year, and holds regular meetings in accordance with its By-Laws and convenes special meetings when required by business exigencies. The notice and agenda of the meeting and other relevant meeting materials are furnished to the Directors at least five (5) business days prior to each meeting, which meeting must be duly minuted. The members of the Board attend regular and special meetings in person or through video/teleconferencing conducted in accordance with the rules and regulations of the SEC except for justifiable reasons that prevent them from doing so. The Independent Directors shall always attend Board meetings. Unless otherwise provided in the By-Laws, their absence shall not affect the quorum requirement. However, the Board may, to promote transparency, require the presence of at least one (1) Independent Director in all its meetings.

To monitor the Directors' compliance with the attendance requirements, the Company submits to the Commission, within five (5) business days from the end of the Company's fiscal year, an advisement letter on Directors' record of attendance in Board meetings.

ATTENDANCE OF DIRECTORS

January 1, 2017 to December 31, 2017

Board	Name	Date of Election	No. of Meetings During the Year	No. of Meetings Attended	Percent
Member	John L. Gokongwei, Jr.	June 27, 2017	9	9	100%
Chairman	James L. Go	June 27, 2017	9	9	100%
Member	Lance Y. Gokongwei	June 27, 2017	9	9	100%
Member	Lily G. Ngo-Chua	June 27, 2017	9	9	100%
Member	Patrick Henry C. Go	June 27, 2017	9	9	100%
Member	Robina Gokongwei-Pe	June 27, 2017	9	9	100%
Member	Johnson Robert G. Go, Jr.	June 27, 2017	9	9	100%
Member	Ricardo J. Romulo	June 27, 2017	9	8	88.9%
Independent	Cornelio T. Peralta	June 27, 2017	9	9	100%
Independent	Jose T. Pardo	June 27, 2017	9	9	100%
Independent	Renato T. De Guzman	June 27, 2017	9	9	100%

BOARD COMMITTEES

To aid in the optimal performance of its roles and responsibilities and ensure compliance with the principles of Corporate Governance, the Board formed the following Board Committees:

- Audit Commitee
- Corporate Governance Committee
- Board Risk Oversight Committee (BROC)

Audit Committee

The role of the Audit Committee is to provide oversight over the Company's financial reporting, Internal Control System, Internal and External Audit processes, and monitor compliance with applicable laws and regulations. It ensures that systems and processes are put in place to provide assurance in areas including reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of business operations, and proper safeguarding and use of the Company's resources and assets.

Functions

- Oversee the Internal Audit Department, and recommend the appointment and/ or grounds for approval of the Internal Audit Head;
- Approve the terms and conditions for the outsourcing of Internal Audit services if applicable;

- Through the Internal Audit Department, monitor and evaluate the adequacy and effectiveness of the Company's internal control system, integrity of financial reporting, and security of physical and information assets;
- Review the Annual Internal Audit Plan to ensure its conformity with the objectives of the Company. The Plan shall include the audit scope, resources, and budget necessary to implement it;
- Review the reports submitted by the Internal and External Auditors;
- Review and monitor Management's responsiveness to Internal Audit's findings and recommendations;
- Prior to the commencement of the audit, discuss with the External Auditor the nature, scope and expenses of the audit, and ensure the proper coordination, if more than one audit firm is involved in the activity, to secure proper coverage and minimize duplication of efforts;
- Evaluate and determine the non-audit work, if any, of the External Auditor, and periodically review the proportion of non-audit fees paid to the External Auditor to the Company's overall consultancy expenses.
- The Committee shall evaluate if the non-audit work will create a potential conflict of interest and shall disallow any non-audit work that will conflict with his duties as an External Auditor or may pose a threat to his independence. If the non-audit work is allowed, this shall be disclosed in the Company's Annual Corporate Governance Report;
- Review and approve the interim and Annual
- Financial Statements before their submission to the Board, with particular focus on the following:
    - Any change/s in accounting policies and practices
    - Areas where significant amount of judgment has been exercised;
    - Significant Related Party Transactions;
    - Significant adjustments resulting from the audit;
    - Going concern assumptions;
    - Compliance with accounting standards;
    - Compliance with tax, legal, and regulatory requirements.
- Review the disposition of the recommendations in the External Auditor's management letter;
    - Perform oversight functions over the Company's Internal and External Auditors. It shall ensure the independence of Internal and External Auditors, and that both auditors are given reasonable access to all material records, properties and personnel to enable them to perform their espective audit functions;
    - Recommend the appointment, re-appointment, removal and fees of the External Auditor; and
    - Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal controls, audit process and monitoring of compliance with applicable laws, rules and regulations.

Corporate Governance Committee
To oversee the development and implementation of Corporate Governance principles and policies. The Corporate Governance Committee recommends a formal framework on the nomination, remuneration and evaluation of the performance of the Directors and key Management Officers to ensure that this framework is consistent with the Company's culture, strategies and the business environment.

Functions
- Oversee the implementation of a Corporate Governance framework and periodically review the said framework to ensure that it remains appropriate in light of material changes to the Company's size, complexity and business strategy, as well as the business and regulatory environment;
- Oversee the formulation and implementation of a Code of Business Conduct and Ethics and internal policies and monitor compliance with such code and policies through communication and awareness campaign, continuous training and setting a proper forum where issues may be addressed;
- Oversee the performance evaluation of the

Board and its Committees and Management, and conduct an annual self-evaluation of its performance;
- Recommend continuing education/training programs for Directors, assignment of tasks/projects to Board Committees, succession planning for the Board members and senior Officers, and levels of remuneration for corporate and individual performance;
- Determine the nomination and election process for the Company's Directors and define the general profile of the Board members that the Company may need and ensure appropriate knowledge, competencies and expertise that complement the existing skills of the Board;
- Establish a formal procedure to develop a policy for determining the remuneration of Directors and Officers that is consistent with the Company's culture and strategy as well as the business environment in which it operates, including disallowing any Director to decide his remuneration;
- Establish efficient communication channels which aid and encourage employees, customers, suppliers, creditors and other Stakeholders to raise concerns on potential unethical or unlawful behavior without fear of retribution; and
- Review recommendations concerning policies on conflict of interest, salaries and benefits policies, promotion and career advancement directives, and compliance with all statutory requirements.

Board Risk Oversight Committee

To oversee the establishment of ERM framework that will effectively identify, monitor, assess and manage key business risks. The risk management framework guides the Board in identifying units/business lines and enterprise-level risk exposures, as well as the effectiveness of risk management strategies. The BROC is responsible for defining the Company's level of risk tolerance and providing oversight over its risk management policies and procedures to anticipate, minimize, control or manage risks or possible threats to its operational and financial viability.

Functions

- Oversee the development and implementation of a formal ERM Plan that contains the following elements:
- Common language or register of risks;
- Well-defined risk management goals, objectives and oversight;
- Uniform processes of identifying, assessing, evaluating and measuring risks as well developing strategies to manage and mitigate prioritized risks;
- Designing and implementing risk management strategies; and
- Continuing assessments and monitoring to improve risk strategies, processes and measures;
- Evaluate the ERM Plan to ensure its continued relevance, comprehensiveness and effectiveness. The BROC shall revisit defined risk management strategies, look for emerging or changing material exposures, and stays abreast of significant developments that may seriously impact the likelihood of harm or loss;
- Review the 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, and occurrence of major events that may have a major impact on the Company;
- Assess the probability of each identified risk becoming a reality and estimate its possible significant financial impact and likelihood of occurrence. Priority areas of concern are those risks that are the most likely to occur and to impact the performance and stability of the Company and its Stakeholders;
- Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risk exposures of the Company. This function includes regularly receiving information on risk exposures and risk management activities from Management;
- Report to the Board on a regular basis, or as deemed necessary, the Company's risk, material risk exposures, the actions taken to reduce the risks, and recommends appetite levels, risk tolerance limits, further action or plans, as necessary.

The Chairman

The Chairman of the Board of Directors presides at all meetings of the Board of Directors and Shareholders. The Chairman also assists in ensuring compliance with and performance of the Corporate Governance policies and practices. As needed or in accordance with applicable regulations such as the Revised Code of Corporate Governance, the roles of Chairman and the CEO may be separated in order to foster an appropriate balance of power, increased accountability, and better capacity for independent decision-making by the Board. A clear delineation of functions are made between the roles of the Chairman and CEO. If the roles of Chairman and CEO are unified, the proper checks and balances are laid down to ensure that the Board gets the benefit of independent views and perspectives.

The duties and responsibilities of the Chairman in relation to the Board may include, among others, the following:

- The Chairman supervises the preparation of the agenda of the meeting in coordination with the Corporate Secretary and Management and make certain that such agenda focuses on strategic matters, including the overall risk appetite of the
- Company, considering the developments in the business and regulatory environments, key governance concerns, and contentious issues that will significantly affect operations;
- Guarantee that the Board receives accurate, timely, relevant, insightful, concise, and clear information to enable it to make sound decisions;
- Facilitate discussions on key issues by fostering an environment conducive for constructive debate and leveraging on the skills and expertise of individual Directors;
- Ensure that the Board sufficiently challenges and inquires on reports submitted and representations made by Management;
- Assure the availability of proper orientation for first-time Directors and continuing training opportunities and requirements for all Directors; and
- Ensure that performance of the Board is evaluated at least once a year and discussed/ followed up on.

The CEO

Duties and Responsibilities of the CEO:

- Communicate and implement the Company's vision, mission, values and overall strategy and promote any Company or Stakeholder change in relation to the same;
- Build the corporate culture and motivate the employees of the Company. Direct, evaluate and guide the work of key Officers of the Company;
- Oversee the operations of the Company and manages human and financial resource in accordance with the strategic plan;
- Serve as the link between internal operations as well as internal and external Stakeholders;
- Exercise general care, management and administration of the business operations of the Company. The CEO ensures that (a) the business and affairs of the Company are managed in a sound and prudent manner; and (b) operational, financial and internal controls are adequate and effective to ensure rel ability and integrity of financial and operational information, effectiveness and efficiency of operations, safeguarding of assets and compliance with laws, rules, regulations and contracts;
- Provide leadership for Management in determining, developing and implementing business strategies, plans and budgets to the extent approved by the Board. He provides the Board with a balanced and understandable account of the Company's performance, financial condition, results of operations and prospects on a regular basis;
- Provide the Directors/Board with adequate and timely information about the matters to be taken up in their Board meetings and, upon the request of any Director or the Board, make presentations on specific topics and respond to further inquiries in relation thereto during Board meetings. The Directors have independent access to Management;
- Formulate, under the oversight of the Audit Committee, financial reporting and internal control systems, rules and procedures.

The Corporate Secretary

Duties and Responsibilities of the Corporate Secretary:

- Be loyal to the mission, vision, and objectives of the Company;
- Work fairly and objectively with the Board, Management, Shareholders, and other Stakeholders;
- Assist the Board and the Board Committees in the conduct of their meetings, including preparing an annual schedule of Board and Committee meetings and the annual Board calendar, and assisting the chairs of the Board and its Committees in setting agendas for those meetings;
- Safe keep and preserve the integrity of the minutes of the meeting of the Board and its Committees, as well as other official records of the Company;
- Keep abreast on relevant laws, regulations, all governance issuances, relevant industry developments and operations of the Company, and advise the Board and the Chairman on all relevant issues as they arise;
- Work fairly and objectively with the Board, Management and Shareholders and contribute to the flow of information between the Board and Management, the Board and its Committees, and the Board and its Stakeholders, including Shareholders;
- Advise on the establishment of Board Committees and their terms of reference;
- Inform the members of the Board, in accordance with the By-Laws, of the agenda of their meetings at least five (5) business days in advance, and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;
- Perform required administrative functions;
- Oversee the drafting of the By-laws and ensure that they conform with regulatory requirements; and
- Perform such other duties and responsibilities as may be provided by the SEC or as may be assigned by the Board.

INTERNAL AUDIT

Role of the Internal Audit

The role of Internal Audit is to provide independent, objective and risk based assurance within the Company, designed to add value and improve the Company's operations. This will help the Company accomplish its objectives by providing a systematic and disciplined approach for the evaluation and improvement of the effectiveness of risk management, control and governance processes.

Purpose and Scope of Work of Internal Audit

The purpose of Internal Audit is to examine and evaluate whether the Company's controls and processes, as designed by Management, are adequate, efficient, and functioning in a manner to ensure that:

- Programs, plans, goals and objectives are achieved;
- Employee's actions are in compliance with policies, code of conduct, standards, procedures, and applicable laws and regulations;
- Authorities and responsibilities are clear, properly assigned, and documented;
- Changes in functions, services, processes, and operations are properly evaluated;
- Significant legislative or regulatory issues impacting the Company are recognized and addressed appropriately;
- Control activities are integral part of daily operations;
- Adequate controls are incorporated into information technology systems;
- Assets or resources are acquired economically, used efficiently, and adequately protected or safeguarded;
- Financial, management, and operating information are reliable, timely, relevant, accurate, accessible, and provided in a consistent format;
- Channels of communication are effective to ensure that interaction with business units and corporate centers occurs as needed; and
- Continuous quality improvement is fostered in the business unit and corporate center's control processes.

Responsibilities of Internal Audit

Internal Audit is solely responsible for the planning, implementation, and reporting of its results. For this purpose, Internal Audit shall:

- Periodically review the Internal Audit charter and present it to the Senior Management and the Audit Committee for approval;
- Establish and implement risk-based Internal Audit Plan, including policies and procedures, to determine the priorities of the Internal Audit activity, consistent with the Company's goals;
- Present the Internal Audit Plan and its performance, resource requirement and impact of resource limitations, as well as significant interim changes, to Senior Management and the Audit Committee for review and approval;
- Spearhead the performance of the Internal Audit activity to ensure it adds value to the Company;
- Prepare a forward Strategic Audit Plan to set the direction and approach of audits in the long-term;
- Perform regular and special audit as contained in the Annual Audit Plan and/or based on the Company's risk assessment;
- Perform consulting and advisory services related to governance and control as appropriate for the Company;
- Perform compliance audit of relevant laws, rules and regulations, contractual obligations and other commitments, that could have a significant impact on the Company;
- Review, audit and assess the efficiency and effectiveness of the internal control system of all areas of the Company;
- Evaluate operations or programs to ascertain whether results are consistent with established objectives and goals, and whether the operations or programs are being carried out as planned;
- Evaluate specific operations at the request of the Board or Management, as appropriate;
- Monitor and evaluate governance processes;
- Report in a timely manner significant issues noted during the audit relating to the adequacy, efficiency, and effectiveness of policies, controls, processes, and activities of the Company. As directed by or under the policies of the Audit Committee, furnishes auditees and/or any other member of Management copies of the reports;
- Recommend any improvement in policies and procedures, systems of controls, processes, and other financial and operational matters to assist Management in the effective discharge of their responsibilities, in order to minimize or prevent waste, extravagance, negative image, and fraud. Management is responsible to implement specific recommendations;
- Coordinate with External Auditors and ensure that the audit works are complementary to optimize coverage at a reasonable cost; and
- Comply with standards that are promulgated by the relevant professional and regulatory bodies.

Authority of the Internal Audit

Subject to the approval of the Audit Committee, Internal Audit is authorized to:

- Decide on the nature, scope, timing, and frequencies of audit;
- Allocate resources and apply different techniques required to accomplish audit objectives;
- Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided within policy and approved budget;
- Have discussions with Management and employees of the Company at any reasonable time;
- Attend or participate in meetings relating to the Board's oversight responsibilities for auditing, financial reporting, Corporate Governance, and control;
- Have full and free access to the Audit Committee; and
- Obtain the necessary assistance of business unit or corporate center, as well as other specialized services from within or outside the Company.

ENTERPRISE RISK MANAGEMENT

Role of ERM

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 guides the Board in identifying units/business lines and enterprise level risk exposures, as well as the effectiveness of risk management strategies.

Functions and Responsibilities of ERM

ERM shall have the following functions and responsibilities:

- Define a risk management strategy;
- Identify and analyze key risk exposures relating to Economic, Environmental, Social and Governance ("EESG") factors and the achievement of the Company's strategic objectives;
- Evaluate and categorize each identified risk using the Company's predefined risk categories and parameters;
- Establish a risk register with clearly defined, prioritized and residual risks;
- Develop risk mitigation plan for the most important risks to the Company, as defined by the risk management strategy;
- Communicate and report significant risk exposures including business risks (e.g. strategic, compliance, operational, financial and reputational risks), control issues and risk mitigation plan to the BROC;
- Collaborate with the CEO in updating and making recommendations to the BROC;
- Coordinate, monitor, and facilitate compliance with laws, rules, and regulations; and
- Suggest ERM policies and related guidance, as may be needed.

Authority of ERM

Subject to the approval of the BROC, the ERM is authorized to:

- Allocate resources and apply different techniques required to accomplish ERM objectives;
- Assess and recruit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter provided within policy and approved budget;
- Have discussions with Management and employees of the Company at any reasonable time;
- Attend or participate in meetings relating to the Board's oversight responsibilities for ERM;
- Have full and free access to the BROC; and
- Obtain the necessary assistance of Business Unit or Corporate Center Unit, as well as other specialized services from within or outside the Company.

COMPLIANCE OFFICER

Appointment of the Compliance Officer

The Board ensures that it is assisted in its duties by a Compliance Officer. The Board may consider appointing a Compliance Officer with a rank of Senior Vice President or an equivalent position with adequate stature and authority in the Company. The Compliance Officer should not be a member of the Board of Directors and shall have direct reporting responsibilities to the Chairman of the Board. The Compliance Officer shall annually attend a training on Corporate Governance.

The Compliance Officer shall perform the following duties:

- Ensure proper onboarding of new Directors (i.e., orientation on the Company's business, charter, Articles of Incorporation and By-laws, among others);
- Monitor, review, evaluate and ensure the compliance by the Company; its Officers and Directors with the provisions and requirements of this Corporate Governance Manual and the relevant laws, this Code, rules and regulations and all governance issuances of regulatory agencies;
- Report the matter to the Board if violations are found and recommend the imposition of appropriate disciplinary action;
- Ensure the integrity and accuracy of all documentary submissions to the regulators;
- Appear before the SEC when summoned in relation to compliance with this Code;

- Collaborate with other departments to properly address compliance issues, which may be subject to investigation;
- Identify possible areas of compliance issues and works towards the resolution of the same;
- Ensure the attendance of Board members and key Officers to relevant trainings;
- Assist the Board and the Corporate Governance Committee in the performance of the their governance functions, including their duties to oversee the formulation or review and implementation of the Corporate Governance structure and policies of the Company, and to assist in the conduct of self-assessment of the performance and effectiveness of the Board, the Board Committees and individual Board members in carrying out their functions as set out in this Manual and the respective charters of the Board Committees; and;
- Perform such other duties and responsibilities as may be provided by the SEC.

Adequate and Timely Information

To enable the Directors to properly fulfill their duties and responsibilities, Management shall provide the Directors with complete, adequate, and timely information about the matters to be taken up in their meetings. Information may include the background or explanation on matters brought before the Board, disclosures, budgets, forecasts, and internal financial documents. If the information provided by Management is not sufficient, further inquiries may be made by a Director to enable him to properly perform his duties and responsibilities. The Directors shall have independent access to Management and to the Corporate Secretary.

The Directors, either individually or as a Board, and in the performance of their duties and responsibilities, may seek access to independent professional advice within the guidelines set by the Board.

Accountability and Audit

The Board ensures that its Shareholders are provided with a balanced and comprehensible assessment of the Company's performance, position and prospects on a quarterly basis, including interim and other reports that could adversely affect its business through its website and its submissions and disclosures to the SEC and Philippine Stock Exchange (PSE). Management formulates the rules and procedures on financial reporting and internal control for presentation to the Audit Committee in accordance with the following guidelines:

- The extent of its responsibility in the preparation of the financial statements of the Company, with the corresponding delineation of the responsibilities that pertain to the External Auditor, should be clearly defined;
- An effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the Company for the benefit of all Shareholders and other Stakeholders;
- On the basis of the approved Internal Audit Plan, Internal Audit examinations should cover, at the minimum, the evaluation of the adequacy and effectiveness of controls that cover the Company's governance, operations and information systems, including the reliability and integrity of financial and operation information, effectiveness and efficiency of operations, protection of assets, and compliance with contracts, laws, rules, and regulations; and
- The Company consistently complies with the financial reporting requirements of the SEC.
- The External Auditor shall be rotated or changed every five (5) years or earlier, or the signing partner of the External Auditing firm assigned to the Company, should be changed with the same frequency. The Corporate IA Head should submit to the Audit Committee and Management an annual report on the Internal Audit department's activities, responsibilities, and performance relative to the Internal Audit Plan as approved by the Audit and Risk Committee. The annual report should include significant risk exposures, control issues, and such other matters as may be needed or requested by the Board and Management. The Internal Audit Head

should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, the Internal Audit Head shall disclose to the Board and Management the reasons why he has not fully complied with the said documents.

The Board, after consultations with the Audit Committee shall recommend to the Shareholders an External Auditor duly accredited by the SEC who shall undertake an independent audit of the Company, and shall provide an objective assurance on the matter by which the financial statements shall be prepared and presented to the Shareholders. The External Auditor shall not, at the same time, provide Internal Audit services to the Company. Non-audit work may be given to the External Auditor, provided it does not conflict with his duties as an independent External Auditor, or does not pose a threat to his independence. If the External Auditor resigns, is dismissed or ceases to perform his services, the reason/s for and the date of effectivity of such action shall be reported in the Company's annual and current reports. The report shall include a discussion of any disagreement between the External Auditor and the Company on accounting principles or practices, financial disclosures or audit procedures which the former External Auditor and the Company failed to resolve satisfactorily. If the External Auditor believes that any statement made in the Annual Report, Information Statement or any report filed with the SEC or any regulatory body during the period of his engagement is incorrect or incomplete, he shall give his comments or views on the matters in the said reports.

STAKEHOLDERS' RIGHTS AND PROTECTION OF MINORITY SHAREHOLDERS' INTEREST

Shareholders' Rights

The Board is committed to treat all Shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of their rights. These rights relate to the following among others:

- Right to vote on all matters that require their consent or approval
- Right to inspect corporate books and records
- Right to information
- Right to dividends
- Appraisal right

Promotion of Shareholders' Rights

The Board is transparent and fair in the conduct of the annual and special Shareholders' meetings of the Company. The Board encourages active Shareholders participation by sending the Notice of Annual and Special Shareholders' Meeting with sufficient and relevant information at least fifteen (15) business days before the meeting in accordance with the Securities Regulation Code. The Shareholders are encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of law, rules and regulations and the By-Laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

Result of the votes taken during the most recent Annual or Special Shareholders' Meeting are publicly made available the next working day. In addition, the Minutes of the Annual and Special Shareholders' Meeting shall be made available on the Company Website within five (5) business days from the end of the meeting.

Other Stakeholders

The Company identifies the various Stakeholders and promote cooperation between them and the Company in creating wealth, growth and sustainability. The Company establishes clear policies and programs to provide a mechanism on the fair treatment and protection of Stakeholders.

The Board adopts a transparent framework and process that allows Stakeholders to communicate with the Company and to obtain redress for the violation of their rights. Stakeholders may communicate with the Company through the various Stakeholders touchpoints such as the Investor Relations Office, Office of the Corporate Secretary, Customer Relations Office, the Corporate Communications Group and the Company's Website.

The Board also establishes policies, programs and procedures that encourage employees to actively participate in the realization of the Company's goals and its governance including but not limited to:

- Health, safety and welfare;
- Training and development; and
- Reward and compensation.

The Company recognizes and place importance on the interdependence between business and society, and promote a mutually beneficial relationship that allows the Company sustainable growth, while contributing to the advancement of the society where it operates.

The Company employs value chain processes that takes into consideration EESG issues and concerns.

ROLE OF STAKEHOLDERS

Customers' Welfare

The Company has a customer relations policy and procedure to ensure that customers' welfare are protected and questions are addressed. Customers are informed with the Company's customer relations contacts to ensure that their welfare and questions are addressed.

Supplier/Contractor Selection

The Company follows the Supplier Accreditation Policy to ensure that the Company's suppliers and contractors are qualified to meet its commitments. Suppliers and contractors undergo accreditation and orientation on Company policies.

EMPLOYEES

Performance-enhancing mechanisms for employee participation

The Company abides by safety, health, and welfare standards and policies set by the Department of Labor and Employment. Likewise, the Company has Security and Safety Manuals that are implemented and regularly reviewed to ensure the security, safety, health, and welfare of the employees in the work place.

The Company continuously provides learning and development opportunities for its employees through the John Gokongwei Institute for Leadership and Enterprise Development known as JG-ILED, the leadership platform for systematic and sustained development programs across the conglomerate. Its mission is to enable a high performing organization that will facilitate the learning process and develop the intellectual and personal growth of all employees through targeted and customized trainings and development programs.

ANTI-CORRUPTION PROGRAMS AND PROCEDURES

The Company is committed to promoting transparency and fairness to all stakeholders. The Board sets the tone and make a stand against corrupt practices by adopting an anti-corruption policy and program. Some of the Company's Anti-Corruption programs are embodied in the Code of Business Conduct and Ethics, Conflict of Interest, Offenses Subject to Disciplinary Action (OSDA), among others. The same are disseminated to all employees across the Company through trainings to embed them in the Company's culture. New employees are oriented regarding policies and procedures related to Business Conduct and Ethics and similar policies. All employees are given periodic reminders. Further, all concerned employees of the Conglomerate are required to comply with the Annual Self-Disclosure Activity on an annual basis.

The Company also has an established suitable framework for whistleblowing and ensure its enforcement to allow employees and other stakeholders to freely communicate their concerns about illegal or unethical practices, without fear of retaliation and to have direct access to an independent member of the Board or a unit created to handle whistleblowing concerns.

BUSINESS CONDUCT & ETHICS	POLICY STATEMENT
Conflict of Interest	The Company's Code of Business Conduct and Conflicts of Interest Policy require employees to make a conscious effort to avoid conflict of interest situations; that his judgment and discretion are not influenced by considerations of personal gain or benefit. A conflict of interest may also occur because of the actions, employment, or investments of an immediate family member of an employee.
Conduct of Business and Fair Dealings	The Company's employees that recommend, endorse, or approve the procurement or sale of goods and services should make a conscious effort to avoid any conflict of interest situation in transactions that they are involved in
Receipt of Gifts from Third Parties	The Company discourages the acceptance of gifts. However, gifts like advertising novelties maybe given or accepted during the Christmas season. There is no restriction in the value of the gift accepted. However, accepted gift with estimated value over Php2,000.00 must be disclosed to the Conflicts of interest Committee.
Compliance with Laws and Regulations	The Company ensures that all transactions comply with relevant laws and regulations. Any deficiencies are immediately rectified.
Respect for Trade Secrets / Use of Non-public Information	The Company has policies that ensure proper and authorized disclosure of confidential information. Disclosures to the public can only be done after the disclosure to SEC and PSE by the Company's authorized officers.
Use of Company Funds, Assets and Information	Employees are required to safeguard the Company resources and assets with honesty and integrity. Employees must ensure that these assets are efficiently, effectively, and responsibly utilized.
Employment and Labor Laws and Policies	The Company ensures the observance, strict implementation and compliance with employment and labor laws and policies with regards to recruitment, employment, retention and benefits of the employees.
Disciplinary Action	Violation of any provision of the Code of Business Conduct may result to disciplinary action, including dismissal and reimbursement for any loss to the Company that result from the employee's action. If appropriate, a violation may result in legal action against the employee or referral to the appropriate government authorities.

BUSINESS CONDUCT & ETHICS	POLICY STATEMENT
Whistleblowing	The stakeholders may discuss or disclose in writing any concern on potential violation of the Code of Business Conduct with the Conflicts of Interest Committee. Reports or disclosures can be made in writing or by email using the following contact details: • email address CICOM@jgsummit.com.ph • fax number 395-3888 • mailing address Must be sent in a sealed envelope clearly marked "Strictly Private and Confidential-To Be Opened by Addressee Only" CICOM JG Summit Holdings, Inc. 44th Flr. Robinsons Equitable Tower ADB Avenue, Cor., Poveda Road, Pasig City The complaint shall be filed using the Complaint/Disclosure Form (CDF) available in the company website. All information received in connection with the reports or disclosures shall be strictly confidential and shall not be disclosed to any person without prior consent of CICOM. The Company commits to protect those who report in good faith from retaliation, harassment and even informal pressures. It will take the necessary and appropriate action to do so in enforcing the policy.
Conflict Resolution	The Conflicts of Interest Committee submits recommendations on courses of action to be taken on conflicts of interest situations. The decision is done by the Executive Committee.

DISCLOSURE AND TRANSPARENCY

Ownership Structure

Holding 5% shareholding or more (As of December 31, 2017)

Shareholder	No. of Shares	Percent	Beneficial Owner
Gokongwei Gokongwei Brothers Foundation, Inc.	1,997,076,451	27.881%	Same as record owner
PCD Nominee Company (Filipino)	1,573,053,374	21.961%	PCD Participants & their clients
Robinsons Savings Bank-Trust & Investment Group	1,033,319,225	14.426%	Trustee's designated officers
PCD Nominee Company (Non-Filipino)	1,006,916,271	14.057%	PCD Participants & their clients
Lance Y. Gokongwei	541,838,575	7.56%	Same as record owner

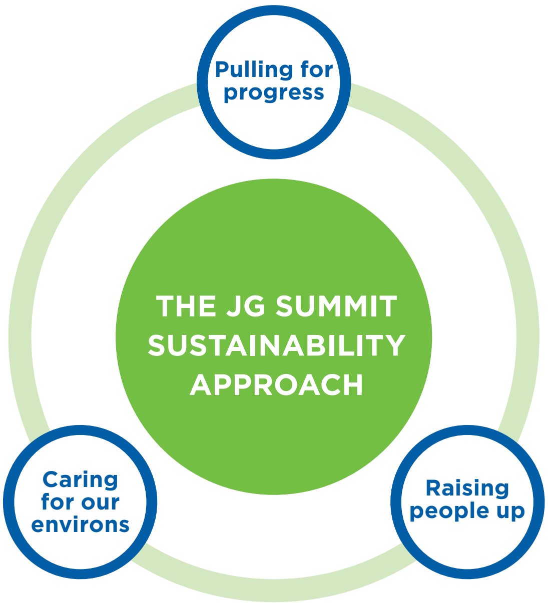
Company Website

JG Summit updates the public with operating and financial results through timely disclosures filed with SEC and PSE. These are available in the Company's website: http://www.jgsummit.com.ph/

SUSTAINABILITY

Making Life Better For Tomorrow

Sustainability the JG Summit Way



Progress is all about scaling new heights. For us at JG Summit, the past decades have seen our organization overcome numerous challenges in order to reach peaks in establishing successful new enterprises as well as improving our existing businesses. Along the way, we are proud to have provided jobs for millions of Filipinos and significantly contribute to nation-building.

Embedding sustainability in our long-term business strategy and in our culture is JG Summit's next summit to conquer. By achieving this, we ensure that our success has deeper meaning in the greater context of things. Our purpose is now made clearer to us—we make life better, not just for today but for tomorrow.

JG Summit Sustainability Framework

We achieve this purpose by **pulling for progress.** We create mechanisms and an overall environment that inspire, encourage and enable others toward success. **We raise people up** by improving the lives of all our stakeholders — our customers, our suppliers, society at large and our employees as well. We **care for our environs** by making sure we have only positive impact on our surroundings, and that we always make best and prudent use of natural resources.

In today's world sustainability is non-negotiable, but it is not that difficult when we come together in synergy. **It is always possible.**

Many say sustainability and progress do not mix well. But in JG Summit, we see no contradiction when we come together in synergy, **it is always possible.**

Our First Step: URC's Purposeful Transformation

Our journey has begun with one of the biggest and most important business units in our conglomerate, Universal Robina Corporation, which pioneered the institutionalization of sustainability in its operations.

Through the release of its landmark Environment, Social and Governance (ESG) commitments, contained in its first-ever Sustainability Report called "Our Purposeful Transformation," the blueprint of URC's sustainability commitments has been clearly defined.

For the initial five-year period, URC's sustainability commitments will focus on natural resources, people and products. Later on, it will cover two additional commitments one in the area of supply chain and another on economic focus. Both of this additional focus areas are targeted to be achieved by 2030.

URC joins the growing list of businesses across the globe that continues to adapt to best-in-class standards in sustainable development in the areas of ESG. ESG has become today's set of standards that socially conscious investors use to screen investments beyond mere corporate social responsibility (CSR) and the environment.

Moving forward, reporting sustainability performance will now be a deliberate undertaking at URC. Having defined the sustainability focus areas of URC's business, this reporting practice will serve as the mechanism by which the company will track and measure its progress on this enterprise-wide transformation.

URC's Sustainability Report is referenced to the Global Reporting Initiative Standards (GRI), the most comprehensive and widely used sustainability reporting framework around the globe. URC intends to come out with this report every two years to report its achievements in the areas of sustainability.

URC President and Chief Executive Officer Lance Y. Gokongwei said as URC continues to grow, sustainability would play an even more critical role in its core business strategy and culture.

"Everyone, from our rank and file employees to our most senior directors, has a job to do, and we must all do it well. It's not so hard when we work together as one family. We will transform with a purpose; we will lead through sustainability. And it is with great pride and tremendous energy that we now embark on this purposeful transformation," he said.

Caring for Our Environs

Solving a Global Issue Together

As a concrete manifestation of URC's commitment to being a responsible manufacturer and in solidarity with the industry in helping solve the ocean waste pollution problem, the company has signed up with the Philippine Alliance for Recycling and Materials Sustainability (PARMS).

PARMS is a multi-stakeholder partnership supported by the National Solid Waste Management Commission (NSWMC). It plans to establish a ₱25-million plastic material recovery facility that aims to reduce the volume of post-consumer waste in the environment.

Employing clean technology, the facility will be able to process more than 200 metric tons of waste per year, converting these into products like pallets, school chairs and other high-value plastic products.

One Million Tree Project

The protection and preservation of the eco-system while making a positive economic impact as the first Naphtha Cracker Plant in the country has been the consistent pledge of the JG Summit Petrochemicals Group.

The company lives by this pledge and seeks to promote environmental awareness and sustainability by launching its “One Million Tree” project which aims to plant One Million (1,000,000) indigenous and fruit bearing tree seedlings within a period of seven (7) years from 2016 to 2023.

To date, JGSPG has engaged multiple stakeholders and encouraged their active participation and support to this noteworthy endeavor. Since the project’s inception in 2016, they have planted more than two hundred thousand (200,000) tree seedlings.

JGSPG's other notable projects for 2017 include the partnership with the Batangas Provincial Government Environment and Natural Resources Office (PGENRO) and the LGU of Rosario, Batangas for the reforestation of a former dumpsite; tree planting activity with volunteer drug surrenderees, police and environmental officers in Lobo, Batangas; tree planting with grade school pupils and teachers of Baranggay Pinamucan Ibaba which incorporated the activity in their school lessons; and the memorial tree planting with Grade 12 students of Pinamucan National High School.

Mini-forest and Artificial Reef Sanctuary

About nine percent (9%) of the total land area of Batangas City are devoted to industrial development, located mostly on its coastal area. Despite the city’s continuous development, industries pledge to commit efforts relating to forest and marine conservation. In 2014, JGSPG has set aside a two-hectare mini-forest area with tree nursery within the perimeter of the project site. It became a dedicated project of the company as part of the conservation initiatives for Verde Island Passage terrestrial and Marine Corridor.

Three years later JGSPG expanded the mini-forest with an additional one hectare with the intention of capturing carbon emission, increasing biodiversity, preventing soil erosion, and fertilizing as they mix nitrates in the soil. In addition to the mini-forest area, JGSPG in partnership with the Batangas Community Divers Seal, Inc. will be deploying within a span of 3 years additional 440 artificial reef blocks as fish and coral sanctuary.

Coastal Clean-up Volunteers

In Batangas, where JGSPG's 250-hectare fully integrated manufacturing complex is located, volunteer employees of JG Summit Petrochemical Corporation and URC's Packaging Division joined residents of Barangays Simlong, Pinamucan Ibaba and Pinamucan Proper in observing the International Coastal Clean-up (ICC) Day last September 16, 2017. They removed trash in beaches, coasts, rivers, waterways and underwater dive sites and recorded the information on the debris collected.

Awards in Energy Efficiency

URC's plant in Biñan, Laguna also leads the way in sustainable energy management system in the food and beverage (F&B) manufacturing sector for its effective rollout of an ISO-certified Energy Management Systems (ISO 50001).

Deploying an energy management system or EnMS is an effective tool that properly integrates energy efficiency into corporate culture and daily management which results in various benefits. For this effort, URC was cited in the 2017 Don Emilio Abello Energy Efficiency Awards of the Department of Energy (DOE).

Robinsons Malls likewise garnered 12 awards at the prestigious annual energy efficiency awards program of the DOE. Four malls were given outstanding awards for achieving more than 5% energy savings. These were: Robinsons Place Angeles, Robinsons Fuente, Robinsons Place Antique and Robinsons Place Palawan. All four establishments have reduced the production of carbon dioxide by more than 300,000 kg and saved a total of ₱19.2 million in energy cost.

Three malls also received citation awards for achieving 3% to 5% energy savings. These were Robinsons Tagaytay, Robinsons Place Cainta and Robinsons Place Ilocos. All in all, they generated significant energy savings equivalent to a total of 5.2 million and reduced a total of 277,100 kg of carbon dioxide. Robinsons Forum received a special award for achieving 1.3% production energy savings equivalent to P1.4 million and avoiding more than 75,000 kg of carbon dioxide. Meanwhile, four Robinsons Malls engineers were conferred with the Outstanding Energy Manager Award—Engr. Manuel Llagas, engineering project manager–energy conservation, upgrading and innovations; Engr. Leo Galuego of Robinsons Place Angeles; Engr. Sunny Deramas of Robinsons Place Antique; and Engr. Elmer Borejon of Robinsons Place Palawan.

Pulling for Progress

Championing Entrepreneurship

Robinsons Malls is a key business unit of JG Summit that is in a most advantageous position of creating wealth and prosperity for community-based enterprises and MSMEs (micro, small and medium enterprises). JG Summit's commitment to championing local entrepreneurs is evident in supporting initiatives such as the Kapatid Mentor Me (KMME) program. This initiative is in partnership with the Department of Trade and Industry (DTI) and the Philippine Center for Entrepreneurship Inc. under the Go Negosyo flagship. The KMME project is part of the Kapatid Angat Lahat! Program of DTI, an initiative that aims to create smarter entrepreneurs by way of mentoring and coaching by business owners and practitioners on the different functional areas of entrepreneurship, to help these MSMEs scale up and sustain their businesses.

In December 2017, the mall hosted the "Partuat Ti Kailokuan" trade fair, considered to be the biggest annual trade expo in the Ilocos. The four-day event featured a wide selection of unique and best-selling goods and products of the region ranging from fresh and processed foods and native delicacies to handicrafts and innovative home furniture.

Entrep Corner is another initiative of Robinsons Malls that aims to further develop and hone entrepreneurial skills of Filipinos, this time among the youth sector composed of senior high school students taking up Accountancy, Business and Management (ABM) tracks and college students taking up business-related courses. Robinsons Malls provides these budding entrepreneurs with actual retail experience in a "live" retail set-up in the mall—from profitability, product development, visual merchandising, packaging, pricing and inventory to marketing activities. At present, Robinsons Malls' Entrep Corner has four partner schools: St. Paul University–Quezon City, De La Salle University – Dasmariñas, Colegio de San Juan de Letran and Silliman University. Entrep Corner has also hosted exhibits of University of Santo Tomas and Ateneo De Manila University students. Since its launch in 2006, the program has hosted 48 Entrep Corners and mentored approximately 7,200 students.

R-Love Soap For Hope Project

Robinsons Land Corporation (RLC) through its Robinsons Hotels and Resorts Division launched, "R-Love Soap for Hope" project, an initiative to recover, recycle, re-process and donate used

bar soaps to local communities. The project's objectives are three-fold: to provide a means of livelihood for local communities through learning a new skill; to help hotels reduce waste by recycling used or discarded soap and; to help save lives by promoting a cleaner and healthier environment through provision of a cheaper alternative soap.

The solid soap waste regularly donated to Don Bosco Pugad, Makati and Holy Trinity School in Brgy. Haraan, Indang, Cavite are from Go Hotels in Otis, Ortigas and Mandaluyong and also from Summit Hotel Magnolia and Summit Ridge Tagaytay. The reconstituted soaps are then used as part of the partners livelihood projects and promotion of hygiene among school children.

The project is a very real example of creating shared value for all parties involved – the local business, the customers, local organizations and the local communities.

Organic Farmers Market

RLC's Robinsons Hotels and Resorts division, through Summit Ridge Tagaytay partnered with Association of Women Organic Farmers (AWOF) to launch the "The Farm Stand at Summit Ridge." This is a hotel CSR initiative in support of the local farming communities in Tagaytay by way of providing a lease-free selling space in the hotel lobby. The initiative was also in line with the hotel's thrust to promote wellness and healthy eating of guests.

The Honesty Farm Stand is a brainchild of a small group of women farmers to promote naturally grown vegetables, fruits and naturally processed goods from the region. It serves as a platform to uplift the lives of small scale farmers while juggling both work and family responsibilities.

Established in December 2016, the first Honesty Farm Stand is located in Summit Ridge Hotel Tagaytay and currently has five member farms and showcases different produce and goods from the region like chemical-free vegetables, seasonal fruits, coffee and potted herbs.

Raising People Up

Better Access to Government Services

Regarded as the Philippines' first and biggest shopping center facility offering government services, Robinsons Malls Lingkod Pinoy Center is a public service program of RLC that brings together all the government departments and agencies most relevant to the communities where Robinsons Malls are located.

At present, there are 18 participating government departments and agencies in the Lingkod Pinoy Center project. These are the Bureau of Immigration (BI), Commission on Elections (COMELEC), Department of Foreign Affairs (DFA), Department of Trade and Industry (DTI), Professional Regulation Commission (PRC), Land Registration Authority (LRA), Land Transportation Office (LTO), National Bureau of Investigation (NBI), Philippine Health Insurance (Philhealth), Philippine Postal Corporation (PHLPost), Home Development Mutual Fund (Pag-IBIG Fund); Government Service Insurance System (GSIS), Securities and Exchange Commission (SEC), Social Security System (SSS), Technical Education and Skills Development Authority (TESDA), Tourism Infrastructure and Enterprise Authority (TIEZA), Philippine Overseas Employment Administration (POEA) and Overseas Workers Welfare Administration (OWWA).

Helping Communities

Meanwhile, from the simple coin bank donation campaign of Robinsons Malls dubbed "The Gift of Change" (TGOC) comes "The Gift of Sight" (TGOS) project, where underserved community members are provided free eye-check-up and prescription eyeglasses.

Since its inception in 2015, TGOS has benefited more than 4,200 individuals and donated close to 4,000 pairs of eyeglasses to indigent residents in Metro Manila, Antipolo, Pampanga, Batangas, Pangasinan, Cebu, Dumaguete and Bacolod. TGOC also funds various other CSR projects focused on health, community development and recycling projects including *Pailaw sa Barangay*, *Binyagang Bayan*, *Libreng Bakuna* and *Bike for Change*.

As part of improving facilities for better learning and education especially of public school youth, Robinsons Land Corporation also staunchly supports the annual Brigada Eskwela project of the Department of Education (DepEd).

For the opening of the school year in 2017, volunteers under the umbrella 'RLove' program participated in the clean-up and repair activities at the Lagro Elementary School in Quezon City. More than 30 public schools across the nation have benefited from the contributions and assistance from employee volunteers from RLC's main office and 20 Robinsons Malls, benefitting over 50,000 students.

Education is one of the advocacies of JGSPG by participating in the annual Brigada Eskwela and Balik Eskwela. For Brigada Eskwela, JGSPG supported three elementary schools and one high school – Simlong Elementary School, Pinamucan Ibaba Elementary School, Pinamucan Proper Elementary School and Pinamucan National High School. JGSPG employees were also present in the clean-up and donated snacks and refreshments to the volunteers. Members of the Sangguniang Pambarangay, Department of Education employees and Red Cross Batangas volunteers were also present in the action.

For the Balik Eskwela, JGSPG donated a total of 11,916 notebooks, 171 coloring books, 1,437 crayons, 1,437 rulers, 1,289 pencils, 2,019 pens and 2,016 erasers for all schoolchildren of the beneficiary schools.

In terms of addressing poverty through financial literacy, Robinsons Bank focused its efforts on encouraging and educating young Filipinos to save. In the communities where RBank operates in, volunteer employees conducted storytelling sessions illustrating the importance of savings through the children's fable "The Ant and the Grasshopper." After each session, each child was given a coin bank as a reminder to save money. The coin banks, as well as other materials such as books and school supplies that were donated to the beneficiary communities and schools, were mostly collected through donations and fund-raising efforts by RBank employees, benefitting 1,000 schoolchildren.

Relief Operation

Typhoon Lannie and Tropical Storm Maring brought heavy rains in Batangas City on September 2017. For safety reasons, the city

suspended classes in schools for all levels, including government offices. Many families with houses made of light materials were affected.

In response to the devastation brought about by both typhoons, JGSPG donated 2,000 relief bags consisting of food items for the residents of Barangay Simlong.

Health and Safety of the Community

JGSPG places great importance in the health and safety of our neighboring communities. In partnership with Batangas Provincial Health Team Office and based on the audit of barangay clinics, JGSPG donated medical equipment to Barangays Simlong and Pinamucan Ibaba on February 2017.

Likewise, to help improve JGSPG's response in emergency cases, the company granted the requests of the three barangay communities it serves to provide their barangay tanods with emergency equipment such as a set of first aid kit; heavy duty flashlight; megaphone; reflector vests; raincoats; and whistles and later on an ambulance vehicle for the use of the community.

Bringing People Together

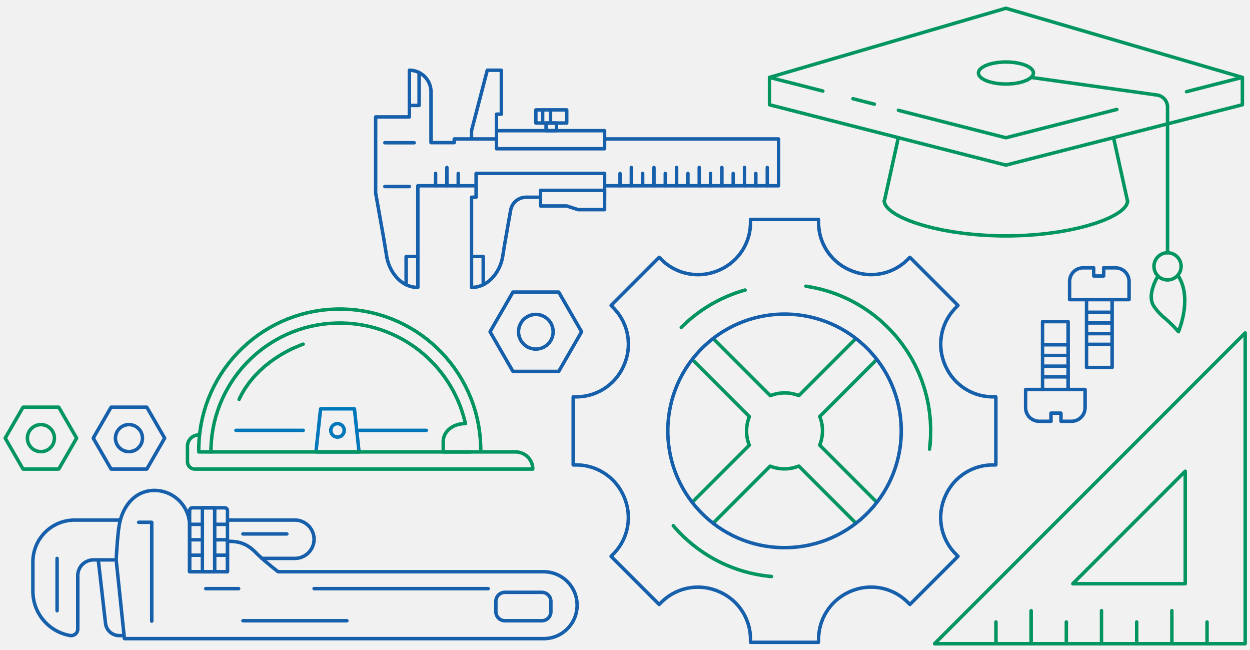
As its modest contribution to support government troops in war-torn Marawi City, Cebu Pacific has provided airlift support to military and police personnel wounded in action (WIA). On top of the free airlift on Cebu Pacific flights, the WIA government troops also received baggage allowance of up to 40 kilograms.

"This initiative is but a small way of JG Summit and the Gokongwei Group of Companies of saying thank you to our men and women in uniform in Marawi for the enormous sacrifices they make for our country and people," stated Cebu Pacific president and chief executive Lance Y. Gokongwei.

On top of the airlifting of WIA government troops, CEB has also airlifted cargo of relief goods and other humanitarian assistance for affected residents in coordination with the Department of Social Welfare and Development, and organizations such as the GMA Kapuso Foundation and the Philippine Business for Social Progress.

CORPORATE SOCIAL RESPONSIBILITY

Gokongwei Brothers Foundation



GOKONGWEI BROTHERS FOUNDATION

In 1992, the Gokongwei brothers John, Johnson, Henry, and James donated significant portions of their shares of stock in JG Summit Holdings to establish the Gokongwei Brothers Foundation (GBF). The foundation aims to have a lasting impact on education in the Philippines.

GBF's core focus is advancing Science, Technology, Engineering, and Mathematics (STEM) education, believing that this is the driving force for sustainable national development.

For the past 25 years, GBF has built quality learning facilities, supported academic institutions through endowments and significant donations, granted scholarships to deserving youth, and created synergies geared toward uplifting the Filipino.

Building A Definitive Learning Facility

The Foundation's first major project was the GBF Technical Training Center. Established in 1999, this facility was envisioned to be a world-class continuing school for engineers. Initially supporting the upgrading of skills of JG Summit's technical workers, it is currently the home of the GBF Iskolar ni Juan Technical-Vocational Program.

Partnering with Top Academic Institutions

GBF recognizes strength in collaborating with leading education institutions. Its endowment to the Ateneo de Manila University (ADMU) led to the establishment of the John Gokongwei School of Management in 2002, and to De La Salle University (DLSU), the Gokongwei College of Engineering in 2011. These endowments consist of significant allocations for student scholarships and faculty research.

The DLSU endowment has also led to the establishment of the John Gokongwei, Jr. Innovation Center (DLSU-JGIC) at the DLSU Science and Technology Center in Biñan, Laguna. To be inaugurated in 2018, DLSU-JGIC will partner with a global gaming giant to offer undergraduate degrees in interactive entertainment, among many other new courses in this center.

The Gokongwei family has also donated funds to other academic institutions such as Immaculate Conception Academy, Xavier School, the University of San Carlos, Sacred Heart School-Ateneo de Cebu, and the University of Asia and the Pacific.

Empowering the Youth Through Scholarships

Through its various scholarship programs, GBF supports outstanding students in college, high school, and technical-vocational field. More than half of its over 500 scholars are pursuing STEM courses.

Scholarship programs help fulfill GBF's desire to give deserving young people a better future through purposeful, practical, and transformative education. One of its pioneer programs, the China Scholarship, sent young professionals to top universities in Beijing and Shanghai, China, to help them better understand the country's fast-growing economy and rigorous business culture.

This was done in hopes of them bringing back the knowledge that they gained to serve the Philippines as future leaders. Seventy-four students graduated from the program for the years 2007 and 2009.

Since 2006, GBF has offered scholarship programs, and as of 2017, produced a total of 344 graduates. At present, GBF offers seven scholarship programs for college, technical-vocational, and high school students:

The **GBF NextGen Scholarship** for **Excellence for Children of JG Summit and Affiliates Employees** program offers financial support to academically excellent JG Summit and Affiliates employees' children with strong leadership potential and extracurricular involvement. NextGen scholars belong to the top 20% of the batch and may pursue any field of study at any local college or university.
Graduates: 83 | Active scholars: 81

Along with URC-BCFG, GBF grants a fully-subsidized one-year scholarship to high school graduates or out-of-school youth through the **GBF Iskolar ni Juan Tech-Voc Program**. Boarded at the GBF Technical Training Center, scholars take GBF's signature TESDA-registered program followed by on-the-job training and employment at URC-BCFG.
Graduates: 91 | Active scholars: 176

The **GBF STEM (Science, Technology, Engineering, Mathematics) Scholaship for Excellence** is offered to outstanding students belonging to low-income families and taking science and engineering degrees in top-ranked Philippine schools. Only students at the top 30% of the batch qualify for this program.
Graduates: 25 | Active scholars: 51

The **GBF-JG Business Units STEM Scholarship for Excellence** aims to groom future leaders of JG Summit companies by immersing students in the industry and providing employment opportunities after they graduate. The program admits students who are in the final two years of their science and engineering undergraduate studies and the top 30% of the batch in top-ranked Philippine schools.
Graduates: 21 | Active scholars: 100

The **DLSU Gokongwei College of Engineering Grant** supports commendable students who are taking any undergraduate engineering program at DLSU-GCOE.
Graduates: 18 | Active scholars: 85

The **Ateneo John L. Gokongwei Scholarship** is a full scholarship is awarded to outstanding students of the John Gokongwei School of Management of ADMU, who are in need of financial aid
Graduates: 22 | Active scholars: 4

GBF's first high school scholarship, the **St. Stephen's High School Scholarship Program**, benefits indigent but exemplary students enrolled at this Chinese school, with financial assistance covering Grades 7 to 12.
Graduates: 10 | Active scholars: 10

Collaborating with JG Business Units and Strategic Partners

Recognizing the need for synergy in order to expand its reach and impact, GBF supports the advocacies of various JG business units and external partners.

In 2000, GBF, together with Robinsons Land Corporation launched the Children's Library inside Robinsons Malls to promote love for reading among children by giving them access to a collection of books, comics, and educational audio and video materials.

In 2011, to address the immediate needs of preschool-age children in underprivileged communities, GBF built 18 two-classroom preschool buildings in various provincial sites as part of the "Silid Pangarap" program of Aklat, Gabay, Aruga Tungo sa Pag-Angat at Pag-Asa (AGAPP) Foundation. GBF also provided training for teachers to equip them with tools that would give their students the best foundation for their future.

GBF supported RLC's 2015 launch of RLove, an employee-initiated corporate social responsibility program that focuses on four main avenues of community service: disaster response, community development, health care and nutrition, and education.

Lastly, GBF has launched various scholarships in partnership with different JG Summit business units such as the URC-BCFG, Flour Division, and Agro-Industrial Group, RLC, JG Summit Petrochemicals Group, and South Star Drug.

Gokongwei Brothers Foundation celebrates 25th year

GBF 25TH ANNIVERSARY LEGACY MAGAZINE, VIDEO LAUNCHED

Gokongwei Brothers Foundation celebrated, in 2017, its 25th anniversary with a firm commitment to making a lasting impact on education in the Philippines.

"From the beginning, I knew education would be the foundation's primary advocacy. Why? Because it is my belief that education is the only way to save this country," JG Summit Founder and Chairman Emeritus John Gokongwei, Jr. said.

GBF was established in 1992 by Gokongwei and his brothers Johnson, Henry and James.

"We have to strengthen our hold on our Science and Engineering courses. That's the only way to help our country industrialize," he said.

GBF's first major project was establishing the GBF Technical Training Center (TTC), a ₱150-million facility envisioned to be a world-class continuing school for engineers, in 1999.

In 2011, GBF gave significant endowment leading to the establishment of the De La Salle University Gokongwei College of Engineering (DLSU-GCOE).

Prior to the DLSU-GCOE endowment, GBF also gave educational support leading to the establishment of the Ateneo John Gokongwei School of Management in 2002.

Endowments to DLSU and Ateneo have funded facility building and improvement, scholarships and student enrichment, and research and faculty development.

At present, three of the seven scholarships administered by GBF support college students who are pursuing Science, Technology, Engineering and Mathematics (STEM). More than half of GBF's 500 scholars are undergraduate students enrolled in STEM courses.

JG Summit President and GBF Board Secretary Lance Gokongwei sees the investment in STEM as creating a big impact on the Philippine economy.

"It has always been the belief of my father that the Philippines needs to broaden its base beyond just providing services— to have real institutionalized capabilities in terms of manufacturing, in order for us to have a broader-based economy that can compete more effectively throughout the world. We want to make investing in STEM the main focus of our foundation," he said.

Concurrent with its efforts to hone future scientists and engineers, GBF devotes itself to providing quality technical-vocational education to produce skilled workers.

In 2014, GBF, together with URC-BCFG, established GBF Iskolar ni Juan Tech-Voc program, a fully subsidized one-year scholarship for high school graduates or out-of-school youth.

Boarded at the GBF TTC, scholars take GBF's signature TESDA-registered program in mechatronics and instrumentation servicing, followed by on-the-job training and employment as production operators at URC-BCFG.

All 91 graduates of the program as of 2017 have been hired by URC-BCFG.

Lisa Gokongwei-Cheng, GBF General Manager, believes that proper education gives the underprivileged youth the opportunity to succeed.

"I feel happy whenever I hear about how youths who have previously had no options, suddenly felt that their future became brighter because of these scholarships. It just starts with helping one person, then the scholars are able to help their families, and hopefully, their communities as well— bigger and bigger circles," she said.

As of December 2017, GBF has produced 344 graduates through its postgraduate, college, technical-vocational and high school scholarship programs.

Aside from running scholarship programs and the GBF TTC, the foundation also collaborates with strategic partners inside and outside the JG Summit group, for causes related to education.

In 2011, GBF donated 18 two-classroom preschool buildings in various provincial sites through Aklat, Gabay, Aruga, Tungo sa Pag-Angat at Pag-Asa Foundation.

Lance Gokongwei said that his family, thankful for the opportunities which education has led to, just wants to pay it forward.

"We try to level the playing field by giving equality of opportunities for one of the most critical determinants of future success: access to education. Hopefully, we are able to help a few thousand Filipinos achieve a level of education that they may not have had," he said.

John Gokongwei, Jr. himself was unable to complete his university education. But it was his innate curiosity and love for learning that helped him become a successful entrepreneur.

Despite his success as a self-taught man, Gokongwei put premium on formal education, sent his siblings to the best schools he could afford at that time, and eventually pursued a Master's Degree for himself.

"He saw the difference that education made in his life and that of his siblings, and he wanted to share that opportunity to as many Filipinos as he could," said Lance Gokongwei.

Marking its 25th anniversary, GBF produced a video and magazine commemorating its milestones and stories of impacted lives.

In a letter he wrote to the employees of JG Summit and its affiliates, Lance Gokongwei hopes that the stories will be a "source of inspiration for you as they are for me in striving to make lives better."

Board Members and Executive Officers

Board of Directors

James L. Go
Chairman and Chief Executive Officer

John L. Gokongwei, Jr.
Chairman Emeritus and Founder

Lance Y. Gokongwei
President and Chief Operating Officer

Robina Y. Gokongwei-Pe
Director

Lily G. Ngochua
Director

Patrick Henry C. Go
Director

Johnson Robert G. Go, Jr.
Director

Jose T. Pardo
Director

Cornelio T. Peralta
Director

Ricardo J. Romulo
Director

Renato T. De Guzman
Director

Board of Advisers

Aloysius B. Colayco
Country Chairman,
Jardine Matheson Group - Philippines

Jimmy T. Tang
President and Chairman of the Board,
Avesco Group of Companies

Heads of Subsidiaries

Universal Robina Corporation

Cornelio S. Mapa, Jr.
Branded Consumer Foods Group

Vincent Henry C. Go
Agro-Industrial Group

Ellison Dean C. Lee
Flour Division

Renato P. Cabati
Sugar and Renewables Group

Patrick Henry C. Go
URC Packaging and Flexible Packaging Divisions

Robinsons Land Corporation

Robinsons Bank Corporation

JG Summit Petrochemicals Group

Frederick D. Go

Elfren Antonio S. Sarte

Patrick Henry C. Go

Advisers

Cebu Air Inc.

Garry R. Kingshott
Advisory Board Member

Richard S. Howell
Chief Operations Adviser

Michael B. Szucs
Chief Executive Adviser

Executive Officers

James L. Go
Chairman and Chief Executive Officer

Lance Y. Gokongwei
President and Chief Operating Officer

Bach Johann M. Sebastian
Senior Vice President and Chief Strategist

Nicasio L. Lim
Senior Vice President

Maria Celia H. Fernandez-Estavillo
Senior Vice President and General Counsel

Renato T. Salud
Senior Vice President

Aldrich T. Javellana
Senior Vice President and Treasurer

Francisco M. Del Mundo
Chief Financial Officer

Rosalinda F. Rivera
Corporate Secretary

Chona R. Ferrer
Deputy Treasurer

Arlene S. Denzon
Compliance Officer

Financial Statements

JG SUMMIT
HOLDINGS, INC.

43rd FLOOR ROBINSONS EQUITABLE TOWER ADB AVE. COR. POVEDA RD. ORTIGAS CENTER, PASIG CITY
TEL. NO.: 633-76-31,637-1670, 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 is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the year(s) ended December 31, 2017, 2016 and 2015, 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

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

The Board of Directors (BOD) reviews and approves the 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 financial statements of the Company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.

James L. Go	**Lance Y. Gokongwei**	**Francisco M. Del Mundo**
Chairman and CEO	President and COO	Chief Financial Officer

APR 1 1 2018

Subscribed and Sworn to before me this April ___, 2018 affiants(s) exhibiting to me his/her Residence Certificates, as follows:

Names	CTC No.	Date of Issue	Place of Issue
James L. Go	7809719	January 16, 2018	Pasig City
Lance Y. Gokongwei	7809720	January 16, 2018	Pasig City
Francisco M. Del Mundo	Passport No. EC6738704		

Doc. No. 170
Book No. 24
Page No. 24
Series of 2018

Atty. Jovino R. Angel
Notary Public and in Pasay City
Notarial Commission 17-08
Until December 31, 2018
PTR No. 5626093 / IBP No. 1062667
Both issued in Pasay City on Jan. 03, 2018
MCLE Compliance No. V-0024151/10-25-16
Roll of Attorney's No. 28761

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
JG Summit Holdings, Inc.

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, 2017 and 2016, 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, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017 in accordance with Philippine Financial Reporting Standards (PFRSs).

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.

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.

Revenue Recognition
The Group derives part of its core income from real estate sales and air transportation services.

The Group applies the percentage of completion (POC) method in determining real estate revenue and costs. The POC is based on the proportion of cost incurred to date over total estimated cost of the real estate project. The cost of sales is determined on the basis of the total estimated costs applied with the POC of the project. The Group's real estate revenue and costs accounts for 8% of total consolidated revenue and 6% of the total consolidated cost of sales of the Group, respectively. The estimation of the total cost of the real estate project requires technical inputs by project development engineers. In addition, the Group requires a certain percentage of buyer's payments of the total selling price (buyer's equity), to be collected as one of the criteria in order to initiate revenue recognition. It is the reaching of this level of collection that management has assessed that it is probable that economic benefits will flow to the Group because of the buyer's continuing commitment with the sales agreement. The buyer's commitment on the sale is ascertained by the Group based on the significance of the buyer's equity. This matter is significant to our audit because the assessment of the stage of completion, total estimated costs, and level of buyer's equity involve significant management judgment.

Refer to Notes 2 and 3 to the consolidated financial statements for the disclosures on revenue recognition of real estate sales.

Passenger service revenue is earned when the service has been rendered to the passengers according to flight schedule. The amount of passenger bookings for which the related transportation service has not yet been rendered at the end of the reporting period is recorded as unearned transportation revenue in the consolidated statement of financial position. Baggage fees and other ancillary fees are non-refundable fees which are recognized when the services are provided.

We considered the recognition of passenger service revenue, baggage fees and other ancillary fees as a key audit matter because of the materiality of these accounts to the consolidated financial statements and the high volume of transactions being processed and captured from various distribution channels and locations. In addition, the determination of the earned and unearned passenger service revenue is highly dependent on the Group's information technology (IT) systems.

Refer to Note 2 to the consolidated financial statements for the disclosures on revenue recognition of air transportation services.

Audit response
For real estate sales, we obtained an understanding of the Group's processes for determining the POC, including the cost accumulation process, and for determining and updating of total estimated costs, and performed tests of the relevant controls on these processes. We assessed the competence and objectivity of the project development engineers by reference to their qualifications, experience and reporting responsibilities. For selected projects, we traced costs accumulated to the supporting documents such as purchase orders, billings, and invoices of contractors. We visited selected project sites and made relevant inquiries 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 development engineers for the revisions. We evaluated management's basis of the buyer's equity by comparing this to the historical analysis of sales collections from buyers with accumulated payments above the collection threshold. We traced the analysis to supporting documents such as official receipts and buyers' ledger.

For air transportation services, we included internal specialist in our team to assist us in understanding and testing the controls over the Group's IT systems and revenue recognition process which includes passenger service revenue, baggage fees and other ancillary fees. This includes testing the controls over the capture and recording of revenue transactions, authorization of rate changes and the input of these information to the revenue system, and mapping of bookings from unearned to earned passenger service revenue when passengers are flown. We assessed the information produced by the Group's IT systems and tested the reports generated by these systems that are used to defer or recognize passenger service revenue, baggage fees and other ancillary fees. Also, on a sample basis, we tested journal entries related to these accounts through inspection of underlying source documentation.

Impairment Testing of Goodwill and Intangible Assets
Under PFRSs, the Group is required to annually test the amount of goodwill and intangible assets with indefinite useful lives for impairment. As of December 31, 2017, the Group's goodwill attributable to Consolidated Snacks, Pty. Ltd. and Griffin's Food Limited amounted to ₱30.4 billion, and goodwill attributable to other acquired entities amounted to ₱0.8 billion. As of December 31, 2017, the Group's intangible assets with indefinite useful lives pertaining to trademarks amounted to ₱9.4 billion, and intangible assets pertaining to product formulation with indefinite useful life amounted to ₱0.4 billion. These items are significant to the consolidated financial statements. In addition, management's impairment assessment process requires significant judgment and is based on assumptions, specifically revenue growth rate, operating margin, discount rates and long-term growth rates.

The Group's disclosure about goodwill and intangible assets are included in Notes 3, 18 and 19 to the consolidated financial statements.

Audit response
We involved our internal specialist in evaluating the methodologies and the assumptions used. These assumptions include future cash flows, discount rates and the long-term growth rates. We compared the key assumptions used (revenue growth rate, operating margin, and long-term growth rates) against the historical performance of the CGUs, industry/market outlook and other relevant external data. We tested the parameters used in the determination of the discount rates against market data. 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.

Accounting for Investment in an Associate
The Group has investment in Manila Electric Company (Meralco) that is accounted for under the equity method. For the year ended December 31, 2017, the Group's share in the net income of Meralco amounted to ₱5.6 billion and accounts for 14% of the Group's consolidated net 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. 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; and (c) the reliability of the IT systems involved in processing the billing transactions. Meralco is also involved in certain proceedings for which Meralco has recognized provisions for probable costs and/or expense and/or has disclosed relevant information about such contingencies. This matter is important to our audit because the assessment of the potential outcome or liability involves significant management judgment and estimation of its impact could have a material effect on the Group's share in Meralco's net income.

The Group's share in Meralco's other comprehensive income is significantly affected by Meralco's defined benefit retirement plan for all regular employees. We consider this as a key audit matter because the valuation of the benefits obligation involves a significant level of management judgment. The valuation also requires the assistance of an actuary whose calculations involve the use of certain assumptions, such as future salary increases, discount rates, and employee turnover rates that could have significant impact on the calculation of the benefits expense and liability.

The disclosure in relation to investment 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 Energy Regulatory Commission-approved rates and formula, as well as actual 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 system supporting the revenue process.

We 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. In addition we evaluated the input data supporting the assumptions used, such as tariffs, tax rates, historical experience, regulatory ruling and other developments, against Meralco's internal and external data and performed recalculations and inspection of relevant supporting documents.

We obtained an understanding of Meralco's defined benefit retirement and other long-term post-employment benefits plans as well as the processes included in estimating the amounts of the related liability and expense. We also involved an internal specialist to assist us with our review of the scope, bases of assumptions, methodology and results of the work by Meralco's actuary, whose professional qualifications and objectivity were also evaluated. We compared the key inputs used, such as the attrition rates, discount rate, and future salary increase rate against the Group's internal data and external references. We also inquired about the basis of the salary rate increase and compared it against Meralco's forecast.

We obtained the financial information of Meralco for the year ended December 31, 2017 and recomputed the Group's share in total comprehensive income for the year ended December 31, 2017.

Estimation of Asset Retirement Obligation
As of December 31, 2017, the Group operates nineteen (19) aircraft under operating leases. Under the terms of the operating lease arrangements, 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.

Management estimates the overhaul, restoration and redelivery costs and accrues such costs over the lease term. The calculation of such costs includes management assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used. These aircraft utilization and calendar months affect the extent of the restoration work that will be required and the expected costs of such overhaul, restoration and redelivery at the end of the lease term. Given the significant amounts of these provisions and the extent of management judgment and estimates required, we considered this area as a key audit matter.

The disclosures in relation to asset retirement obligation are included in Notes 3, 24, and 43 to the consolidated financial statements.

Audit response
We obtained an understanding of management's process over estimating asset retirement obligation for aircraft held under operating leases and tested the relevant controls. We recalculated the asset retirement obligation and evaluated the key assumptions adopted by management in estimating the asset retirement obligation for each aircraft by discussing with the Group's relevant fleet maintenance engineers the aircraft utilization statistics. In addition, we obtained an understanding of the redelivery terms of operating leases by comparing the estimated costs and comparable actual costs incurred by the Group from previous similar restorations.

Adequacy of Allowance for Impairment Losses on Finance Receivables from the Banking Segment
The appropriateness of the provision for impairment losses on the finance receivables from the banking segment is a key area of judgment for the management. The Group determines the provision for impairment losses on an individual basis for individually significant finance receivables, and collectively for finance receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount involve various assumptions and factors. This includes the financial condition of the counterparty, estimated future cash flows, estimated net realizable value of the collateral, historical loss rates, and net flow rates. The use of assumptions could produce significantly different estimates of provision for impairment losses.

The disclosures in relation to impairment losses are included in Notes 3, 11, and 34 to the consolidated financial statements.

Audit Response
For provision for impairment losses calculated on an individual basis, we selected a sample of impaired loans and obtained an understanding of the borrower's business and financial capacity. We also tested the assumptions underlying the impairment identification and quantification of the provision for impairment losses. This was done by assessing whether the forecasted cash flows are based on the borrower's current financial condition, checking the payment history of the borrower including payments made subsequent to year end, agreeing the value of the collateral to the appraisal reports, checking whether the discount rate represents the original effective interest rate (EIR) or the current EIR of the loan, and re-performing the impairment calculation.

For provision for impairment losses calculated on a collective basis, we tested the underlying models and the inputs to those models, such as historical loss rates and net flow rates. This was done by agreeing the details of the loan information used in the calculation of loss rates and net flow rates to the Group's records and subsidiary ledgers, validating the delinquency age buckets of the loans and loan groupings and re-performing the calculation of the provision for impairment losses.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2017, but does not include the consolidated financial statements and our auditor's report thereon. The SEC Form 20 IS (Definitive Information Statement), SEC Form 17 A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

- 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 Aris C. Malantic.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621284, January 9, 2018, Makati City

April 10, 2018

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

	December 31	
	2017	2016
ASSETS		
Current Assets		
Cash and cash equivalents (Note 7)	**₱54,336,295,189**	₱43,410,141,967
Financial assets at fair value through profit or loss (Note 9)	**14,357,132,341**	14,700,149,294
Available-for-sale investments (Note 10)	**21,468,095,579**	15,467,624,372
Receivables (Note 11)	**47,614,193,567**	44,870,238,034
Inventories (Note 12)	**52,536,364,842**	49,702,679,594
Biological assets (Note 17)	**1,180,266,509**	920,226,312
Other current assets (Note 13)	**15,223,341,503**	13,035,305,201
Total Current Assets	**206,715,689,530**	182,106,364,774
Noncurrent Assets		
Available-for-sale investments (Note 10)	**25,597,305,960**	23,608,326,105
Receivables (Note 11)	**42,649,712,079**	24,847,785,195
Held-to-maturity investment (Note 10)	**–**	3,549,900,604
Investments in associates and joint ventures (Note 14)	**138,538,902,953**	127,952,235,708
Property, plant and equipment (Note 16)	**181,660,164,319**	175,662,713,462
Investment properties (Note 15)	**89,244,835,261**	75,416,372,370
Goodwill (Note 19)	**32,023,183,943**	32,023,183,943
Intangible assets (Note 18)	**14,021,031,196**	14,159,003,493
Biological assets (Note 17)	**498,309,880**	463,152,936
Other noncurrent assets (Note 20)	**8,505,377,396**	6,522,278,296
Total Noncurrent Assets	**532,738,822,987**	484,204,952,112
	₱739,454,512,517	₱666,311,316,886
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and accrued expenses (Note 21)	**₱114,599,037,827**	₱96,298,902,214
Short-term debts (Note 23)	**45,847,813,461**	61,884,514,577
Current portion of long-term debts (Note 23)	**5,728,469,720**	6,826,230,309
Income tax payable	**1,809,511,201**	2,988,268,108
Other current liabilities (Note 22)	**13,695,140,209**	12,910,439,195
Total Current Liabilities	**181,679,972,418**	180,908,354,403
Noncurrent Liabilities		
Long-term debts - net of current portion (Note 23)	**175,958,344,946**	152,361,525,291
Deferred tax liabilities (Note 38)	**7,205,880,096**	7,051,282,285
Other noncurrent liabilities (Note 24)	**28,190,767,056**	13,206,299,706
Total Noncurrent Liabilities	**211,354,992,098**	172,619,107,282
Total Liabilities	**₱393,034,964,516**	₱353,527,461,685

(Forward)

	December 31	
	2017	2016
Equity		
Equity attributable to equity holders of the Parent Company:		
Paid-up capital (Note 25)	**₱30,755,866,814**	₱30,755,866,814
Retained earnings (Note 25)	**207,722,156,987**	180,369,415,195
Equity reserve (Note 25)	**29,638,831,336**	29,638,831,336
Other comprehensive losses (Note 36)	**(279,499,751)**	(1,248,591,500)
	267,837,355,386	239,515,521,845
Non-controlling interests (Note 25)	**78,582,192,615**	73,268,333,356
Total Equity	**346,419,548,001**	312,783,855,201
	₱739,454,512,517	₱666,311,316,886

See accompanying Notes to Consolidated Financial Statements.

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

	Years Ended December 31		
	2017	2016	2015
REVENUE			
Sale of goods and services:			
Foods	**₱125,007,824,013**	₱112,611,969,799	₱112,004,706,553
Air transportation	**68,029,131,426**	61,899,278,892	56,501,654,516
Petrochemicals	**41,406,489,496**	29,070,077,332	26,780,296,575
Real estate and hotels (Notes 11 and 15)	**22,448,257,224**	22,750,417,221	20,298,039,549
Banking (Note 26)	**4,475,828,582**	3,412,187,119	2,968,940,306
Equity in net earnings of associates and joint ventures (Note 14)	**9,908,717,906**	8,176,526,116	7,311,563,176
Dividend income (Note 28)	**1,451,837,755**	2,031,580,194	2,848,193,719
Supplementary businesses	**717,368,505**	551,082,564	558,258,619
	273,445,454,907	240,503,119,237	229,271,653,013
COST OF SALES AND SERVICES			
Cost of sales (Note 30)	**119,176,312,217**	98,124,103,023	97,621,663,241
Cost of services (Note 30)	**52,378,128,769**	45,970,133,223	43,241,983,101
	171,554,440,986	144,094,236,246	140,863,646,342
GROSS INCOME	**101,891,013,921**	96,408,882,991	88,408,006,671
OPERATING EXPENSES			
General and administrative expenses (Note 31)	**49,910,047,737**	43,498,208,309	38,677,396,939
Impairment losses and others (Note 34)	**248,080,372**	640,717,050	378,065,854
	50,158,128,109	44,138,925,359	39,055,462,793
OPERATING INCOME	**51,732,885,812**	52,269,957,632	49,352,543,878
OTHER INCOME (LOSSES)			
Financing costs and other charges (Note 35)	**(7,836,137,934)**	(7,461,996,870)	(6,879,818,419)
Foreign exchange losses	**(902,717,961)**	(2,643,312,806)	(4,136,883,267)
Market valuation gains (losses) on derivative financial instruments - net (Note 8)	**(155,230,460)**	1,738,886,004	(2,353,076,578)
Finance income (Note 27)	**1,243,424,967**	1,161,245,053	1,367,392,486
Market valuation gains (losses) on financial assets at fair value through profit or loss - net (Note 9)	**696,406,991**	(57,676,177)	(336,987,727)
Market valuation losses on impaired available-for-sale investments (Note 10)	**–**	(16,713,629,844)	–
Others (Note 29)	**241,871,584**	(487,955,842)	151,214,790
INCOME BEFORE INCOME TAX	**45,020,502,999**	27,805,517,150	37,164,385,163
PROVISION FOR INCOME TAX (Note 38)	**5,501,468,891**	5,437,906,633	4,488,982,473
NET INCOME	**39,519,034,108**	22,367,610,517	32,675,402,690

(Forward)

	Years Ended December 31		
	2017	2016	2015
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX (Note 36)			
Items that may be reclassified subsequently to profit or loss:			
Net gains (losses) on available-for-sale investments (Note 10)	**₱1,759,433,181**	₱4,377,880,289	(₱14,932,125,338)
Cumulative translation adjustments	**(1,183,796,363)**	(121,183,868)	1,771,511,627
Share in net unrealized losses on available-for-sale investments of an associate (Notes 10 and 14)	**24,394,385**	(104,703,835)	(1,730,644)
Net losses from cash flow hedges (Note 8)	**(11,359,660)**	(18,062,625)	(91,909,256)
Items that will not be reclassified to profit or loss:			
Remeasurements of the net defined benefit liability (Note 37)	**116,814,170**	52,474,724	(123,037,866)
Share in remeasurements of the net defined benefit liability of associates (Note 14)	**(326,973,548)**	524,522,485	–
	378,512,165	4,710,927,170	(13,377,291,477)
TOTAL COMPREHENSIVE INCOME	**₱39,897,546,273**	₱27,078,537,687	₱19,298,111,213
NET INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱29,369,537,456**	₱10,917,978,925	₱22,610,016,306
Non-controlling interests (Note 25)	**10,149,496,652**	11,449,631,592	10,065,386,384
	₱39,519,034,108	₱22,367,610,517	₱32,675,402,690
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Equity holders of the Parent Company	**₱30,338,629,205**	₱15,861,889,256	₱8,589,518,427
Non-controlling interests (Note 25)	**9,558,917,068**	11,216,648,431	10,708,592,786
	₱39,897,546,273	₱27,078,537,687	₱19,298,111,213
Earnings Per Share Attributable to Equity Holders of the Parent Company (Note 39)			
Basic/diluted earnings per share	**₱4.10**	₱1.52	₱3.16

See accompanying Notes to Consolidated Financial Statements.

JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2017, 2016 and 2015

	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**	**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 Available-for-Sale Investments** (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)**	**Total**	**NON-CONTROLLING INTERESTS** (Note 25)	**TOTAL EQUITY**
Balance at January 1, 2017	**₱7,202,841,657**	**₱23,553,025,157**	**₱30,755,866,814**	**₱66,285,085,796**	**₱114,084,329,399**	**₱180,369,415,195**	**₱29,638,831,336**	**₱(673,326,887)**	**(₱596,224,679)**	**₱10,661,590**	**₱10,298,476**	**(₱1,248,591,500)**	**₱239,515,521,845**	**₱73,268,333,356**	**₱312,783,855,201**
Total comprehensive income	–	–	–	**29,369,537,456**		**29,369,537,456**	–	**(629,187,834)**	**1,864,779,180**	**(6,276,428)**	**(260,223,169)**	**969,091,749**	**30,338,629,205**	**9,558,917,068**	**39,897,546,273**
Appropriation of retained earnings	–	–	–	**(3,700,000,000)**	**3,700,000,000**	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	**(2,016,795,664)**		**(2,016,795,664)**	–	–	–	–	–	–	**(2,016,795,664)**	**(4,245,057,809)**	**(6,261,853,473)**
Balance at December 31, 2017	**₱7,202,841,657**	**₱23,553,025,157**	**₱30,755,866,814**	**₱89,937,827,588**	**₱117,784,329,399**	**₱207,722,156,987**	**₱29,638,831,336**	**(₱1,302,514,721)**	**₱1,268,554,501**	**₱4,385,162**	**(₱249,924,693)**	**(₱279,499,751)**	**₱267,837,355,386**	**₱78,582,192,615**	**₱346,419,548,001**
Balance at January 1, 2016	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱67,567,817,285	₱103,684,329,399	₱171,252,146,684	₱27,575,017,926	(₱702,845,286)	(₱4,984,560,896)	₱37,358,957	(₱542,454,606)	(₱6,192,501,831)	₱223,390,529,593	₱63,935,131,765	₱287,325,661,358
Total comprehensive income	–	–	–	10,917,978,925	–	10,917,978,925	–	29,518,399	4,388,336,217	(26,697,367)	552,753,082	4,943,910,331	15,861,889,256	11,216,648,431	27,078,537,687
Appropriation of retained earnings	–	–	–	(10,400,000,000)	10,400,000,000	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	(1,800,710,414)	–	(1,800,710,414)	–	–	–	–	–	–	(1,800,710,414)	(4,175,979,077)	(5,976,689,491)
Reissuance of a subsidiary's treasury shares	–	–	–	–	–	–	2,063,813,410	–	–	–	–	–	2,063,813,410	2,292,532,237	4,356,345,647
Balance at December 31, 2016	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱66,285,085,796	₱114,084,329,399	₱180,369,415,195	₱29,638,831,336	(₱673,326,887)	(₱596,224,679)	₱10,661,590	₱10,298,476	(₱1,248,591,500)	₱239,515,521,845	₱73,268,333,356	₱312,783,855,201

See accompanying Notes to Consolidated Financial Statements.

For the Years Ended December 31, 2017, 2016 and 2015

	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	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 on Available-for-Sale Investments (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)	Total	NON-CONTROLLING INTERESTS (Note 25)	TOTAL EQUITY
Balance at January 1, 2015	₱7,057,191,657	₱14,958,145,993	₱22,015,337,650	₱52,166,426,144	₱98,060,329,399	₱150,226,755,543	₱27,546,248,095	(₱1,708,290,084)	₱9,855,437,008	₱127,905,653	(₱447,056,529)	₱7,827,996,048	₱207,616,337,336	₱53,994,117,270	₱261,610,454,606
Total comprehensive income	–	–	–	22,610,016,306	–	22,610,016,306	–	1,005,444,798	(14,839,997,904)	(90,546,696)	(95,398,077)	(14,020,497,879)	8,589,518,427	10,708,592,786	19,298,111,213
Reversal of appropriation	–	–	–	41,376,000,000	(41,376,000,000)	–	–	–	–	–	–	–	–	–	–
Appropriation of retained earnings	–	–	–	(47,000,000,000)	47,000,000,000	–	–	–	–	–	–	–	–	–	–
Cash dividends (Note 25)	–	–	–	(1,584,625,165)	–	(1,584,625,165)	28,769,831	–	–	–	–	–	(1,555,855,334)	(3,922,800,371)	(5,478,655,705)
Deposit for future subscription by non-controlling in a subsidiary	–	–	–	–	–	–	–	–	–	–	–	–	–	3,155,222,080	3,155,222,080
Issuance of new shares through top-up transaction	145,650,000	8,594,879,164	8,740,529,164	–	–	–	–	–	–	–	–	–	8,740,529,164	–	8,740,529,164
Balance at December 31, 2015	₱7,202,841,657	₱23,553,025,157	₱30,755,866,814	₱67,567,817,285	₱103,684,329,399	₱171,252,146,684	₱27,575,017,926	(₱702,845,286)	(₱4,984,560,896)	₱37,358,957	(₱542,454,606)	(₱6,192,501,831)	₱223,390,529,593	₱63,935,131,765	₱287,325,661,358

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

	Years Ended December 31		
	2017	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱45,020,502,999**	₱27,805,517,150	₱37,164,385,163
Adjustments for:			
Depreciation and amortization (Notes 15,16, 18 and 46)	**18,936,739,260**	17,097,541,131	14,548,178,993
Equity in net earnings of associates and joint ventures (Note 14)	**(9,908,717,906)**	(8,176,526,116)	(7,311,563,176)
Interest expense (Note 35)	**7,635,388,645**	7,298,442,812	6,682,291,317
Unrealized foreign exchange losses	**902,717,961**	2,638,787,064	4,136,883,267
Dividend income (Note 28)	**(1,451,837,755)**	(2,031,580,194)	(2,848,193,719)
Market valuation losses (gains) losses on derivative financial instruments - net (Note 8)	**155,230,460**	(1,734,360,262)	2,353,076,578
Interest income (Note 27)	**(1,243,424,967)**	(1,161,245,053)	(1,367,392,486)
Provision for impairment losses (Note 34)	**245,210,325**	465,267,131	273,862,988
Inventory obsolescence and market decline (Note 34)	**2,870,047**	175,449,919	104,202,866
Loss (gain) arising from changes in fair value less estimated costs to sell of swine stocks (Note 17)	**(118,841,072)**	95,596,818	56,958,991
Market valuation losses on financial assets at fair value through profit or loss (Note 9)	**(696,406,991)**	57,676,177	336,987,727
Loss on sale of available-for-sale investments (Note 29)	**(14,747,467)**	(452,510)	(898,183)
Gain on retirement and disposal of investment properties (Note 15)	**(5,323,947)**	(7,281,855)	–
Loss (gain) on sale and retirement of property, plant and equipment (Note 16)	**(357,609,567)**	361,736,125	19,535,061
Market valuation loss on impaired AFS investments (Note 10)	**–**	16,713,629,844	–
Operating income before changes in working capital accounts	**59,101,750,025**	59,598,198,181	54,148,315,387
Changes in operating assets and liabilities:			
Decrease (increase) in the amounts of:			
Receivables	**(20,539,411,718)**	(13,115,882,483)	(9,251,528,725)
Inventories	**(4,420,618,310)**	(2,691,296,655)	(3,250,107,168)
Other current assets	**(2,917,451,126)**	(2,049,042,735)	(252,800,726)
Financial assets at fair value through profit or loss	**1,083,366,574**	795,718,122	756,867,119
Derivative assets	**(139,646,082)**	(598,570,188)	(1,734,020,356)
Biological assets	**(262,992,645)**	(16,952,605)	(12,153,630)
Increase (decrease) in the amounts of:			
Accounts payable and accrued expenses	**18,070,891,006**	22,756,800,392	1,087,455,571
Unearned revenue	**908,598,728**	1,169,998,030	598,009,957
Other current liabilities	**(123,854,705)**	324,910,308	1,234,297,685
Net cash generated from operations	**50,760,631,747**	66,173,880,367	43,324,335,114
Interest paid	**(7,484,610,422)**	(7,220,832,524)	(6,502,237,413)
Income taxes paid	**(6,091,437,965)**	(5,946,033,406)	(3,884,619,696)
Interest received	**1,118,435,799**	1,064,803,275	1,289,340,637
Net cash provided by operating activities	**38,303,019,159**	54,071,817,712	34,226,818,642
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Property, plant and equipment (Notes 16 and 46)	**(28,120,671,763)**	(29,440,474,778)	(25,776,311,061)
Investment properties (Notes 15 and 46)	**(15,399,228,857)**	(11,088,963,635)	(13,252,323,663)
Available-for-sale investments (Note 10)	**(15,996,196,225)**	(15,080,087,313)	(6,941,384,431)
Investments in associates and joint ventures (Note 14)	**(7,402,986,821)**	(12,152,533,446)	(129,000,000)
Intangible assets (Note 18)	**(282,472,977)**	(599,648,596)	(44,928,168)
Held-to-maturity investments (Note 10)	**(14,828,885)**	(800,605,001)	(980,692,134)
Subsidiaries, net of cash acquired (Note 44)	**–**	(21,159,258,285)	–
Assets that qualified as a business (Note 44)	**–**	(1,600,000,000)	–
Dividends received on investments in associates and joint ventures (Note 14)	**6,604,286,345**	7,807,440,452	4,803,897,297

(Forward)

	Years Ended December 31		
	2017	2016	2015
Dividends received (Note 28)	**₱1,451,837,755**	₱2,031,580,194	₱2,848,193,719
Decrease (increase) in the amounts of other noncurrent assets (Note 20)	**(2,011,128,916)**	(625,863,649)	(1,643,557,430)
Proceeds from sale of:			
Investment property	**22,529,110**	33,610,500	–
Property, plant and equipment (Note 16)	**8,948,396,503**	3,214,497,371	1,082,315,799
Available-for-sale investments	**13,145,035,547**	11,600,295,195	6,695,561,770
Held-to-maturity investments (Note 10)	**308,928,275**	–	–
Return of investment from an associate (Note 14)	**–**	–	5,000,000
Net cash used in investing activities	**(38,746,500,909)**	(67,860,010,991)	(33,333,228,302)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of:			
Short-term debts	**91,848,238,085**	91,462,362,171	67,004,746,707
Long-term debts	**31,243,531,210**	38,600,364,183	18,466,895,200
Dividends paid to non-controlling interests (Note 25)	**(4,245,057,809)**	(4,175,979,077)	(3,922,800,371)
Increase (decrease) in other noncurrent liabilities (Note 24)	**10,326,258,863**	318,729,350	4,034,036,837
Settlements of:			
Short-term debts	**(108,257,955,312)**	(65,536,414,360)	(76,793,118,937)
Long-term debts (Note 23)	**(11,710,904,401)**	(51,298,471,026)	(12,197,009,305)
Dividends paid on:			
Common shares (Note 25)	**(2,005,595,664)**	(1,790,710,414)	(1,575,825,165)
Preferred shares (Note 25)	**(11,200,000)**	(10,000,000)	(8,800,000)
Issuance of long-term negotiable certificate of deposit	**4,182,320,000**	–	–
Proceeds from reissuance of a subsidiary's treasury shares, net of transaction costs (Note 25)	–	4,356,345,647	–
Proceeds from issuance of new shares and reissuance of treasury shares through top-up placement transaction (Note 25)	–	–	8,740,529,164
Cash received from non-controlling interest for issuance of shares by a subsidiary	–	–	3,155,222,080
Net cash provided by financing activities	**11,369,634,972**	11,926,226,474	6,903,876,210
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**10,926,153,222**	(1,861,966,805)	7,797,466,550
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**43,410,141,967**	45,272,108,772	37,474,642,222
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱54,336,295,189**	₱43,410,141,967	₱45,272,108,772

See accompanying Notes to Consolidated Financial Statements.

1. Corporate Information

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

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

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

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

2. Summary of Significant Accounting Policies

Basis of Preparation

The accompanying consolidated financial statements of the Group have been prepared on a historical cost basis, except for financial assets at fair value through profit or loss (FVPL), available-for-sale (AFS) investments 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	Philippine Peso
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 Summit Capital Markets Corporation. and a Subsidiary		
Multinational Finance Group, Ltd.	-do-	-do-
URC Group		
Universal Robina (Cayman), Limited	Cayman Islands	-do-
URC Philippines, Limited	British Virgin Islands	-do-
URC Asean Brands Co. Ltd.	-do-	US Dollar
Hong Kong China Foods Co. Ltd.	-do-	-do-
URC International Co., Ltd.	-do-	-do-
URC China Commercial Co. Ltd.	China	Chinese Renminbi
Xiamen Tongan Pacific Food Co., Ltd.	-do-	-do-
Shanghai Peggy Foods Co., Ltd.	-do-	-do-
Guangzhou Peggy Foods Co., Ltd.	-do-	-do-
Jiangsu Acesfood Industrial Co.	-do-	-do-
Shantou SEZ Shanfu Foods Co., Ltd.	-do-	-do-
URC (Thailand) Co., Ltd.	Thailand	Thai Baht
Siam Pattanasin Co., Ltd.	-do-	-do-
URC Foods (Singapore) Pte. Ltd.	Singapore	Singapore Dollar
Advanson International Pte. Ltd.	-do-	-do-
Acesfood Network Pte. Ltd.	-do-	-do-
Acesfood Holdings Pte. Ltd.	-do-	-do-
Acesfood Distributors Pte. Ltd.	-do-	-do-
PT URC Indonesia	Indonesia	Indonesian Rupiah
URC (Myanmar) Co. Ltd.	Myanmar	Myanmar Kyats
URC Hong Kong Company Limited	Hong Kong	Hong Kong Dollar
URC Vietnam Co., Ltd.	Vietnam	Vietnam Dong
URC Hanoi Company Limited	-do-	-do-
URC Central Co. Ltd.	-do-	-do-
Ricellent Sdn. Bhd.	Malaysia	Malaysian Ringgit
URC Snack Foods (Malaysia) Sdn. Bhd.	-do-	-do-
URC Oceania Company Ltd.	British Virgin Islands	US Dollar
URC New Zealand Holding Company Ltd.	New Zealand	New Zealand Dollar
URC New Zealand Finance Company Ltd.	-do-	-do-
Griffin's Foods Limited	-do-	-do-
Nice & Natural Limited	-do-	-do-
URC Australia Holding Company Ltd.	Australia	Australian Dollar
URC Australia Finance Company Ltd.	-do-	-do-
Consolidated Snacks Pty Ltd	-do-	-do-
Snack Brands Australia Partnership	-do-	-do-
RLC Group		
Robinsons (Cayman) Limited	Cayman Islands	US Dollar
RLC Resources Ltd	British Virgin Islands	-do-
Land Century Holdings, Ltd.	Hong Kong	Hong Kong Dollar
World Century Enterprise Ltd.	-do-	-do-
First Capital Development, Ltd	-do-	-do-
Chengdu Xin Yao Real Estate Development, Co. Ltd	China	Chinese Renminbi

Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS).

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 2017	2016
Food				
Universal Robina Corporation (URC) and Subsidiaries	Philippines*	8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City	**55.25**	55.25
CFC Clubhouse Property, Inc. (CCPI).	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**55.25**	55.25
CFC Corporation	-do-	-do-	**55.25**	55.25
Bio-Resource Power Generation Corporation	-do-	Manjuyod, Negros Oriental	**55.25**	55.25
Nissin-URC	-do-	CFC Bldg., E. Rodriguez Jr. Ave., Bagong Ilog, Pasig City	**28.17****	28.17**
URC Philippines, Limited (URCPL)	British Virgin Islands	Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands	**55.25**	55.25
URC International Co. Ltd. (URCICL) and Subsidiaries	-do-	-do-	**55.25**	55.25
Universal Robina (Cayman), Ltd. (URCL)	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands, British West Indies	**55.25**	55.25
URC China Commercial Co., Ltd.	China	318 Shangcheng Road, Room 1417 Lian You Bldg., Pudong, Shanghai, China	**55.25**	55.25
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-	**67.23**	67.23
Real Estate and Hotels				
Robinsons Land Corporation (RLC) and Subsidiaries	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Robinson's Inn, Inc.	-do-	-do-	**60.97**	60.97
Robinsons Realty and Management Corporation	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**60.97**	60.97
Robinsons (Cayman) Limited	Cayman Islands	Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands	**60.97**	60.97
Robinsons Properties Marketing and Management Corporation	Philippines	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**60.97**	60.97
Manhattan Buildings and Management Corp	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Artigas Center, Pasig City	**60.97**	60.97
Altus Angeles, Inc.	-do-	McArthur Highway, Balisage, Angeles City, Pampanga	**31.09****	31.09**
Altus San Nicolas Corporation	-do-	Bogy. 1 San Francisco, San Nicolas, I locos Norte	**60.97**	60.97
Go Hotels Davao, Inc.	-do-	Lanang, Davao City	**31.09****	31.09**
Lingkod Pinoy Bus Liner, Inc.	-do-		**48.78**	48.78
RLC Resources Ltd	British Virgin Islands	British Virgin Islands	**60.97**	60.97

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2017	2016
Land Century Holdings, Ltd.	Hong Kong	Hong Kong	**60.97**	60.97
World Century Enterprise Ltd.	Hong Kong	Hong Kong	**60.97**	60.97
Kingdom Pacific Ltd. (Kingdom Pacific)	Hong Kong	Hong Kong	–	–
Crown Harbour Holdings Ltd. (Crown Harbour)	Hong Kong	Hong Kong	–	–
First Capital Development, Ltd	Hong Kong	Hong Kong	**60.97**	60.97
Chengdu Xin Yao Real Estate Development Co. Ltd.	China	China	**60.97**	60.97
Petrochemicals				
JG Summit Petrochemical Corporation (JGSPC)	Philippines	Ground Floor, Cybergate Tower 1, EDSA corner, Pioneer Street, Mandaluyong City	**100.00**	100.00
JG Summit Olefins Corporation (JGSOC)	-do-	43rd Floor, Robinsons Equitable Tower, ADB Avenue, Ortigas Center, Pasig City	**100.00**	100.00
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				
Express Holdings, Inc. (EHI) and a Subsidiary	-do-	29th Floor, Galleria Corporate Center, EDSA, Quezon City	**100.00**	100.00
Summit Forex Brokers Corporation	-do-	41st Floor, Robinsons-Equitable Tower, ADB Avenue, Corner Poveda Road, Pasig City	**100.00**	100.00
JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries	-do-	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 Point Services Ltd.	-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
Multinational Finance Group, Ltd.	-do-	-do-	**100.00**	100.00
Telegraph Development, Ltd.	-do-	-do-	**100.00**	100.00
Summit Top Investment, Ltd.	-do-	-do-	**100.00**	100.00
JG Summit Limited (JGSL)	-do-	-do-	–	–
Unicon Insurance Brokers Corporation (UIBC)	Philippines	CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City	**100.00**	100.00
JG Summit Infrastrure Holdings Corporation	-do-	43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City	**100.00**	–
Merbau Corporation	-do-	Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City	**100.00**	–

(Forward)

Subsidiaries	Country of Incorporation	Principal place of business	Effective Percentage of Ownership 2017	2016
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

* *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.*

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.

PFRS 10, prescribes guidance on the consolidation of SPE. Under PFRS 10, special purpose entities (SPE) should be consolidated when the substance of the relationship between the company and the SPE indicates that the SPE is controlled by the company. Control over an entity may exist when one entity is exposed, or has the rights to variable returns from its involvement with the SPE and has the ability to affect those returns through its power over the SPE. In accordance with PFRS 10, the Group's consolidated financial statements include the accounts of SPEs namely: Surigao Leasing Limited (SLL), Cebu Aircraft Leasing Limited (CALL), Boracay Leasing Limited (BLL), Vector Aircraft Leasing Limited (VALL), Panatag One Aircraft Leasing Limited (POALL), Panatag Two Aircraft Leasing Limited (PTALL), Panatag Three Aircraft Leasing Limited (PTHALL), Summit A Aircraft Leasing Limited (SAALL), Summit B Aircraft Leasing Limited (SBALL), and Summit C Aircraft Leasing Limited (SCALL). SLL, CALL, BLL, VALL, POALL, PTALL, and PTHALL are SPEs in which the Group does not have equity interest. SLL, CALL, BLL, VALL, POALL, PTALL, PTHALL, SAALL, SBALL, and SCALL acquired the passenger aircrafts for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.

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 effected 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 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 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 and Disclosures

The Group applied for the first-time certain pronouncements, which are effective for annual periods beginning on or after January 1, 2017. Adoption of these pronouncements did not have a significant impact on the Company's financial position or performance unless otherwise indicated.

- Amendments to PFRS 12, *Disclosure of Interests in Other Entities*, *Clarification of the Scope of the Standard* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that the disclosure requirements in PFRS 12, other than those relating to summarized financial information, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

  Adoption of these amendments did not have any impact on the Group's consolidated financial statements.

- Amendments to PAS 7, *Statement of Cash Flows, Disclosure Initiative*

  The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses).

  The Company has provided the required information in Note 46 to the financial statements. As allowed under the transition provisions of the standard, the Group did not present comparative information for the year ended December 31, 2016.

- Amendments to PAS 12, *Income Taxes*, *Recognition of Deferred Tax Assets for Unrealized Losses*

  The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions upon the reversal of the deductible temporary difference related to unrealized losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Significant Accounting Policies

Fair Value Measurement
For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each statement of financial position date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

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

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Foreign Currency Translation
The Group's consolidated financial statements are presented in Philippine peso, which is also the Parent Company's functional currency. Each entity in the Group determines its own functional currency and items included in the consolidated financial statements of each entity are measured using that functional currency.

Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities in their respective functional currencies at the foreign exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated using the closing foreign exchange rate prevailing at the reporting date. All differences are charged to profit or loss in the consolidated statement of comprehensive income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in statement of 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.

Recognition of Financial Instruments
Date of recognition
Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized on the settlement date. Derivatives are recognized on a trade date basis.

Initial recognition of financial instruments
Financial instruments are recognized initially at fair value. Except for financial instruments designated as at FVPL, the initial measurement of financial assets includes transaction costs. The Group classifies its financial assets into the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, AFS investments, loans and receivables, or as derivatives designated as a hedging instrument, in an effective hedge. The Group classifies its financial liabilities into financial liabilities at FVPL and other financial liabilities.

The classification depends on the purpose for which the investments were acquired and whether they are quoted in an active market. Management determines the classification of its investments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date.

'Day 1' difference
Where the transaction price in a non-active market is different from the fair value based on other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from an observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' difference) in profit or loss unless it qualifies for recognition as some other type of asset. In cases where variables used are made of data which is not observable, the difference between the transaction price and model value is only recognized in the profit of loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial assets and financial liabilities at FVPL
Financial assets and financial liabilities at FVPL include financial assets and financial liabilities held for trading purposes, derivative financial instruments or those designated upon initial recognition at FVPL.

Financial assets and liabilities are classified as held for trading if they are acquired for the purpose of selling and repurchasing in the near term.

Derivatives are also classified under financial assets or liabilities at FVPL, unless they are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance are evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or

  the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Changes in fair value are reflected in profit or loss under 'Market valuation gain (loss) on financial assets at FVPL.' Interest earned or incurred is recorded in interest income or expense, respectively, while dividend income is recorded in other operating income according to the terms of the contract, or when the right to receive payment has been established.

Derivatives classified as FVPL
The Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options,commodity swaps and zero cost collar. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures, as well as for trading purposes. Such derivative financial instruments (including bifurcated embedded derivatives) are initially recorded at fair value on the date at which the derivative contract is entered into or bifurcated and are subsequently remeasured at fair value. Any gains or losses arising from changes in fair values of derivatives (except those accounted for as accounting hedges) are taken directly in profit or loss as 'Market valuation gain (loss) on derivative financial instruments.' Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The fair values of the Group's derivative instruments are calculated by using certain standard valuation methodologies and quotes obtained from third parties.

Derivatives designated as accounting hedges
For the purpose of hedge accounting, hedges are classified primarily as either: (a) a hedge of the fair value of an asset, liability or a firm commitment (fair value hedge); (b) a hedge of the exposure to variability in cash flows attributable to an asset or liability or a forecasted transaction (cash flow hedge); or (c) a hedge of a net investment in a foreign operation (net investment hedge). Hedge accounting is applied to derivatives designated as hedging instruments in a fair value, cash flow or net investment hedge provided certain criteria are met.

Hedge accounting
At the inception of a hedging relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective

in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Cash flow hedge
Cash flow hedges are hedges of the exposure to variability in cash flows that are attributable to a particular risk associated with a recognized asset, liability or a highly probable forecast transaction and could affect the profit or loss. The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized as 'Net gains (losses) on cash flow hedges' in other comprehensive income. Any gain or loss in fair value relating to an ineffective portion is recognized immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods in which the hedged item will affect profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognized in other comprehensive income is eventually recycled in profit or loss.

Hedge effectiveness testing
To qualify for hedge accounting, the Group is required that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness), and demonstrate actual effectiveness (retrospective effectiveness) on an ongoing basis.

The documentation of each hedging relationship sets out how the effectiveness of the hedge is assessed. The method that the Group adopts for assessing hedge effectiveness will depend on its risk management strategy.

For prospective effectiveness, the hedging instrument must be expected to be highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. The Group applies the dollar-offset method using hypothetical derivatives in performing hedge effectiveness testing. For actual effectiveness to be achieved, the changes in fair value or cash flows must offset each other in the range of 80 to 125 percent. Any hedge ineffectiveness is recognized in profit or loss.

Embedded derivatives
Embedded derivatives are bifurcated from their host contracts, when the following conditions are met: (a) the entire hybrid contracts (composed of both the host contract and the embedded derivative) are not accounted for as financial assets at FVPL; (b) when their economic risks and characteristics are not closely related to those of their respective host contracts; and (c) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative.

The Group assesses whether embedded derivatives are required to be separated from the host contracts when the Group first becomes a party to the contract. Reassessment of embedded derivatives is only done when there are changes in the contract that significantly modifies the contractual cash flows that would otherwise be required.

Current versus noncurrent classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or noncurrent or separated into a current and noncurrent portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- Where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as noncurrent (or separated into current and noncurrent portions) consistent with the classification of the underlying item.
- Embedded derivatives that are not closely related to the host contract are classified consistent with the cashflows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a noncurrent portion only if a reliable allocation can be made.

HTM investments
HTM investments are quoted nonderivative financial assets with fixed or determinable payments and fixed maturities which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments before their maturity, the entire category would be tainted and reclassified as AFS investments. Once tainted, the Group is not permitted to classify any of its financial assets as HTM investments for the next two fiscal years after the year of reclassification.

After initial measurement, these investments are subsequently measured at amortized cost using the effective interest method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate (EIR). Gains and losses are recognized in profit or loss when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement of foreign currency-denominated HTM investments are recognized in profit or loss.

Loans and receivables
Loans and receivables are nonderivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS investments or financial assets at FVPL. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and includes fees that are an integral part of the EIR and transaction costs. The amortization is included under 'Interest income' in profit or loss in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss in the consolidated statement of comprehensive income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are classified as current assets if maturity is within 12 months from the reporting date. Otherwise, these are classified as noncurrent assets.

AFS investments
AFS investments are those nonderivative investments which are designated as such or do not qualify to be classified as designated financial assets at FVPL, HTM investments or loans and receivables. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions.

After initial measurement, AFS investments are subsequently measured at fair value. The effective yield component of AFS debt securities, as well as the impact of restatement on foreign currency-denominated AFS debt securities, is reported in profit or loss. The unrealized gains and losses arising from the fair valuation of AFS investments are excluded, net of tax, from profit or loss in the consolidated statement of comprehensive income and are reported under 'Net unrealized gain (loss) on available-for-sale investments' under other comprehensive income in the consolidated statement of comprehensive income.

When the security is disposed of, the cumulative gain or loss previously recognized in other comprehensive income is recognized in profit or loss in the consolidated statement of comprehensive income. Interest earned on holding AFS investments are reported as interest income using the effective interest method. Where the Group holds more than one investment in the same security, these are deemed to be disposed of on a first-in, first-out basis. Dividends earned on holding AFS investments are recognized in profit or loss in the consolidated statement of comprehensive income when the right to receive payment has been established.

The losses arising from impairment of such investments are recognized under 'Impairment losses and others' in the consolidated statement of comprehensive income.

Other financial liabilities
Issued financial instruments or their components, which are not designated as at FVPL, are classified as other financial liabilities where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to 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. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned with 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.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any discount or premium on the issue and fees and debt issue costs that are an integral part of the EIR. Any effects of restatement of foreign currency-denominated liabilities are recognized in profit or loss.

This accounting policy applies primarily to the Group's short-term and long-term debt, accounts payable and accrued expenses and other obligations that meet the above definition (other than liabilities covered by other accounting standards, such as income tax payable and pension liabilities).

Debt Issuance Cost
Debt issuance costs are amortized using the effective interest method and unamortized debt issuance costs are included in the measurement of the carrying value of the related loan in the consolidated statement of financial position. When a loan is repaid, the related unamortized debt issuance costs at the date of repayment are charged against profit or loss.

Customers' Deposits

Deposits from lessees

Deposits from lessees are measured initially at fair value. After initial recognition, customers' deposits are subsequently measured at amortized cost using the effective interest method.

The difference between the cash received and its fair value is deferred (included in 'Other current or noncurrent liabilities' in the consolidated statement of financial position) and amortized using the straight-line method.

Deposits from real estate buyers

Deposits from real estate buyers represent mainly reservation fees and advance payments. These deposits will be recognized as revenue in the consolidated statement of comprehensive income as the related obligations are fulfilled to the real estate buyers. The deposits are recorded as 'Deposits from real estate buyers' and reported under the 'Other current or noncurrent liabilities' account in the consolidated statement of financial position.

Reclassification of Financial Assets

A financial asset is reclassified out of the financial assets at FVPL category when the following conditions are met:

- the financial asset is no longer held for the purpose of selling or repurchasing it in the near term; and
- there is a rare circumstance.

The Group evaluates its AFS investments whether the ability and intention to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the ability and intention to hold these assets for the foreseeable future or until maturity. Reclassification to the HTM category is permitted only when the entity has the ability and intention to hold the financial asset to maturity.

For a financial asset reclassified out of the AFS category, any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest method. Any difference between the new amortized cost and the expected cash flows is also amortized over the remaining life of the asset using the effective interest method. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

Classification of Financial Instruments Between Debt and Equity

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

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

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired, if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss on a financial asset carried at amortized cost (i.e., receivables or HTM investments) has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original EIR. The carrying amount of the asset is reduced through the use of an allowance account. The loss is recognized in the consolidated statement of comprehensive income as 'Impairment losses and others'. The asset, together with the associated allowance account, is written-off when there is no realistic prospect of future recovery.

If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtor's ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

The Group performs a regular review of the age and status of these accounts, designed to identify accounts with objective evidence of impairment and provide the appropriate allowance for impairment loss.

The review is accomplished using a combination of specific and collective assessment approaches, with the impairment loss being determined for each risk grouping identified by the Group.

AFS investments

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as AFS investments, objective evidence would include a 'significant' or 'prolonged' decline in the fair value of the investments below its cost. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. The Group treats 'significant' generally as 20% and 'prolonged' as greater than 12 months for quoted equity securities. Where there is evidence of impairment, the cumulative loss, which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit and loss, is removed from other comprehensive income and recognized in profit or loss. Impairment losses on equity investments are not reversed through profit or loss in the consolidated statement of comprehensive income. Increases in fair value after impairment are recognized as part of other comprehensive income.

In the case of debt instruments classified as AFS investments, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring the impairment loss. Such accrual is recorded as part of 'Interest income' in profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed through the profit or loss.

<u>Derecognition of Financial Instruments</u>
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of ownership and retained control of the asset, or (b) has neither transferred nor retained the risks and rewards of the asset but has transferred the control of the asset.

Where the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial liabilities
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where 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, and the difference in the respective carrying amounts is recognized in profit or loss.

<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.

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*
   In 2015, JGSPC and JGSOC changed its inventory costing method for its raw materials, work-in-process and finished goods from weighted average costing method to FIFO costing method. Under the FIFO costing method, items that are purchased first or are produced first are sold first and items remaining at the end of the period are those most recently purchased or produced. 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. The effect of the change in the accounting policy is not significant.

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 are carried at the lower of cost and NRV. Cost includes costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

Factory supplies and spare parts

Cost is determined using the weighted average method.

Investments in Associates and Joint Ventures

Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. In the consolidated financial statements, investment in associates is accounted for under the equity method of accounting.

The Group also has interests in joint ventures. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The Group's investments in its associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investments in associates and joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in the Group's share in the net assets of the associates and joint ventures. The consolidated statement of comprehensive income reflects the share of the results of operations of the associates and joint ventures. Where there has been a change recognized in the investees' other comprehensive income, the Group recognizes its share of any changes and discloses this, when applicable, in the other comprehensive income. Profits and losses arising from transactions between the Group and the associate are eliminated to the extent of the interest in the associates and joint ventures.

The Group's investments in certain associates and joint ventures include goodwill on acquisition, less any impairment in value. Goodwill relating to an associate or joint venture is included in the carrying amount of the investment and is not amortized.

Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used in line with those used by the Group.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

Investment Properties
Investment properties consist of properties that are held to earn rentals or for capital appreciation or both, and those which are not occupied by entities in the Group. Investment properties, except for land, are carried at cost less accumulated depreciation and impairment loss, if any. Land is carried at cost less impairment loss, if any. Investment properties are measured initially at cost, including transaction costs. Transaction costs represent nonrefundable taxes such as capital gains tax and documentary stamp tax that are for the account of the Group. An investment property acquired through an exchange transaction is measured at the fair value of the asset acquired unless the fair value of such an asset cannot be measured, in which case the investment property acquired is measured at the carrying amount of the asset given up. Foreclosed properties are classified under investment properties upon: a) entry of judgment in case of judicial foreclosure; b) execution of the Sheriff's Certificate of Sale in case of extra-judicial foreclosure; or c) notarization of the Deed of Dacion in case of 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.

Property, Plant and Equipment

Property, plant and equipment, except land which is stated at cost less any impairment in value, are carried at cost less accumulated depreciation, amortization and impairment loss, if any.

The initial cost of property, plant and equipment comprises its purchase price, including import duties, taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Cost also includes: (a) interest and other financing charges on borrowed funds used to finance the acquisition of property, plant and equipment to the extent incurred during the period of installation and construction; and (b) asset retirement obligation (ARO) relating to property, plant and equipment installed/constructed on leased properties or leased aircraft.

Subsequent replacement costs of parts of property, plant and equipment are capitalized when the recognition criteria are met. Significant refurbishments and improvements are capitalized when it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond the originally assessed standard of performance. Costs of repairs and maintenance are charged as expense when incurred.

Foreign exchange differentials arising from the acquisition of property, plant and equipment are charged against profit or loss in the consolidated statement of comprehensive income and are no longer capitalized.

Depreciation and amortization of property, plant and equipment commences once the property, plant and equipment are available for use, and are computed using the straight-line method over the EUL of the assets, regardless of utilization.

The EUL of property, plant and equipment of the Group follow:

	EUL
Land and improvements	10 to 40 years
Buildings and improvements	10 to 30 years
Machinery and equipment	4 to 50 years
Leasehold improvements	15 years
Passenger aircraft	15 years
Other flight equipment	5 years
Transportation, furnishing and other equipment	3 to 5 years

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

The assets' residual values, useful lives and methods of depreciation and amortization are reviewed periodically to ensure that the method and period of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property, plant and equipment. Any change in the expected residual values, useful lives and methods of depreciation are adjusted prospectively from the time the change was determined necessary.

Construction in-progress is stated at cost. This includes cost of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalized during the construction period. Construction in-progress is not depreciated until such time as the relevant assets are completed and put into operational use. Assets under construction are reclassified to a specific category of property, plant and equipment when the construction and other related activities necessary to prepare the properties for their intended use are completed and the properties are available for use.

Major spare parts and stand-by equipment items that the Group expects to use over more than one period and can be used only in connection with an item of property, plant and equipment are accounted for as property, plant and equipment. Depreciation and amortization on these major spare parts and stand-by equipment commence once these have become available for use (i.e., when it is in the location and condition necessary for it to be capable of operating in the manner intended by the Group).

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

ARO

The Group is contractually required under various lease contracts to either restore certain leased aircraft to its original condition at its own cost or to bear a proportionate cost of restoration at the end of the contract period. The event that gives rise to the obligation is the actual flying hours, flying cycles or calendar months of the asset as used, as the usage determines the timing and nature of the overhaul and restoration work required or the amount to be contributed at the end of the lease term. For certain lease agreements, the Group provides for these costs over the terms of the leases through contribution to a maintenance reserve fund (MRF) which is recorded as outright expense. If the estimated cost of restoration is expected to exceed the cumulative MRF, an additional obligation is accounted on an accrual basis. Regular aircraft maintenance is accounted for as expense when incurred.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

Advance payment for materials for the restoration of the aircraft is initially recorded under 'Advances to supplier' account in the consolidated statement of financial position. This is recouped when the expenses for restoration of aircraft have been incurred.

The Group regularly assesses the provision for ARO and adjusts the related liability.

Borrowing Costs

Interest and other finance costs incurred during the construction period on borrowings used to finance property development are capitalized to the appropriate asset accounts. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress, and expenditures and borrowing costs are being incurred. The capitalization of these borrowing costs ceases when substantially all the activities necessary to prepare the asset for sale or its intended use are complete. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. Capitalized borrowing cost is based on the applicable weighted average borrowing rate for general borrowings. For specific borrowings, all borrowing costs are eligible for capitalization.

Borrowing costs which do not qualify for capitalization are expensed as incurred.

Interest expense on loans is recognized using the effective interest method over the term of the loans.

Biological Assets

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

Swine livestock	- 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, except for a biological asset where fair value is not clearly determinable. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

Agricultural produce is the harvested product of the Group's biological assets. A harvest occurs when agricultural produce is either detached from the bearer biological asset or when a biological asset's life processes cease. A gain or loss arising on initial recognition of agricultural produce at fair value less estimated costs to sell is recognized in the consolidated statement of income in the period in which it arises. The agricultural produce in swine livestock is the suckling that transforms into weanling then into fatteners/finishers, while the agricultural produce in poultry livestock is the hatched chick and table eggs.

A gain or loss on initial recognition of a biological asset at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell of a biological asset are included in the consolidated statement of income in the period in which it arises.

Goodwill
Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with PFRS 8, *Operating Segments*.

Following initial recognition, goodwill is measured at cost, less any accumulated impairment loss. Goodwill is reviewed for impairment annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired (see Impairment of Nonfinancial Assets).

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Bank Licenses
Bank licenses arise from the acquisition of branches of a local bank by the Group and commercial bank license. The Group's bank licenses have indefinite useful lives and are subject to annual individual impairment testing.

Intangible Assets
Intangible assets (other than goodwill) acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is its fair value as at the acquisition date. Following initial recognition, intangible assets are measured at cost less any accumulated amortization and impairment loss, if any.

The EUL of intangible assets are assessed to be either finite or indefinite.

The useful lives of intangible assets with finite lives are assessed at the individual asset level. Intangible assets with finite lives are amortized on a straight-line basis over their useful lives.

The period and the method of amortization of an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the EUL or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite useful lives is recognized under 'Cost of sales and services' and 'General and administrative expenses' in profit or loss in the consolidated statement of comprehensive income in the expense category consistent with the function of the intangible asset. Intangible assets with finite lives are assessed for impairment, whenever there is an indication that the intangible assets may be impaired.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level (see further discussion under Impairment of Nonfinancial Assets). Such intangibles are not amortized. The intangible asset with an indefinite useful life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If the indefinite useful life is no longer appropriate, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

Costs incurred to acquire computer software (which are not an integral part of its related hardware) and costs to bring it to its intended use are capitalized as intangible assets. Costs directly associated with the development of identifiable computer software that generate expected future benefits to the Group are also recognized as intangible assets. All other costs of developing and maintaining computer software programs are recognized as expense when incurred.

A gain or loss arising from derecognition of an intangible asset is measured as the difference between the net disposal proceeds and the carrying amount of the intangible asset and is recognized in profit or loss in the consolidated statement of comprehensive income when the asset is derecognized.

A summary of the policies applied to the Group's intangible assets follows:

	Technology Licenses	Licenses	Product Formulation and Brands	Software Costs	Land Use Rights	Customer Relationship	Trademarks
EUL	Finite (12 to 13.75 years)	Indefinite	Indefinite	Finite (5 years)	Finite (40 years for commercial and 70 years for residential)	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	Straight line amortization	No amortization
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired	Acquired

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost' , 'Intangible assets' , 'Goodwill' and 'Deferred subscriber acquisition and retention costs'.

Except for goodwill and intangible assets with indefinite lives which are tested for impairment annually, the Group assesses at each reporting date whether there is an indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of recoverable amount. Recoverable amount is the higher of an asset's (or cash-generating unit's) fair value less costs to sell and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash-generating unit to which it belongs. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash-generating unit).

Impairment losses from continuing operations are recognized under 'Impairment losses and others' in profit or loss.

The following criteria are also applied in assessing impairment of specific assets:

Property, plant and equipment, investment properties, intangible assets with definite useful lives and costs
For property, plant and equipment, investment properties, intangible assets with definite useful lives, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss in the consolidated statement of comprehensive income. After such a reversal, the depreciation expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill
Goodwill is reviewed for impairment, annually or more frequently, if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its impairment test of goodwill every reporting date.

Investments in associates and joint ventures
After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group's investments in associates and joint ventures. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognizes the amount under 'Impairment losses and others' in profit or loss.

Intangible assets with indefinite useful lives
Intangible assets with indefinite useful lives are tested for impairment annually as of year-end either individually or at the cash-generating unit level, as appropriate.

Equity
Common and preferred stocks are classified as equity and are recorded at par. Proceeds in excess of par value are recorded as 'Additional paid-in capital' in the consolidated statement of changes in equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Retained earnings represent the cumulative balance of periodic net income/loss, dividend distributions, prior period adjustments and effect of changes in accounting policy and capital adjustments.

Treasury Shares

Treasury shares are recorded at cost and are presented as a deduction from equity. When the shares are retired, the capital stock account is reduced by its par value. The excess of cost over par value upon retirement is debited to the following accounts in the order given: (a) additional paid-in capital to the extent of the specific or average additional paid-in capital when the shares were issued, and (b) retained earnings. No gain or loss is recognized in profit or on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Revenue and Cost Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and other sales taxes or duties. The Parent Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Parent Company has concluded that it is acting as principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Sale of goods

Revenue from sale of goods is recognized upon delivery, when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any trade discounts, prompt payment discounts and volume rebates.

Rendering of tolling services

Revenue derived from tolling activities, whereby raw sugar from traders and planters is converted into refined sugar, is recognized as revenue when the related services have been rendered.

Sale of air transportation services

Passenger ticket and cargo waybill sales, excluding portion relating to awards under Lifestyle Rewards Program, are initially recorded under 'Unearned revenue' account in the consolidated statement of financial position until recognized as 'Revenue' in the consolidated statement of comprehensive income when carriage is provided or when the flight is uplifted.

Ancillary revenue

Revenue from services incidental to the transportation of passengers, cargo, mail and merchandise are recognized when transactions are carried out.

Real estate sales

Revenue from sales of real estate and cost from completed projects is accounted for using the full accrual method. The percentage of completion is used to recognize income from sales of projects where the Group has material obligations under the sales contract to complete the project after the property is sold. Under this method, revenue is recognized as the related obligations are fulfilled, measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of project.

If any of the criteria under the percentage of completion method is not met, the deposit method is applied until all the conditions for recording a sale are met. Pending recognition of sale, cash received from buyers are presented under the 'Deposits from real estate buyers' which is shown as part of the 'Other current or noncurrent liabilities' in the consolidated statement of financial position.

Revenue from hotel operations

Revenue from hotel operations is recognized when services are rendered. Revenue from banquets and other special events are recognized when the events take place. 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
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as AFS investments, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability.

The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

Once the recorded value of a financial asset or group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount. The adjusted carrying amount is calculated based on the original EIR. The change in carrying amount is recorded as interest income.

Unearned discount is recognized as income over the terms of the receivables using the effective interest method and is shown as a deduction from loans.

Service fees and commission income
The Group earns fees and commission income from the diverse range of services it provides to its customers. Fees earned for the provision of services over a period of time are accrued over that period. These fees include investment fund fees, custodian fees, fiduciary fees, portfolio fees, credit-related fees and other service and management fees. Fees on deposit-related accounts are recognized only upon collection or accrued when there is reasonable degree of certainty as to its collection.

Trading and securities gain (loss)
This represents results arising from disposal of AFS and HTM investments and trading activities including all gains and losses from changes in fair value of financial assets at FVPL of the Group's Banking segment.

Dividend income
Dividend income is recognized when the shareholder's right to receive the payment is established.

Rent income
The Group leases certain commercial real estate properties to third parties under an operating lease arrangement. Rental income on leased properties is recognized on a straight-line basis over the lease term, or 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 receipt of cash from the customer which coincides with the rendering of services.

Gain from sale of properties, investments and other assets
Gain from sale of properties, investments and other assets is recognized upon completion of the earning process and the collectibility of the sales price is reasonably assured.

Provisions

Provisions are recognized when: (a) the Group has a present obligation (legal or constructive) as a result of a past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense under 'Financing costs and other charges' account in the consolidated statement of comprehensive income. Where the Group expects a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is probable.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable.

Pension Costs

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

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:
- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

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

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Termination benefit
Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefit is recognized at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognizes related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employee benefit, as either post-employment benefits, short-term employee benefits, or other long-term employee benefits.

Employee leave entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

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

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from unused minimum corporate income tax (MCIT) over the regular corporate income tax (RCIT) and unused net operating loss carryover (NOLCO), to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits from excess MCIT and unused NOLCO can be utilized, except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss in the consolidated statement of comprehensive income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

<u>Leases</u>
The determination of whether an arrangement is, or contains a lease, is based on the substance of the arrangement at inception date, and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, and the arrangement conveys a right to use the asset.

A reassessment is made after inception of the lease only if one of the following applies:

a. there is a change in contractual terms, other than a renewal or extension of the arrangement;
b. a renewal option is exercised or an extension granted, unless that term of the renewal or extension was initially included in the lease term;
c. there is a change in the determination of whether fulfillment is dependent on a specified asset; or
d. there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios a, c or d above, and at the date of renewal or extension period for scenario b.

Group as a lessee
Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and is included in the consolidated statement of financial position under 'Property, plant and equipment' with the corresponding liability to the lessor included under 'Long-term debt'. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in the consolidated statement of comprehensive income. Capitalized leased assets are depreciated over the shorter of the EUL of the assets or the respective lease terms, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense under 'Cost of sales and services' and 'General administrative expenses' in profit or loss in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

A sale and leaseback transaction includes the sale of an asset and the leasing back of the same asset. If the leaseback is classified as an operating lease, then, any gain is recognized immediately in the profit or loss if the sale and leaseback terms are demonstrably at fair value. Otherwise, the sale and leaseback are accounted for as follows:

- If the sale price is below the fair value, then, the gain or loss is recognized immediately other than to the extent that a loss is compensated for by future rentals at below market price, then the loss is deferred and amortized over the period that the asset is expected to be used.
- If the sale price is above the fair value, then, any gain is deferred and amortized over the period that the asset is expected to be used.
- If the fair value of the asset is less than the carrying amount of the asset at the date of the transaction, then that difference is recognized immediately as a on the sale.

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.

<u>Joint Operation</u>
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, 2018

- Amendments to PFRS 2, *Share-based Payment*, *Classification and Measurement of Share-based Payment Transactions*

  The amendments to PFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

  On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if elected for all three amendments and if other criteria are met. Early application of the amendments is permitted.

- PFRS 9, *Financial Instruments*

  PFRS 9 reflects all phases of the financial instruments project and replaces PAS 39, *Financial Instruments: Recognition and Measurement*, and all previous versions of PFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. Retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

  The Company plans to adopt the new standard on the mandatory effective date and will not restate comparative information.

  In 2017, the Group performed its initial impact assessment of all three phases of PFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information becoming available to the Group when it adopts PFRS 9 in 2018.

  (a) Classification and measurement

  Debt securities currently held as AFS under PAS 39 are expected to be classified as at fair value through other comprehensive income (FVOCI) as these are held both to collect contractual cash flows and to sell. Trade and other receivables are held to collect contractual cash flows and thus qualify for amortized cost measurement. However, the Group is still finalizing its assessment on whether the contractual cash flows of these debt financial assets are solely payments of principal and interest (SPPI) to be able to conclude that these instruments are eligible for amortized cost or FVOCI measurement.

  Investments in unquoted equity shares currently carried at cost under PAS 39 are intended to be held for the foreseeable future. As such, the Group intends to apply the option to present fair value changes for these investments in OCI. The Group is in the process of determining how to measure the fair value of these unquoted investments.

  Quoted equity shares currently held as AFS are expected to be measured at fair value through profit or loss, which will increase volatility in profit or loss.

  (b) Impairment

  PFRS 9 requires the Group to record expected credit losses on all of its debt financial assets. The Group plans to apply the simplified approach and to record lifetime expected losses on all trade receivables and contract assets that do not contain significant financing component. For the Group's debt securities and other receivables that will be measured at amortized cost or at FVOCI, the general approach for measuring expected credit losses is required to be applied. Thus, credit losses for these financial assets will be measured either on 12-month or lifetime basis depending on the extent of the deterioration of their credit quality. The Group is currently quantifying the impact of the change in measuring credit losses.

  (c) Hedge accounting

  The Group has determined that all existing hedge relationships that are currently designated in effective hedging relationships under PAS 39 will continue to qualify for hedge accounting under PFRS 9. On transition, the Group will not retrospectively apply PFRS 9 to the hedges where the Group excluded the forward points from the hedge designation under PAS 39.

As PFRS 9 does not change the general principles of how an entity accounts for effective hedges, applying the hedging requirements of PFRS 9 will not have a significant impact on the Group's consolidated financial statements.

- Amendments to PFRS 4, *Insurance Contracts*, *Applying PFRS 9, Financial Instruments, with PFRS 4*

  The amendments address concerns arising from implementing PFRS 9, the new financial instruments standard before implementing the new insurance contracts standard. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying PFRS 9 and an overlay approach. The temporary exemption is first applied for reporting periods beginning on or after January 1, 2018. An entity may elect the overlay approach when it first applies PFRS 9 and apply that approach retrospectively to financial assets designated on transition to PFRS 9. The entity restates comparative information reflecting the overlay approach if, and only if, the entity restates comparative information when applying PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers*

  PFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under PFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in PFRS 15 provide a more structured approach to measuring and recognizing revenue.

  The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under PFRSs. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Group plans to adopt the new standard on the required effective date using the modified retrospective method.

  The Group is still assessing the impact of adopting PFRS 15 in 2018.

  In addition, as the presentation and disclosure requirements in PFRS 15 are more detailed than under current PFRSs, the Group is currently assessing what necessary changes it needs to make on its current systems, internal controls, policies and procedures to enable the Group to collect and disclose the required information.

- Amendments to PAS 28, *Measuring an Associate or Joint Venture at Fair Value* (Part of *Annual Improvements to PFRSs* 2014 - 2016 Cycle)

  The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. They also clarify that if an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments should be applied retrospectively, with earlier application permitted.

- Amendments to PAS 40, *Investment Property*, *Transfers of Investment Property*

  The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments should be applied prospectively to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is only permitted if this is possible without the use of hindsight.

- Philippine Interpretation IFRIC-22, *Foreign Currency Transactions and Advance Consideration*

  The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the nonmonetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis. Alternatively, an entity may apply the interpretation prospectively to all assets, expenses and income in its scope that are initially recognized on or after the beginning of the reporting period in which the entity first applies the interpretation or the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

Effective beginning on or after January 1, 2019

- Amendments to PFRS 9, *Prepayment Features with Negative Compensation*

  The amendments to PFRS 9 allow debt instruments with negative compensation prepayment features to be measured at amortized cost or fair value through other comprehensive income. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- PFRS 16, *Leases*

  PFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under PAS 17, *Leases*. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

  Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under PFRS 16 is substantially unchanged from today's accounting under PAS 17. Lessors will continue to classify all leases using the same classification principle as in PAS 17 and distinguish between two types of leases: operating and finance leases.

PFRS 16 also requires lessees and lessors to make more extensive disclosures than under PAS 17.

Early application is permitted, but not before an entity applies PFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The Group is currently assessing the impact of adopting PFRS 16.

- Amendments to PAS 28, *Long-term Interests in Associates and Joint Ventures*

  The amendments to PAS 28 clarify that entities should account for long-term interests in an associate or joint venture to which the equity method is not applied using PFRS 9. An entity shall apply these amendments for annual reporting periods beginning on or after January 1, 2019. Earlier application is permitted.

- Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments*

  The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of PAS 12 and does not apply to taxes or levies outside the scope of PAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

  The interpretation specifically addresses the following:
  - Whether an entity considers uncertain tax treatments separately
  - The assumptions an entity makes about the examination of tax treatments by taxation authorities
  - How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
  - How an entity considers changes in facts and circumstances

  An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

  The Group is currently assessing the impact of adopting this interpretation.

Deferred effectivity

- Amendments to PFRS 10 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, *Business Combinations*. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

On January 13, 2016, the Financial Reporting Standards Council deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (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.

3. Significant Accounting Judgments and Estimates

The preparation of the consolidated financial statements in compliance with PFRS requires the Group to make judgments and estimates that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements, as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

a. *Classification of financial instruments*
The Group exercises judgment in classifying a financial instrument, or its component parts, on initial recognition as either a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial asset, a financial liability or an equity instrument. The substance of a financial instrument, rather than its legal form, governs its classification in the consolidated statement of financial position.

   In addition, the Group classifies financial assets by evaluating, among others, whether the asset is quoted or not in an active market. Included in the evaluation on whether a financial asset is quoted in an active market is the determination on whether quoted prices are readily and regularly available, and whether those prices represent actual and regularly occurring market transactions on an arm's length basis.

b. *Determination of fair values of financial instruments*
The Group carries certain financial assets and liabilities at fair value, which requires extensive use of accounting estimates and judgment. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized different valuation methodologies and assumptions. Any change in fair value of these financial assets and liabilities would affect the consolidated statements of comprehensive income.

   Where the fair values of certain financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be derived from active markets, they are determined using internal valuation techniques using generally accepted market valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimates are used in establishing fair values. The judgments include considerations of liquidity and model inputs such as correlation and volatility for longer dated derivatives. Refer to Note 5 for the fair value measurements of financial instruments.

c. *Revenue from real estate sales*
Selecting an appropriate revenue recognition method for a particular real estate sale transaction requires certain judgment based on, among others:

- buyer's commitment on the sale which may be ascertained through the significance of the buyer's initial investment (buyer's equity); and
- stage of completion of the project determined using cost-to-cost method.

The Group has set a certain percentage of collection over the total selling price in determining buyer's commitment on the sale. It is when the buyer's investment is considered adequate to meet the probability criteria that economic benefits will flow to the Group.

d. *Classification of leases*
<u>*Operating Lease*</u>
Operating lease commitments - Group as lessee
The Group has entered into leases on premises it uses for its operations. The Group has determined, based on evaluation of the terms and conditions of the lease agreements that the significant risk and rewards of ownership to these properties did not transfer to the Group. In determining this, the Group considers the following:

- the lease does not transfer the ownership of the asset to the lessee by the end of the lease term; and
- the related lease term do not approximate the EUL of the assets being leased.

Operating lease commitments - Group as lessor
Based on the evaluation of the terms and conditions of the arrangements, the Group has determined that it retains all significant risks and rewards of ownership to these properties. In determining this, the Group considers, the following:

- the leases do not provide for an option to purchase or transfer ownership of the property at the end of the lease; and
- the related lease term do not approximate the EUL of the assets being leased.

<u>*Finance Lease*</u>
Group as lessor
The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments receivable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has transferred all significant risks and rewards of ownership of the peroperties it leases out on finance leases.

Group as lessee
The Group has determined based on evaluation of terms and conditions of the lease arrangements (i.e., present value of minimum lease payments payable amounts to at least substantially all of the fair value of leased asset, lease term if for the major part of the economic useful life of the asset, and lessor's losses associated with the cancellation are borned by the lessee) that it has obtained all significant risks and rewards of ownership of the peroperties it leased on finance leases.

Refer to Note 42 for the disclosure on the Group's leases.

e. *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.

f. *Consolidation of SPEs*
The Group periodically undertakes transactions that may involve obtaining the right to control or significantly influence the operations of other companies. 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, the 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.

g. *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.

h. *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.

i. *Contingencies*
The Group is currently involved in certain legal proceedings. The estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling the defense in these matters and is based upon an analysis of potential results. The Group currently does not believe these proceedings will have a material effect on the Group's consolidated financial position. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of the strategies relating to these proceedings (see Note 43).

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. *Revenue and cost recognition*
The Group's revenue recognition policies require use of estimates and assumptions that may affect the reported amounts of revenue and costs.

- Sale of real estate
The Group's real estate revenue and costs are recognized based on the percentage-of-completion and the completion rate is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the total estimated costs of the project. The total estimation costs of the real estate project requires input by project development engineers.

The related balances from real estate transactions follow:

	2017	2016	2015
Revenue	**₱5,973,248,023**	₱6,973,938,019	₱6,378,365,315
Cost and expenses	**3,143,037,387**	4,153,220,627	3,250,836,782

b. *Impairment of AFS investments*
AFS debt investments
The Group classifies certain financial assets as AFS debt investments and recognizes movements in the fair value in other comprehensive income in the consolidated statement of comprehensive income. When the fair value declines, management makes assumptions about the decline in value

to determine whether it is an impairment loss that should be recognized in profit or loss in the consolidated statement of comprehensive income.

In 2017, 2016 and 2015, the Group did not recognize impairment losses on its AFS debt investments.

The carrying value of the Group's AFS debt investments is disclosed in Note 10 to the consolidated financial statements.

AFS equity investments
The Group treats AFS equity investments as impaired, when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20.0% or more and 'prolonged' as greater than 12 months for quoted equity securities. In addition, the Group evaluates other factors, including the normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

In 2016, the Group recognized impairment loss on its AFS equity instruments amounting to ₱16.7 billion. In 2017 and 2015, the Group did not recognize impairment losses on its AFS equity investments.

The carrying value of the Group's AFS equity investments is disclosed in Note 10 to the consolidated financial statements.

c. *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 long-term 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.

Other key assumptions used in estimating value in use are revenue growth and operating margin. Value-in-use is the most sensitive to changes in revenue growth rates, operating margin, discount rates and growth rates.

As of December 31, 2017 and 2016, the balance of the Group's goodwill and intangible assets, net of accumulated depreciation, amortization and impairment loss follow:

	2017	2016
Goodwill (Note 19)	**₱32,023,183,943**	₱32,023,183,943
Intangible assets (Note 18)	**14,021,031,196**	14,159,003,493

d. *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 44 to the consolidated financial statements.

e. *Estimation of allowance for impairment losses on receivables*
The Group reviews its finance receivables at each statement of financial position date to assess whether a credit loss should be recorded in the statement of income. The Group determines the provision for credit losses on finance receivables on an individual basis for individually significant finance receivables, and collectively for finance receivables that are not individually significant. The identification of impairment and the determination of the recoverable amount involve various assumptions and factors, including the financial condition of the counterparty, estimated future cash flows, observable market prices, estimated net realizable value of the collateral, historical loss rates, and net flow rates when determining the level of allowance required.

The Group maintains allowances for impairment losses on trade and other receivables at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by management on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of relationship with the customer, the customer's payment behavior and known market factors. The Group reviews the age and status of the receivables, and identifies accounts that are to be provided with allowances on a continuous basis. The Group provides full allowance for trade and other receivables that it deems uncollectible.

Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease either current or non-current assets.

Provisions for impairment losses on receivables, included in 'Impairment losses and others' in profit or loss in the consolidated statements of comprehensive income are disclosed in Notes 11 and 34 to the consolidated financial statements.

The carrying value of the Group's total receivables, net of allowance for impairment losses, is disclosed in Note 11 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 '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. Calculations of such costs includes assumptions and estimates in respect of the anticipated rate of aircraft utilization which includes flying hours and flying cycles and calendar months of the asset as used.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of December 31, 2017 and 2016, the cost of restoration is computed based on the Group's assessment on expected future aircraft utilization.

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

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

h. *Estimation of useful lives of property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost*
The Group estimates the useful lives of its depreciable property, plant and equipment, investment properties, intangible assets with finite life and biological assets at cost based on the period over which the assets are expected to be available for use. The EUL of the said depreciable assets are reviewed at least annually and are updated, if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the EUL of the depreciable property, plant and equipment, investment properties and intangible assets would increase depreciation and amortization expense and decrease noncurrent assets.

The carrying balances of the Group's depreciable assets are disclosed in Notes 15, 16, 17 and 18 to the consolidated financial statements.

i. *Determination of fair values less estimated costs to sell of biological assets*
The fair values of biological assets are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell costs include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transportation and other costs necessary to get the biological assets to the market. The fair values are reviewed and updated, if expectations differ from previous estimates due to changes brought by both physical change and price changes in the market. It is possible that future results of operations could be materially affected by changes in these estimates brought about by the changes in factors mentioned.

The Group recognized gain (loss) arising from changes in the fair value of biological assets amounting to ₱118.8 million, (₱95.6 million) and (₱57.0 million) (included in 'Cost of sales and services' in profit or loss in the consolidated statements of comprehensive income) in 2017, 2016 and 2015, respectively (see Note 17).

The carrying value of the Group's biological assets carried at fair values less estimated costs to sell is disclosed in Note 17 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, 2017 and 2016, 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*
The Group assesses impairment on its nonfinancial assets (i.e., property, plant and equipment, investment properties, investments in associates and joint ventures, biological assets carried at cost and goodwill and other intangible assets) whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

The factors that the Group considers important which could trigger an impairment review include the following:

- Market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- Significant underperformance relative to expected historical or projected future operating results;
- Significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- Significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In 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.

Provision for impairment losses on nonfinancial assets recognized in 2017, 2016 and 2015 is disclosed in Note 34 to the consolidated financial statements.

As of December 31, 2017 and 2016, the balance of the Group's nonfinancial assets, net of accumulated depreciation, amortization and impairment loss follow:

	2017	2016
Property, plant and equipment (Note 16)	**₱181,660,164,319**	₱175,662,713,462
Investments in associates and joint ventures (Note 14)	**138,391,324,239**	127,952,235,708
Investment properties (Note 15)	**89,244,835,261**	75,416,372,370
Intangible assets (Note 18)	**14,021,031,196**	14,159,003,493

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's recognized deferred tax assets are shown in Note 38.

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 total amount of temporary differences for which the Group did not recognize any deferred tax assets are shown in Note 38.

4. **Financial Risk Management Objectives and Policies**

The Group's principal financial instruments, other than derivative financial instruments, comprise cash and cash equivalents, financial assets at FVPL, HTM investments, AFS investments, interest-bearing loans and borrowings and payables and other financial liabilities. 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 trade receivables and payables which arise directly from its operations. Also, the Parent Company and certain subsidiaries are counterparties to derivative contracts, such as interest rate swaps, currency forwards, cross currency swaps, currency options and commodity swaps and options. These derivatives are entered into as a means of reducing or managing their respective foreign exchange and interest rate exposures.

The BOD of the Parent Company and its subsidiaries review and approve the policies for managing each of these risks which are summarized below, together with the related risk management structure.

Risk Management Structure
The BOD of the Parent Company and the respective BODs of each subsidiary are ultimately responsible for the oversight of the Group's risk management processes that involve identifying, measuring, analyzing, monitoring and controlling risks.

The risk management framework encompasses environmental scanning, the identification and assessment of business risks, development of risk management strategies, design and implementation of risk management capabilities and appropriate responses, monitoring risks and risk management performance, and identification of areas and opportunities for improvement in the risk management process.

Each BOD has created the board-level Audit Committee (AC) to spearhead the managing and monitoring of risks.

AC
The AC shall assist the Group's BOD in its fiduciary responsibility for the over-all effectiveness of risk management systems and the internal audit functions of the Group. Furthermore, it is also the AC's purpose to lead in the general evaluation and to provide assistance in the continuous improvements of risk management, control and governance processes.

The AC also aims to ensure that:

a. financial reports comply with established internal policies and procedures, pertinent accounting and audit standards and other regulatory requirements;
b. risks are properly identified, evaluated and managed, specifically in the areas of managing credit, market, liquidity, operational, legal and other risks, and crisis management;
c. audit activities of internal auditors are done based on plan, and deviations are explained through the performance of direct interface functions with the internal auditors; and
d. the Group's BOD is properly assisted in the development of policies that would enhance the risk management and control systems.

Enterprise Risk Management Group (ERMG)
The ERMG was created to be primarily responsible for the execution of the enterprise risk management framework. The ERMG's main concerns include:

a. recommendation of risk policies, strategies, principles, framework and limits;
b. management of fundamental risk issues and monitoring of relevant risk decisions;

c. support to management in implementing the risk policies and strategies; and
d. development of a risk awareness program.

Corporate Governance Compliance Officer
Compliance with the principles of good corporate governance is one of the objectives of the Group's BOD. To assist the Group's BOD in achieving this purpose, the Group's BOD has designated a Compliance Officer who shall be responsible for monitoring the actual compliance of the Group with the provisions and requirements of good corporate governance, identifying and monitoring control compliance risks, determining violations, and recommending penalties for such infringements for further review and approval of the Group's BOD, among others.

Day-to-day risk management functions
At the business unit or company level, the day-to-day risk management functions are handled by four different groups, namely:

1. Risk-taking Personnel. This group includes line personnel who initiate and are directly accountable for all risks taken.
2. Risk Control and Compliance. This group includes middle management personnel who perform the day-to-day compliance check to approved risk policies and risk mitigation decisions.
3. Support. This group includes back office personnel who support the line personnel.
4. Risk Management. This group pertains to the business unit's Management Committee which makes risk-mitigating decisions within the enterprise-wide risk management framework.

Enterprise Resource Management (ERM) Framework
The Parent Company's BOD is also responsible for establishing and maintaining a sound risk management framework and is accountable for risks taken by the Parent Company. The Parent Company's BOD also shares the responsibility with the ERMG in promoting the risk awareness program enterprise-wide.

The ERM framework revolves around the following eight interrelated risk management approaches:

1. Internal Environmental Scanning. It involves the review of the overall prevailing risk profile of the business unit to determine how risks are viewed and addressed by management. This is presented during the strategic planning, annual budgeting and mid-year performance reviews of the Group.

2. Objective Setting. The Group's BOD mandates the business unit's management to set the overall annual targets through strategic planning activities, in order to ensure that management has a process in place to set objectives which are aligned with the Group's goals.

3. Event Identification. It identifies both internal and external events affecting the Group's set targets, distinguishing between risks and opportunities.

4. Risk Assessment. The identified risks are analyzed relative to the probability and severity of potential loss which serves as a basis for determining how the risks should be managed. The risks are further assessed as to which risks are controllable and uncontrollable, risks that require management's attention, and risks which may materially weaken the Group's earnings and capital.

5. Risk Response. The Group's BOD, through the oversight role of the ERMG, approves the business unit's responses to mitigate risks, either to avoid, self-insure, reduce, transfer or share risk.

6. Control Activities. Policies and procedures are established and approved by the Group's BOD and implemented to ensure that the risk responses are effectively carried out enterprise-wide.

7. Information and Communication. Relevant risk management information are identified, captured and communicated in form and substance that enable all personnel to perform their risk management roles.

8. Monitoring. The ERMG, Internal Audit Group, Compliance Office and Business Assessment Team constantly monitor the management of risks through risk limits, audit reviews, compliance checks, revalidation of risk strategies and performance reviews.

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

1. Corporate Security and Safety Board (CSSB). Under the supervision of ERMG, the CSSB administers enterprise-wide policies affecting physical security of assets exposed to various forms of risks.

2. Corporate Supplier Accreditation Team (CORPSAT). Under the supervision of ERMG, the CORPSAT administers enterprise-wide procurement policies to ensure availability of supplies and services of high quality and standards to all business units.

3. Corporate Management Services (CMS). The CMS is responsible for the formulation of enterprise-wide policies and procedures.

4. Corporate Planning (CORPLAN). The CORPLAN is responsible for the administration of strategic planning, budgeting and performance review processes of business units.

5. Corporate Insurance Department (CID). The CID is responsible for the administration of the insurance program of business units concerning property, public liability, business interruption, money and fidelity, and employer compensation insurances, as well as, in the procurement of performance bonds.

<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, AFS investments 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.

a. Credit risk exposure

The Group's maximum exposure to on-balance sheet credit risk is equal to the carrying value of its financial assets except for the following accounts:

	2017			
	Gross Maximum Exposure	**Fair Value of Collateral or Credit Enhancement**	**Financial Effect of Collateral or Credit Enhancement**	**Net Exposure**
Interbank loans receivable	**₱423,750,000**	**₱423,844,353**	**₱423,750,000**	**₱–**
Loans and receivables:				
Finance receivables:				
Commercial	**40,294,044,244**	**10,181,242,298**	**9,841,819,271**	**30,452,224,973**
Real estate	**9,037,386,206**	**10,927,401,185**	**7,750,150,309**	**1,287,235,897**
Consumption	**6,673,196,745**	**2,684,242,392**	**2,625,793,460**	**4,047,403,285**
Other receivables	**34,003,066**	**58,665,845**	**2,735,398**	**31,267,668**
Total credit risk exposure	**₱56,462,380,261**	**₱24,275,396,073**	**₱20,644,248,438**	**₱35,818,131,823**

	2016			
	Gross Maximum Exposure	Fair Value of Collateral or Credit Enhancement	Financial Effect of Collateral or Credit Enhancement	Net Exposure
Interbank loans receivable	₱96,000,000	₱96,352,096	₱96,000,000	₱–
Loans and receivables:				
Finance receivables:				
Commercial	27,331,833,356	3,249,062,324	2,966,644,526	24,365,188,830
Real estate	5,749,265,920	9,248,284,662	5,001,508,450	747,757,470
Consumption	4,947,385,457	1,838,552,078	1,448,140,640	3,499,244,817
Other receivables	45,422,449	82,823,176	45,417,018	5,431
Total credit risk exposure	₱38,169,907,182	₱14,515,074,336	₱9,557,710,634	₱28,612,196,548

Collateral and other credit enhancements
The Group holds collateral in the form of cash bonds, real estate and chattel mortgages and government securities. 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. 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, 2017 and 2016, before taking into account any collateral held or other credit enhancements, is categorized by geographic location as follows:

	December 31, 2017					
	Philippines	**Asia (excluding Philippines)**	**United States**	**Europe**	**Others***	**Total**
Cash and cash equivalents**	**₱42,958,461,075**	**₱6,826,784,494**	**₱–**	**₱199,606,403**	**₱2,548,328,738**	**₱52,533,180,710**
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	**1,563,206,003**	**2,780,141,650**	**1,636,742,608**	**2,023,520,874**	**102,048,532**	**8,105,659,667**
Government	**1,029,525,516**	**765,267,349**	**–**	**–**	**–**	**1,794,792,865**
Derivatives	**454,432,958**	**–**	**13,464,723**	**–**	**–**	**467,897,681**
	3,047,164,477	**3,545,408,999**	**1,650,207,331**	**2,023,520,874**	**102,048,532**	**10,368,350,213**
Investment in convertible note	**–**	**1,876,775,033**	**–**	**–**	**–**	**1,876,775,033**
	3,047,164,477	**5,422,184,032**	**1,650,207,331**	**2,023,520,874**	**102,048,532**	**12,245,125,246**
Derivative assets:						
Designated as accounting hedges	**–**	**–**	**–**	**–**	**11,023,146**	**11,023,146**
	–	**–**	**–**	**–**	**11,023,146**	**11,023,146**
AFS investments:						
Debt securities:						
Government	**12,360,718,311**	**1,469,925,220**	**–**	**–**	**–**	**13,830,643,531**
Private	**6,022,441,196**	**1,072,721,084**	**–**	**107,419,402**	**–**	**7,202,581,682**
	18,383,159,507	**2,542,646,304**	**–**	**107,419,402**	**–**	**21,033,225,213**
Receivables:						
Finance receivables	**56,615,488,928**	**–**	**–**	**–**	**–**	**56,615,488,928**
Trade receivables	**18,171,842,727**	**6,431,979,349**	**21,092,431**	**256,746,177**	**2,952,477,348**	**27,834,138,032**
Due from related parties	**989,922,413**	**616,848,658**	**–**	**–**	**–**	**1,606,771,071**
Interest receivable	**777,262,836**	**58,266,582**	**20,939,512**	**25,617,368**	**96,104**	**882,182,402**
Other receivables***	**1,702,465,397**	**125,867,888**	**–**	**–**	**16,470,559**	**1,844,803,844**
	78,256,982,301	**7,232,962,477**	**42,031,943**	**282,363,545**	**2,969,044,011**	**88,783,384,277**
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	**941,938,573**	**30,639,912**	**–**		**–**	**972,578,485**
	₱143,587,705,933	**₱22,055,217,219**	**₱1,692,239,274**	**₱2,612,910,224**	**₱5,630,444,427**	**₱175,578,517,077**

** Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia*
*** Excludes cash on hand amounting to ₱1,803,114,479*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369*

	December 31, 2016					
	Philippines	Asia (excluding Philippines)	United States	Europe	Others*	Total
Cash and cash equivalents**	₱33,884,142,540	₱5,477,281,545	₱–	₱574,147,908	₱1,359,455,924	₱41,295,027,917
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	1,966,086,674	3,102,456,348	1,653,094,284	2,763,707,992	233,835,032	9,719,180,330
Government	993,779,175	728,964,356	–	–	–	1,722,743,531
Derivatives	443,195,549	–	35,760,812	–	–	478,956,361
	3,403,061,398	3,831,420,704	1,688,855,096	2,763,707,992	233,835,032	11,920,880,222
Derivative assets:						
Designated as accounting hedges	–	–	–	–	26,800,472	26,800,472
	–	–	–	–	26,800,472	26,800,472
AFS investments:						
Debt securities:						
Government	8,967,256,990	613,087,660	–	–	–	9,580,344,650
Private	3,239,185,098	770,593,654	190,637,289	32,641,180	–	4,233,057,221
	12,206,442,088	1,383,681,314	190,637,289	32,641,180	–	13,813,401,871
Held-to-maturity investment	3,549,900,604	–	–	–	–	3,549,900,604
Receivables:						
Finance receivables	38,004,283,010	–	–	–	–	38,004,283,010
Trade receivables	17,704,004,196	5,550,455,681	36,206,256	116,719,375	2,833,847,588	26,241,233,096
Due from related parties	423,027,570	994,483,279	–	–	–	1,417,510,849
Interest receivable	615,462,849	69,116,950	34,360,710	35,010,319	3,242,406	757,193,234
Other receivables***	1,229,144,374	226,281,008	–	–	94,766	1,455,520,148
	57,975,921,999	6,840,336,918	70,566,966	151,729,694	2,837,184,760	67,875,740,337
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	691,891,925	29,182,000	–	–	–	721,073,925
	₱111,711,360,554	₱17,561,902,481	₱1,950,059,351	₱3,522,226,774	₱4,457,276,188	₱139,202,825,348

** Others include South American countries (i.e., Argentina and Mexico), New Zealand and Australia*
*** Excludes cash on hand amounting to ₱2,115,114,050*
**** Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,844,979,482*

ii. Concentration by industry

The tables below show the industry sector analysis of the Group's financial assets as of December 31, 2017 and 2016, before taking into account any collateral held or other credit enhancements.

	2017										
	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	Public Administration	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱34,070,330,356	₱–	₱–	₱–	₱–	₱18,462,850,354	₱–	₱52,533,180,710
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Private	162,627,003	212,760,518	–	3,384,355,744	459,804,571	–	1,396,158,468	–	–	2,489,953,363	8,105,659,667
Government	–	–	–	–	–	–	–	–	1,794,792,865	–	1,794,792,865
Derivatives	–	–	–	13,497,593	454,400,088	–	–	–	–	–	467,897,681
	162,627,003	212,760,518	–	3,397,853,337	914,204,659	–	1,396,158,468	–	1,794,792,865	2,489,953,363	10,368,350,213
Investment in convertible note	–	–	–	–	1,876,775,033	–	–	–	–	–	1,876,775,033
	162,627,003	212,760,518	–	3,397,853,337	2,790,979,692	–	1,396,158,468	–	1,794,792,865	2,489,953,363	12,245,125,246
Derivative financial assets:											
Designated as an accounting hedge	11,023,146	–	–	–	–	–	–			–	11,023,146
	11,023,146	–	–	–	–	–	–			–	11,023,146
AFS investments:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	13,830,643,531	–	13,830,643,531
Private	801,818,230	3,206,306,338		1,735,745,147	420,331,226	–	611,583,515	–	–	426,797,226	7,202,581,682
	801,818,230	3,206,306,338	–	1,735,745,147	420,331,226	–	611,583,515	–	13,830,643,531	426,797,226	21,033,225,213
Receivables:											
Finance receivables	₱6,279,176,942	₱13,265,499,453	₱9,139,820,259	₱5,262,059,470	₱5,546,788,601	₱813,446,925	₱5,819,216,124	₱804,226,335	₱46,128,842	₱9,639,125,977	₱56,615,488,928
Trade receivables	17,114,817,702	8,625,452,265	–	–	1,691,835,670	–	–	–	–	402,032,395	27,834,138,032
Due from related parties	580,026,268	44,606,422	283,502,492	477,461,938	121,454,858	–	–	–	–	99,719,093	1,606,771,071
Interest receivable	111,369,862	157,501,332	107,063,735	133,301,452	72,263,152	9,528,707	83,836,538	9,420,697	540,353	197,356,574	882,182,402
Other receivables***	729,567,496	227,315,070	–	69,827,216	96,482,972	–	–	–	–	721,611,090	1,844,803,844
	24,814,958,270	22,320,374,542	9,530,386,486	5,942,650,076	7,528,825,253	822,975,632	5,903,052,662	813,647,032	46,669,195	11,059,845,129	88,783,384,277
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	7,499,357	884,452,164	–	–	30,665,112	–	–	–	–	49,961,852	972,578,485
	₱25,797,926,006	₱26,623,893,562	₱9,530,386,486	₱45,146,578,916	₱10,770,801,283	₱822,975,632	₱7,910,794,645	₱813,647,032	₱34,134,955,945	₱14,026,557,570	₱175,578,517,077

* *Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
** *Excludes cash on hand amounting to ₱1,803,114,479*
*** *Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369*

	2016										
	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	Public Administration	Others*	Total
Cash and cash equivalents**	₱–	₱–	₱–	₱28,518,198,281	₱–	₱–	₱–	₱–	₱10,911,443,456	₱1,865,386,180	₱41,295,027,917
Financial assets at FVPL:											
Held-for-trading:											
Debt securities:											
Private	230,595,095	237,373,756		4,608,010,227	497,867,118		1,356,461,199	–	–	2,788,872,935	9,719,180,330
Government	–	–	–	–	–	–	–	–	1,722,743,531	–	1,722,743,531
Derivatives	–	–	–	37,182,456	441,773,905	–	–	–	–	–	478,956,361
	230,595,095	237,373,756	–	4,645,192,683	939,641,023	–	1,356,461,199	–	1,722,743,531	2,788,872,935	11,920,880,222
Derivative financial assets:											
Designated as an accounting hedge	26,800,472	–	–	–	–	–	–			–	26,800,472
	26,800,472	–	–	–	–	–	–			–	26,800,472
AFS investments:											
Debt securities:											
Government	–	–	–	–	–	–	–	–	9,580,344,650	–	9,580,344,650
Private	124,893,768	514,130,501	–	2,557,994,028	281,791,732	–	219,845,841	–	–	534,401,351	4,233,057,221
	124,893,768	514,130,501	–	2,557,994,028	281,791,732	–	219,845,841		9,580,344,650	534,401,351	13,813,401,871
Held-to-maturity investment	596,663,277	1,175,000,000	–	350,000,000	12,259,994	–	500,000,000	–	520,491,564	395,485,769	3,549,900,604
Receivables:											
Finance receivables	2,621,318,748	6,845,627,000	5,659,342,197	3,771,234,014	1,574,588,756	414,632,980	1,845,511,776	417,171,049		14,854,856,490	38,004,283,010
Trade receivables	14,902,927,891	9,199,994,574			1,883,241,285	–				255,069,346	26,241,233,096
Due from related parties	425,609,743	25,878,290	261,459,147	520,193,596	124,204,940					60,165,133	1,417,510,849
Interest receivable	49,138,702	54,598,520	18,613,328	151,064,462	18,280,538	6,955,837	21,436,336	1,521,050	70,439,375	365,145,086	757,193,234
Other receivables***	743,840,012	311,897,933	1,320,370		128,588,214					269,873,619	1,455,520,148
	18,742,835,096	16,437,996,317	5,940,735,042	4,442,492,072	3,728,903,733	421,588,817	1,866,948,112	418,692,099	70,439,375	15,805,109,674	67,875,740,337
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	9,484,999	625,621,082	–	–	29,207,200	–	–	–	–	56,760,644	721,073,925
	₱19,731,272,707	₱18,990,121,656	₱5,940,735,042	₱40,513,877,064	₱4,991,803,682	₱421,588,817	₱3,943,255,152	₱418,692,099	₱22,805,462,576	₱21,446,016,553	₱139,202,825,348

** Others include consumer, community, social and personal services, education, mining and quarrying, and health and social work sectors.*
*** Excludes cash on hand amounting to ₱2,115,114,050*
**** Excludes claims receivables of JGSPC and JGSOC amounting to ₱1,844,979,482*

c. Credit quality per class of financial assets

The table below shows the credit quality by class of financial assets gross of allowance for impairment losses:

	2017						
	Neither Past Due Nor Individually Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but not Individually Impaired	Individually Impaired	Total
Cash and cash equivalents*	₱29,355,902,586	₱23,177,278,124	₱–	₱–	₱–	₱–	₱52,533,180,710
Financial assets at FVPL:							
Held-for-trading:							
Debt securities:							
Private	8,105,659,667	–	–	–	–	–	8,105,659,667
Government	1,794,792,865	–	–	–	–	–	1,794,792,865
Derivatives	467,897,681	–	–	–	–	–	467,897,681
	10,368,350,213	–	–	–	–	–	10,368,350,213
Investment in convertible note	1,876,775,033	–	–	–	–	–	1,876,775,033
	12,245,125,246	–	–	–	–	–	12,245,125,246
Derivative financial assets not designated as accounting hedges	11,023,146		–	–	–	–	11,023,146
	11,023,146	–	–	–	–	–	11,023,146
AFS investments:							
Debt securities:							
Government	13,830,643,531	–	–	–	–	–	13,830,643,531
Private	757,791,604	6,444,790,078	–	–	–	–	7,202,581,682
	14,588,435,135	6,444,790,078	–	–	–	–	21,033,225,213
Receivables:							
Finance receivables	23,077,786,575	32,235,309,718	1,177,747,822	88,142,510	506,143,989	616,080,009	57,701,210,623
Trade receivables	23,657,775,438	–	–	–	4,176,362,594	555,449,421	28,389,587,453
Due from related parties	1,425,164,568	–	–	–	181,606,503	–	1,606,771,071
Interest receivable	340,018,719	443,212,787	7,026,052	623,711	72,788,703	18,512,430	882,182,402
Other receivables**	788,705,729	686,417,401	31,775,924	–	430,187,614	242,677,650	2,179,764,318
	49,289,451,029	33,364,939,906	1,216,549,798	88,766,221	5,367,089,403	1,432,719,510	90,759,515,867
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	914,974,776	50,104,352	–	–	7,499,357	–	972,578,485
	₱106,404,911,918	₱63,037,112,460	₱1,216,549,798	₱88,766,221	₱5,374,588,760	₱1,432,719,510	₱177,554,648,667

* *Excludes cash on hand amounting to ₱1,803,114,479*

** *Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,480,521,369*

	2016						
	Neither Past Due Nor Individually Impaired						
	High Grade	Standard Grade	Substandard Grade	Unrated	Past Due but not Individually Impaired	Individually Impaired	Total
Cash and cash equivalents*	₱36,698,814,718	₱4,596,213,199	₱–	₱–	₱–	₱–	₱41,295,027,917
Financial assets at FVPL:							
Held-for-trading:							
Debt securities:							
Private	9,719,180,330	–	–	–	–	–	9,719,180,330
Government	1,721,514,777	1,228,754	–	–	–	–	1,722,743,531
Derivatives	443,195,549	–	–	–	–	–	443,195,549
	11,883,890,656	1,228,754	–	–	–	–	11,885,119,410
Derivative financial assets not designated as accounting hedges	62,561,284	–	–	–	–	–	62,561,284
	62,561,284	–	–	–	–	–	62,561,284
AFS investments:							
Debt securities:							
Government	1,386,357,676	8,193,986,974	–	–	–	–	9,580,344,650
Private	993,872,123	3,239,185,098	–	–	–	–	4,233,057,221
	2,380,229,799	11,433,172,072	–	–	–	–	13,813,401,871
Held to maturity investments	–	3,549,900,604	–	–	–	–	3,549,900,604
Receivables:							
Finance receivables	20,052,769,348	14,364,952,634	1,084,858,269	1,577,862,161	736,954,006	1,111,107,383	38,928,503,801
Trade receivables	19,780,687,108	1,204,453,697	515,514,728		4,748,363,615	552,361,283	26,801,380,431
Due from related parties	1,417,510,849						1,417,510,849
Interest receivable	264,396,170	304,687,337	2,840,190		183,423,687	1,845,850	757,193,234
Other receivables**	340,930,474	129,996,248	59,237,100		907,519,329	206,534,551	1,644,217,702
	41,856,293,949	16,004,089,916	1,662,450,287	1,577,862,161	6,576,260,637	1,871,849,067	69,548,806,017
Refundable security deposits (included under 'Other current' and 'Other noncurrent assets' in the consolidated statements of financial position)	653,391,683	67,682,242	–	–	–	–	721,073,925
	₱93,535,182,089	₱35,652,286,787	₱1,662,450,287	₱1,577,862,161	₱6,576,260,637	₱1,871,849,067	₱140,875,891,028

* *Excludes cash on hand amounting to ₱2,115,114,050*
** *Excludes claims receivable of JGSPC and JGSOC amounting to ₱1,844,979,482*

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 rating system was approved in 2007 and improved in 2011 in accordance with the Bangko Sentral ng Pilipinas (BSP) requirement, to cover corporate credit exposures, which is defined by the BSP Circular no. 439 as exposures to companies with assets of more than ₱15.0 million.

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.
Standard		
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.
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.

Grades	Categories	Description
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.

Aging analysis of receivables by class

The aging analysis of the Group's receivables as of December 31, 2017 and 2016 follow:

	2017						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	**Less than 30 Days**	**30 to 60 Days**	**61 to 90 Days**	**Over 90 Days**	**Past Due and Impaired**	**Total**
Finance receivables	**₱56,578,986,625**	**₱42,814,855**	**₱20,512,712**	**₱27,202,641**	**₱415,613,781**	**₱616,080,009**	**₱57,701,210,623**
Trade receivables	**23,657,775,438**	**2,248,189,014**	**521,399,773**	**156,577,549**	**1,250,196,258**	**555,449,421**	**28,389,587,453**
Due from related parties	**1,425,164,568**	**181,606,503**	**–**	**–**	**–**	**–**	**1,606,771,071**
Interest receivable	**790,881,269**	**2,524,067**	**1,352,940**	**3,937,961**	**64,973,735**	**18,512,430**	**882,182,402**
Others	**1,506,899,054**	**255,026,927**	**4,403,064**	**5,147,592**	**165,610,031**	**242,677,650**	**2,179,764,318**
	₱83,959,706,954	**₱2,730,161,366**	**₱547,668,489**	**₱192,865,743**	**₱1,896,393,805**	**₱1,432,719,510**	**₱90,759,515,867**

	2016						
		Past Due But Not Impaired					
	Neither Past Due Nor Impaired	Less than 30 Days	30 to 60 Days	61 to 90 Days	Over 90 Days	Past Due and Impaired	Total
Finance receivables	₱37,080,442,412	10,331,805	18,843,201	37,785,278	669,993,722	1,111,107,383	₱38,928,503,801
Trade receivables	21,107,554,503	1,472,782,710	505,194,071	574,437,631	2,589,050,233	552,361,283	26,801,380,431
Due from related parties	1,417,510,849	–	–	–	–	–	1,417,510,849
Interest receivable	536,785,981	1,100,643	2,261,626	3,302,164	211,896,970	1,845,850	757,193,234
Others	1,164,052,693	14,326,702	(17,123,787)	23,153,997	253,273,546	206,534,551	1,644,217,702
	₱61,306,346,438	₱1,498,541,860	₱509,175,111	₱638,679,070	₱3,724,214,471	₱1,871,849,067	₱69,548,806,017

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.

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, 2017 and 2016:

	2017					
	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	₱36,587,518,064	₱17,767,785,719	₱–	₱–	₱–	₱54,355,303,783
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	–	8,105,659,667	–	–	8,105,659,667
Government	48,101,461	–	1,746,691,404	–	–	1,794,792,865
Derivatives	–	13,464,723	32,870	454,400,088	–	467,897,681
	48,101,461	13,464,723	9,852,383,941	454,400,088	–	10,368,350,213
Equity securities:						
Quoted	731,032,721	–	1,380,970,629	–	–	2,112,003,350
Unquoted	–	–	3,745	–	–	3,745
	731,032,721	–	1,380,974,374	–	–	2,112,007,095
Investment in convertible note	–	–	1,876,775,033	–	–	1,876,775,033
	779,134,182	13,464,723	13,110,133,348	454,400,088	–	14,357,132,341
Derivative financial assets designated as accounting hedges	–	–	11,023,146	–	–	11,023,146
AFS investments:						
Debt securities:						
Government	–	12,546,456,413	1,284,187,118	–	–	13,830,643,531
Private	–	5,820,800,519	1,381,781,163	–	–	7,202,581,682
	–	18,367,256,932	2,665,968,281	–	–	21,033,225,213
Equity securities:						
Quoted	45,980,000	180,172,373	184,424,622	25,597,305,960	–	26,007,882,955
Unquoted	–	23,605,700	687,671	–	–	24,293,371
	45,980,000	203,778,073	185,112,293	25,597,305,960	–	26,032,176,326
	45,980,000	18,571,035,005	2,851,080,574	25,597,305,960	–	47,065,401,539
Receivables:						
Trade receivables	4,036,315,417	18,917,494,880	1,659,828,584	2,577,739,263	1,198,209,309	28,389,587,453
Finance receivables	191,453,056	12,515,779,494	8,908,082,851	24,121,610,776	20,540,795,502	66,277,721,679
Due from related parties	1,606,771,071	–	–	–	–	1,606,771,071
Interest receivable	37,489,424	579,250,895	265,442,083	–	–	882,182,402
Other receivables	809,840,615	891,704,277	478,219,426	–	–	2,179,764,318
	6,681,869,583	32,904,229,546	11,311,572,944	26,699,350,039	21,739,004,811	99,336,026,923
Refundable security deposits	17,488,429	–	130,000	716,064,597	241,230,491	974,913,517
	₱44,111,990,258	₱69,256,514,993	₱27,283,940,012	₱53,467,120,684	₱21,980,235,302	₱216,099,801,249

	2017					
	On Demand	Up to 3 Months	4 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’)	₱24,356,148,277	₱19,240,869,749	₱4,926,447,045	₱571,857,563	₱1,505,456,413	₱50,600,779,047
Short-term debt	–	38,391,406,440	7,630,772,957	–	–	46,022,179,397
Deposit liabilities (included under ‘Accounts payable and accrued expenses’ and ‘Other noncurrent liabilities’ in the consolidated statements of financial position)	24,837,560,992	33,372,598,454	5,555,447,123	16,803,658,856	5,000,000	80,574,265,425
Due to related parties (included under ‘Accounts payable and accrued expense’ and ‘Other noncurrent liabilities’ in the consolidated statement of financial position)	104,073,070	–	–	–	–	104,073,070
Deposits from lessees (included under ‘Other current liabilities’ and ‘Other noncurrent liabilities’ in the consolidated statement of financial position)	892,315,691	208,108,544	1,255,817,284	1,454,412,903	887,155,680	4,697,810,102
Long-term debt (including current portion)	–	1,112,397,796	3,337,193,384	129,191,354,738	75,828,182,390	209,469,128,308
Derivative liabilities	–	–	5,904,377	–	–	5,904,377
	₱50,190,098,030	₱92,325,380,983	₱22,711,582,170	₱148,021,284,060	₱78,225,794,483	₱391,474,139,726

2016						
	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	₱19,983,211,322	₱21,269,568,309	₱2,224,970,000	₱–	₱–	₱43,477,749,631
Financial assets at FVPL:						
Held-for-trading:						
Debt securities:						
Private	–	–	9,719,180,330	–	–	9,719,180,330
Government	1,228,754	–	1,721,514,777	–	–	1,722,743,531
Derivatives	–	–	443,195,549	35,760,812	–	478,956,361
	1,228,754	–	11,883,890,656	35,760,812	–	11,920,880,222
Equity securities:						
Quoted	1,197,749,259	–	1,581,516,084	–	–	2,779,265,343
Unquoted	–	–	3,729	–	–	3,729
	1,197,749,259	–	1,581,519,813	–	–	2,779,269,072
	1,198,978,013	–	13,465,410,469	–	–	14,664,388,482
Derivative financial assets designated as accounting hedges	–	–	26,800,472	–	–	26,800,472
AFS investments:						
Debt securities:						
Government	–	31,631,237	9,548,713,413	–	–	9,580,344,650
Private	–	128,949,103	4,104,108,118	–	–	4,233,057,221
	–	160,580,340	13,652,821,531	–	–	13,813,401,871
Equity securities:						
Quoted	41,830,000	305,772,373	1,282,326,757	23,608,326,105	–	25,238,255,235
Unquoted	–	23,605,700	687,671	–	–	24,293,371
	41,830,000	329,378,073	1,283,014,428	23,608,326,105	–	25,262,548,606
	41,830,000	489,958,413	14,935,835,959	23,608,326,105	–	39,075,950,477
Held to maturity investments	–	57,006,693	–	1,077,759,585	2,743,443,378	3,878,209,656
Receivables:						
Trade receivables	4,021,645,112	18,825,052,506	1,190,477,613	2,270,869,372	528,385,047	26,836,429,650
Finance receivables	648,028,853	6,105,462,562	3,553,042,371	13,835,045,477	22,421,302,199	46,562,881,462
Due from related parties	1,315,333,252	3,464,762	98,712,835	–	–	1,417,510,849
Interest receivable	153,379,197	252,184,026	351,630,011	–	–	757,193,234
Other receivables	692,972,269	832,605,996	118,639,437	–	–	1,644,217,702
	6,831,358,683	26,018,769,852	5,312,502,267	16,105,914,849	22,949,687,246	77,218,232,897
Refundable security deposits	7,240,035	16,106,444	10,598,643	299,571,580	388,358,803	721,875,505
	₱28,062,618,053	₱47,851,409,711	₱35,976,117,810	₱41,091,572,119	₱26,081,489,427	₱179,063,207,120
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')	₱16,103,568,618	₱17,425,567,745	₱8,751,203,461	₱544,320,629	₱1,911,686,040	₱44,736,346,493
Short-term debt	–	30,826,688,773	31,468,105,354		–	62,294,794,127
Redeemable preferred shares	1,700,000	–	–	–	–	1,700,000
Deposit liabilities (included under 'Accounts payable and accrued expenses' and 'Other noncurrent liabilities' in the consolidated statements of financial position)	31,668,994,253	15,349,040,957	9,428,793,502	4,817,729,266	3,908,763	61,268,466,741
Due to related parties (included under 'Accounts payable and accrued expense' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	136,118,258	–	–	–	–	136,118,258
Deposits from lessees (included under 'Other current liabilities' and 'Other noncurrent liabilities' in the consolidated statement of financial position)	525,132,237	248,624,698	997,198,681	1,476,918,169	785,584,181	4,033,457,966
Long-term debt (including current portion)	–	1,276,164,221	3,661,742,495	93,118,218,594	94,045,704,321	192,101,829,631
Derivative liabilities	–	–	5,947,386	–	–	5,947,386
	₱48,435,513,366	₱65,126,086,394	₱54,312,990,879	₱99,957,186,658	₱96,746,883,305	₱364,578,660,602

Market risk

Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financ instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign curren exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

Foreign currency risk

Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure (Note 8).

The Group has transactional currency exposures. Such exposures arise from sales and purchases in currencies other than the entities' functional currency. As of December 31, 2017, 2016 and 2015, approximately 35.5%, 32.0% and 33.6%, respectively, of the Group's total sales are denominated in currencies other than the functional currency. In addition, approximately 29.8% and 44.3% of total debt are denominated in US Dollar as of December 31, 2017 and 2016, 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, 2017 and 2016:

	2017		
	US Dollar	**Other Currencies***	**Total**
Assets			
Cash and cash equivalents	**₱12,964,785,838**	**₱2,011,385,496**	**₱14,976,171,334**
Financial assets at FVPL	**13,564,500,566**	–	**13,564,500,566**
AFS investments	**2,041,978,722**	–	**2,041,978,722**
Receivables	**4,745,235,242**	**368,316,038**	**5,113,551,280**
Derivative assets	**13,464,723**	–	**13,464,723**
Other noncurrent assets	**30,639,912**	–	**30,639,912**
	33,360,605,003	**2,379,701,534**	**35,740,306,537**
Liabilities			
Accounts payable and accrued expenses	**7,249,833,340**	**365,383,062**	**7,615,216,402**
Short-term debt	**8,493,090,363**	–	**8,493,090,363**
Long-term debt (including current portion)	**59,384,675,968**	–	**59,384,675,968**
	75,127,599,671	**365,383,062**	**75,492,982,733**
Net Foreign Currency-Denominated Assets (Liabilities)	**(₱41,766,994,668)**	**₱2,014,318,472**	**(₱39,752,676,196)**

**Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar, New Zealand Dollar and Euro*

	2016		
	US Dollar	Other Currencies*	Total
Assets			
Cash and cash equivalents	₱11,970,236,863	₱862,423,855	₱12,832,660,718
Financial assets at FVPL	13,463,988,825	–	13,463,988,825
AFS investments	3,945,928,928	–	3,945,928,928
Receivables	4,807,169,837	523,730,773	5,330,900,610
Derivative assets	35,760,812	–	35,760,812
Other noncurrent assets	29,250,904	–	29,250,904
	34,252,336,169	1,386,154,628	35,638,490,797
Liabilities			
Accounts payable and accrued expenses	2,533,153,303	3,402,174,159	5,935,327,462
Short-term debt	28,735,530,890	–	28,735,530,890
Long-term debt (including current portion)	69,020,188,041	–	69,020,188,041
Other noncurrent liabilities	224,413,504	–	224,413,504
	100,513,285,738	3,402,174,159	103,915,459,897
Net Foreign Currency-Denominated Liabilities	(₱66,260,949,569)	(₱2,016,019,531)	(₱68,276,969,100)

**Other currencies include Hong Kong Dollar, Singaporean Dollar, Thai Baht, Chinese Yuan, Indonesian Rupiah, Vietnam Dong, Malaysian Ringgit, Korean Won, New Taiwan Dollar, Japanese Yen, Australian Dollar, New Zealand 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, 2017 and 2016 follow:

	2017	2016
US dollar-Philippine peso exchange rate	**₱49.93 to US$1.00**	₱49.72 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, 2017 and 2016:

Reasonably Possible Changes in Exchange rates	Change in Income Before Income Tax	
	2017	2016
₱2.0	**(₱1,691,223,503)**	(₱2,700,962,149)
(2.0)	**1,691,223,503**	2,700,962,149

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 2017, 2016 and 2015, 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 ₱83.7 million, ₱25.1 million and ₱14.1 million, respectively, if equity prices will increase by 1.5%. A similar increase in equity indices on AFS equity instruments will also increase net unrealized gains on other comprehensive income by ₱431.2 million, ₱369.9 million and ₱590.6 million as of December 31, 2017, 2016 and 2015, respectively. 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 presented by maturity profile:

2017

	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Foreign Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loan	**₱1,778,409,798**	**₱1,745,234,775**	**₱1,710,867,422**	**₱1,673,501,570**	**₱1,636,871,320**	**₱6,702,912,377**		**₱15,247,797,262**	**₱–**	**₱15,247,797,262**	**₱12,656,770,112**
Interest rate (3% - 5% PDST-R2)											
Foreign currencies:											
Floating rate											
US Dollar loans	**US$69,747,609**	**US$68,527,070**	**US$67,042,857**	**US$66,589,271**	**US$66,140,418**	**US$135,384,658**	**US$473,431,883**	**23,638,453,918**	**–**	**23,638,453,918**	**21,702,080,320**
Interest rate 2%-5% (USD LIBOR)											
New Zealand Dollar loans	**NZ$16,205,992**	**NZ$435,180,958**	**NZ$–**	**NZ$–**	**NZ$–**	**NZ$–**	**NZ$451,386,950**	**14,808,699,804**	**104,771,265**	**14,703,928,539**	**14,910,608,581**
Interest rate (NZ BKBM+1.60%)											
Australian Dollar loans	**AU$13,251,758**	**AU$13,179,542**	**AU$13,215,650**	**AU$494,081,575**	**AU$–**	**AU$–**	**AU$533,728,525**	**18,772,656,535**	**250,622,686**	**18,522,033,849**	**18,491,979,928**
Interest rate (BBSY BID+1.25%)											
								₱72,467,607,519	**₱355,393,951**	**₱72,112,213,568**	**₱67,761,438,941**

2016

	<1 year	>1-<2 years	>2-<3 years	>3-<4 years	>4-<5 years	>5 years	Total (In Foreign Currency)	Total (in Philippine Peso)	Debt Issuance Costs	Carrying Value (in Philippine Peso)	Fair Value
Long-term debt											
Philippine peso											
Floating rate											
Commercial loan	₱621,619,694	₱590,652,740	₱586,849,102	₱583,115,806	₱579,241,827	₱2,839,181,951		₱5,800,661,120	₱–	₱5,800,661,120	₱4,927,396,109
Interest rate (2% - 3% PDST-R2)											
Foreign currencies:											
Floating rate											
US Dollar loans	US$70,173,100	US$69,727,562	US$68,507,024	US$67,022,811	US$66,569,224	US$200,649,959	US$542,649,680	26,980,542,092	–	26,980,542,092	24,830,050,134
Interest rate 1%-2% (USD LIBOR)											
New Zealand Dollar loans	NZ$22,344,000	NZ$22,344,000	NZ$438,620,000	NZ$–	NZ$–	NZ$–	NZ$483,308,000	14,466,505,197	154,827,284	14,311,677,913	12,765,477,192
Interest rate (NZ BKBM+1.60%)											
Australian Dollar loans	AU$14,720,410	AU$14,720,410	AU$14,720,410	AU$14,720,410	AU$495,264,306	AU$–	AU$554,145,946	17,344,295,962	289,381,090	17,054,914,872	14,228,578,841
Interest rate (BBSY BID+1.25%)											
								₱64,592,004,371	₱444,208,374	₱64,147,795,997	₱56,751,502,276

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 2017	2016
+150 basis points (bps)	**(₱1,198,003,295)**	(₱675,254,010)
-150 bps	**1,198,003,295**	675,254,010

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 AFS 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 AFS investments using a sensitivity approach.

Reasonably Possible Changes in Interest Rates	Change in Income Before Income Tax 2017	2016
+150 basis points (bps)	**₱325,473,510**	₱115,108,680
-150 bps	**(325,473,510)**	(115,108,680)

Commodity price risk
The Group enters into commodity derivatives to manage its price risks on fuel purchases. Commodity hedging allows stability in prices, thus offsetting the risk of volatile market fluctuations. Depending on the economic hedge cover, the price changes on the commodity derivative positions are offset by higher or lower purchase costs on fuel. A change in price by US$10.0 per barrel of jet fuel affects the Group's fuel annual costs on pre-tax income by ₱2.5 billion in 2017, ₱2.3 billion in 2016 and ₱2.1 billion in 2015, assuming no change in volume of fuel is consumed.

The Group manages its commodity price risk through fuel surcharges which are approved by the Philippine Civil Aeronautics Board, a fuel hedge that protects the Group's fuel usage from volatile price fluctuations and certain operational adjustments in order to conserve fuel use in the way the aircraft is operated.

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 date without deriving parameters or making assumptions about the entire data distribution.

In employing the historical simulation method, RBC assumes a 260 historical data (approximately 1 year), 99.50% confidence level and 1-day holding period. On August 17, 2016, RBC implemented new assumptions in the model, specifically the use of 500 historical data (approximately 2 years) and 99.00% confidence level, with the holding period still at 1-day.

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 and thus, 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 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 RBC's Risk Management Committee, Asset-Liability Committee (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):

	2017			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	**₱2.5082**	**₱8.8925**	**₱0.0165**	**₱0.5591**
Instruments sensitive to foreign interest rates	–	–	–	–

	January - August 2016			
	Average	High	Low	August 16
Instruments sensitive to local interest rates	₱3.0005	₱20.6307	₱0.1707	₱2.5533
Instruments sensitive to foreign interest rates	–	–	–	–

	August - December 2016*			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱4.2745	₱7.8317	₱0.0222	₱0.0225
Instruments sensitive to foreign interest rates	0.0002	0.0158	–	–

**based on new VaR assumptions*

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 Earnings-at-Risk as a tool for measuring and managing interest rate risk in the banking book.

Earnings-at-Risk objectives and methodology

Earnings-at-Risk (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):

	2017			
	Average	**High**	**Low**	**December 31**
Instruments sensitive to local interest rates	₱162.86	₱287.07	₱116.87	₱287.07
Instruments sensitive to foreign interest rates	0.13	0.21	0.08	0.11

	2016			
	Average	High	Low	December 31
Instruments sensitive to local interest rates	₱71.65	₱154.18	₱1.08	₱121.35
Instruments sensitive to foreign interest rates	0.04	0.09	0.01	0.09

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.

2017

		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	**(₱364,319,032)**	**₱484,543,977**
	Other Foreign Currencies*	**(26,247,025)**	–
-10% USD depreciation	USD	**364,319,032**	**(484,543,977)**
	Other Foreign Currencies*	**26,247,025**	–

**significant positions held in EUR and AUD*

2016

		Profit or loss	Other comprehensive income
+10% USD appreciation	USD	(₱416,372,261)	₱394,119,655
	Other Foreign Currencies*	20,666,562	–
-10% USD depreciation	USD	416,372,261	394,119,655
	Other Foreign Currencies*	(20,666,562)	–

**significant positions held in EUR and AUD*

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 3.0% to 4.7% in 2017 and 2.5% to 4.7% in 2016.

Debt securities
Fair values of debt securities are generally based on quoted market prices.

Quoted equity securities
Fair values are based on quoted prices published in markets.

Unquoted equity securities
Fair values could not be reliably determined due to the unpredictable nature of future cash flows and the lack of suitable methods of arriving at a reliable fair value. These are carried at cost.

Amounts due from and due to related parties
Carrying amounts of due from and due to related parties which are collectible/payable on demand approximate their fair values. Due from related parties are unsecured and have no foreseeable terms of repayments.

Noninterest-bearing refundable security deposits
The fair values are determined as the present value of estimated future cash flows using prevailing market rates.

Investment in convertible note
The investment in convertible note's fair value is measured using the discounted cash flow model (using current incremental lending rates for similar types of loans) and the Black-Scholes-Merton model (using the underlying's stock price and stock volatility).

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 cost plus reasonable profit margin or replacement cost as applicable. 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 swaps and commodity swaps and options are determined based on the quotes obtained from counterparties. The fair values of forward exchange derivatives are calculated by reference to the prevailing interest differential and spot exchange rate as of valuation date, taking into account the remaining term-to-maturity of the forwards. The fair values of cross currency swaps are based on the discounted cash flow swap valuation model of a third party provider.

Investment properties
Fair value of investment properties are 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 appaisers, 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.

Deposit liabilities
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.

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 3.0% to 4.7% in 2017 and 2.5% to 4.7% in 2016.

Long-term debt
The fair value of long-term debt is based on the discounted value of future cash flows (interests and principal) using the applicable rates for similar types of loans. The discount rates used range from 2% to 6% in 2017 and 2016.

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, 2017				
	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:					
Private	**₱8,105,659,667**	**₱8,105,659,667**	**₱–**	**₱–**	**₱8,105,659,667**
Government	**1,794,792,865**	**1,794,792,865**	**–**	**–**	**1,794,792,865**
	9,900,452,532	**9,900,452,532**	**–**	**–**	**9,900,452,532**
Equity securities:					
Quoted	**2,112,003,350**	**2,112,003,350**	**–**	**–**	**2,112,003,350**
	12,012,455,882	**12,012,455,882**	**–**	**–**	**12,012,455,882**
Investment in convertible note	**1,876,775,033**	**1,876,775,033**	**–**	**–**	**1,876,775,033**
Derivatives financial assets not designated as accounting hedges	**467,897,681**	**–**	**467,897,681**	**–**	**467,897,681**
Derivative financial assets designated as accounting hedges	**11,023,146**	**11,023,146**	**–**	**–**	**11,023,146**
	478,920,827	**11,023,146**	**467,897,681**	**–**	**478,920,827**
AFS investments:					
Debt securities:					
Government	**13,830,643,531**	**13,830,643,531**	**–**	**–**	**13,830,643,531**
Private	**7,202,581,682**	**7,202,581,682**	**–**	**–**	**7,202,581,682**
	21,033,225,213	**21,033,225,213**	**–**	**–**	**21,033,225,213**
Equity securities:					
Quoted	**26,007,882,955**	**26,007,882,955**	**–**	**–**	**26,007,882,955**
	47,041,108,168	**47,041,108,168**	**–**	**–**	**47,041,108,168**
Biological assets	**1,678,576,389**	**–**	**477,262,840**	**1,201,313,549**	**1,678,576,389**

	December 31, 2017				
	Carrying Value	**Level 1**	**Level 2**	**Level 3**	**Total Fair value**
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	**₱27,820,576,741**	**₱–**	**₱–**	**₱ 28,369,754,245**	**₱28,369,754,245**
Finance receivables	**56,615,488,928**	**–**	**–**	**61,162,000,840**	**61,162,000,840**
Other receivables	**1,858,365,135**	**–**	**–**	**1,860,230,707**	**1,860,230,707**
Refundable deposits	**972,578,485**	**–**	**–**	**980,808,430**	**980,808,430**
Investment properties	**89,244,835,261**	**–**	**–**	**195,098,922,273**	**195,098,922,273**
Repossessed chattels	**89,992,111**	**–**	**–**	**122,656,736**	**122,656,736**
	₱239,689,672,960	**₱60,941,362,229**	**₱945,160,521**	**₱288,795,686,780**	**₱350,682,209,530**
Deposit liabilities	**₱80,559,735,038**	**₱–**	**₱–**	**₱80,582,181,373**	**₱80,582,181,373**
Derivative liabilities	**5,904,377**	**–**	**5,904,377**	**–**	**5,904,377**
Deposits from lessees	**4,697,810,102**	**–**	**–**	**4,272,486,127**	**4,272,486,127**
Long-term debt (including current portion)	**181,686,814,666**	**–**	**–**	**191,655,347,796**	**191,655,347,796**
	₱266,950,264,183	**₱–**	**₱5,904,377**	**₱276,510,015,296**	**₱276,515,919,673**

	December 31, 2016				
	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:					
Private	₱9,719,180,330	₱9,719,180,330	₱–	₱–	₱9,719,180,330
Government	1,722,743,531	1,722,743,531	–	–	1,722,743,531
	11,441,923,861	11,441,923,861	–	–	11,441,923,861
Equity securities:					
Quoted	2,779,265,343	2,779,265,343	–	–	2,779,265,343
	14,221,189,204	14,221,189,204	–	–	14,221,189,204
Derivatives financial assets not designated as accounting hedges	478,956,361	–	478,956,361	–	478,956,361
Derivative financial assets designated as accounting hedges	26,800,472	–	26,800,472	–	26,800,472
	505,756,833	–	505,756,833	–	505,756,833
AFS investments:					
Debt securities:					
Government	9,580,344,650	9,580,344,650	–	–	9,580,344,650
Private	4,233,057,221	4,233,057,221	–	–	4,233,057,221
	13,813,401,871	13,813,401,871	–	–	13,813,401,871
Equity securities:					
Quoted	25,238,255,235	25,238,255,235	–	–	25,238,255,235
	39,051,657,106	39,051,657,106	–	–	39,051,657,106
Held-to-maturity investment	3,549,900,604	2,877,873,255	724,431,818	–	3,602,305,073
Biological assets	1,383,379,248	–	140,714,789	1,242,664,459	1,383,379,248
Assets for which fair values are disclosed					
Receivables:					
Trade receivables	₱26,241,233,096	₱–	₱–	₱25,926,164,694	₱25,926,164,694
Finance receivables	38,004,283,010	–	–	39,430,369,944	39,430,369,944
Other receivables	1,455,520,148	–	–	1,450,445,746	1,450,445,746
Refundable deposits	721,073,925	–	–	726,140,884	726,140,884
Investment properties	75,416,372,370	–	–	175,063,056,484	175,063,056,484
	₱200,550,365,544	₱56,150,719,565	₱1,370,903,440	₱243,838,842,211	₱301,360,465,216
Deposit liabilities	₱57,364,495,943	₱–	₱–	₱57,467,829,433	₱57,467,829,433
Derivative liabilities	5,947,386	–	5,947,386	–	5,947,386
Deposits from lessees	4,033,457,966	–	–	3,055,829,774	3,055,829,774
Long-term debt	159,187,755,600	–	–	158,197,696,503	158,197,696,503
	₱220,591,656,895	₱–	₱5,947,386	₱218,721,355,710	₱218,727,303,096

In 2016 and 2015, there were no transfers between Level 1 and Level 2 fair value measurements. Nc financial asset determined under Level 3 includes investment properties. No transfers between a levels of the fair value hierarchy took place in the equivalent comparative period. There were also changes in the purpose of any financial asset that subsequently resulted in a different classification that asset.

Description of significant unobservable inputs to valuation:

Account	Valuation Technique	Significant Unobservable Inputs
Loans and receivables	Discounted cash flow method	4.0% - 14.75% risk premium rate
Investment in convertible note	Black-Scholes-Merton model and discounted cash flow model	Historical volatility
Biological assets	Cost plus reasonable profit margin	Reasonable profit margin
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	0.25% - 11.50% risk premium rate
Repossessed chattels	Market data approach	Price per unit, size, shape, location, time element and discount
Time deposits	Discounted cash flow method	0.25% - 3.90% risk premium rate
Long-term debt	Discounted cash flow method	2% - 6% discount rate

The relationship of historical volatility to the fair value of the investment in convertible bond is the higher the historical volatility, the higher the fair value of the derivative financial asset, and vice versa. If the historical volatility increases (decreases) by 500 bps, considering all other variables are held constant, the fair value of the derivative financial asset would increase (decrease) by approximately ₱32.6 million (₱33.0 million) as of December 31, 2017.

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.
Historical volatility	The degree of variation of the underlying stock's trading price over time. Historical volatility is measured from the date of initial public offering until December 31, 2017.

6. Segment Information

Operating Segments
The Group's operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

The industry segments where the Group operates are as follows:

- Foods, agro-industrial and commodities businesses - manufacturing of snack foods, granulated coffee and pre-mixed coffee, chocolates, candies, biscuits, instant noodles, ice cream and frozen novelties, pasta and tomato-based products and canned beans; raising of hog, chicken and manufacturing and distribution of animal feeds, corn products and vegetable oil and the synthesis of veterinary compound; and sugar milling and refining and flour milling.

- Air transportation - air transport services, both domestic and international, for passengers and cargoes.

- Real estate and hotels - ownership, development, leasing and management of shopping malls and retail developments; ownership and operation of prime hotels in major Philippine cities; development, sale and leasing of office condominium space in office buildings and mixed use developments including high rise residential condominiums; and development of land into residential subdivisions and sale of subdivision lots and residential houses and the provision of customer financing for sales.

- Petrochemicals - manufacturer of polyethylene (PE) and polypropylene (PP), polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

- Banking - commercial banking operations, including deposit-taking, lending, foreign exchange dealing and fund transfers or remittance servicing.

- Other supplementary businesses - asset management, insurance brokering, foreign exchange and securities dealing. This also includes dividend income from PLDT and equity in net earnings of Meralco and GBPC.

No operating segments have been aggregated to form the above reportable operating business segments.

The Group does not have a single external major customer (which represents 10.0% of Group's revenues).

Management monitors the operating results of each segment. The measure presented to manage segment performance is the segment operating income (loss). Segment operating income (loss) is based on the same accounting policies as the consolidated operating income (loss) except that intersegment revenues are eliminated only at the consolidation level. Group financing (including finance cost and other charges), finance income, market valuation gains(losses) on financial assets at FVPL and derivatives, foreign exchange gains (losses), other operating income, general and administrative expenses, impairment losses and others and income taxes are managed on a group basis and are not allocated to operating segments. Transfer pricing between operating segments are on arm's length basis in a manner similar to transactions with third parties.

The Executive Committee (Excom) is actively involved in planning, approving, reviewing, and assessing the performance of each of the Group's segments. The Excom oversees Group's decision making process. The Excom's functions are supported by the heads of each of the operating segments, which provide essential input and advice in the decision-making process. The Excom is the Group's chief operating decision maker.

The following tables present the financial information of each of the operating segments in accordance with PFRS except for 'Core earnings', EBIT' and EBITDA' as of and for the years ended December 31, 2017, 2016 and 2015. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL and impaired AFS investments, market valuation gains (losses) on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

	December 31, 2017							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱125,007,824,013	₱68,029,131,426	₱22,448,257,224	₱41,406,489,496	₱4,475,828,582	₱717,368,505	₱–	₱262,084,899,246
Intersegment revenues	–		68,560,406	1,190,430,306	–	–	(1,258,990,712)	–
	125,007,824,013	68,029,131,426	22,516,817,630	42,596,919,802	4,475,828,582	717,368,505	(1,258,990,712)	262,084,899,246
Dividend income (Note 28)	12,921,148	–	–	–	13,399,782	1,426,716,235	(1,199,410)	1,451,837,755
Equity in net earnings of associates and joint ventures (Note 14)	(280,533,323)	140,330,649	3,752,117,462	–	–	6,310,746,773	(13,943,655)	9,908,717,906
Total revenue	124,740,211,838	68,169,462,075	26,268,935,092	42,596,919,802	4,489,228,364	8,454,831,513	(1,274,133,777)	273,445,454,907
Cost of sales and services (Note 30)	85,693,355,234	40,626,822,232	10,626,386,640	34,811,743,595	1,183,714,020	–	(1,387,580,735)	171,554,440,986
Gross income	₱39,046,856,604	₱27,542,639,843	₱15,642,548,452	₱7,785,176,207	₱3,305,514,344	₱8,454,831,513	₱113,446,958	₱101,891,013,921
General and administrative expenses (Note 31)								49,910,047,737
Impairment losses and others (Note 34)								248,080,372
Operating income								51,732,885,812
Financing cost and other charges (Note 35)								(7,836,137,934)
Finance income (Note 27)								1,243,424,967
Other operating income (Note 29)								241,871,584
Core earnings								45,382,044,429
Market valuation gains (losses) on financial assets								541,176,531
Foreign exchange gains (losses)								(902,717,961)
Income before income tax								45,020,502,999
Provision for income tax (Note 38)								5,501,468,891
Net income								₱39,519,034,108
Net income attributable to equity holders of the Parent Company	₱6,015,871,239	₱5,316,821,268	₱7,338,007,677	₱5,991,258,470	₱184,325,780	₱4,581,345,354	(₱58,092,332)	₱29,369,537,456
EBIT	₱14,952,166,760	₱10,134,278,023	₱8,562,414,443	₱6,518,388,803	₱355,398,353	₱11,210,239,430	₱–	₱51,732,885,812
Depreciation and amortization (Notes 15, 16, 18 and 33)	6,104,063,359	6,839,363,607	3,914,114,101	1,697,187,358	285,278,308	96,732,527	–	18,936,739,260
EBITDA	₱21,056,230,119	₱16,973,641,630	₱12,476,528,544	₱8,215,576,161	₱640,676,661	₱11,306,971,957	₱–	₱70,669,625,072
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱18,553,155	₱173,269	₱–	₱–	₱212,441,434	₱	₱–	₱231,167,858
Inventory obsolescence and market decline (Note 12)	2,870,047	–	–	–	–	–	–	2,870,047
Impairment losses on other assets	–	–	–	–	14,042,467	–	–	14,042,467
	₱21,423,202	₱173,269	₱–	₱–	₱226,483,901	₱	₱–	₱248,080,372

	December 31, 2016							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱112,611,969,799	₱61,899,278,892	₱22,750,417,221	₱29,070,077,332	₱3,412,187,119	₱551,082,564	₱–	₱230,295,012,927
Intersegment revenues	–	–	37,495,297	889,958,295	–	–	(927,453,592)	–
	112,611,969,799	61,899,278,892	22,787,912,518	29,960,035,627	3,412,187,119	551,082,564	(927,453,592)	230,295,012,927
Dividend income (Note 28)	12,813,084	–	–	–	6,917,794	2,013,048,726	(1,199,410)	2,031,580,194
Equity in net earnings of associates and joint ventures (Note 14)	(166,719,320)	178,308,843	2,790,366,394	–	–	5,376,658,316	(2,088,117)	8,176,526,116
Total revenue	112,458,063,563	62,077,587,735	25,578,278,912	29,960,035,627	3,419,104,913	7,940,789,606	(930,741,119)	240,503,119,237
Cost of sales and services (Note 30)	76,403,953,654	34,262,194,205	11,011,098,421	22,753,221,449	696,840,597		(1,033,072,080)	144,094,236,246
Gross income	₱36,054,109,909	₱27,815,393,530	₱14,567,180,491	₱7,206,814,178	₱2,722,264,316	₱7,940,789,606	₱102,330,961	₱96,408,882,991
General and administrative expenses (Note 31)								43,498,208,309
Impairment losses and others (Note 34)								640,717,050
Operating income								52,269,957,632
Financing cost and other charges (Note 35)								(7,461,996,870)
Finance income (Note 27)								1,161,245,053
Other operating income (Note 29)								(487,955,842)
Core earnings								45,481,249,973
Market valuation gains (losses) on financial assets								(15,036,945,759)
Foreign exchange gains (losses)								(2,638,787,064)
Income before income tax								27,805,517,150
Provision for income tax (Note 38)								5,437,906,633
Net income								₱22,367,610,517
Net income attributable to equity holders of the Parent Company	₱7,172,181,138	₱6,549,733,816	₱6,294,414,833	₱5,125,794,521	₱153,989,567	(₱14,312,364,434)	(₱65,770,516)	₱10,917,978,925
EBIT	₱15,759,516,726	₱12,251,198,185	₱8,276,963,246	₱5,813,705,056	₱384,998,860	₱9,783,575,559	₱–	₱52,269,957,632
Depreciation and amortization (Notes 15, 16, 18 and 33)	5,645,120,618	5,998,695,417	3,774,153,608	1,318,457,917	290,172,266	70,941,305	–	17,097,541,131
EBITDA	₱21,404,637,344	₱18,249,893,602	₱12,051,116,854	₱7,132,162,973	₱675,171,126	₱9,854,516,864	₱–	₱69,367,498,763
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱10,144,972	₱–	₱ 4,673	₱–	₱138,969,094	₱300,000,000	₱–	₱449,118,739
Inventory obsolescence and market decline (Note 12)	175,449,919	–	–	–	–	–	–	175,449,919
Impairment losses on other assets	–	–	–	–	16,148,392	–	–	16,148,392
	₱185,594,891	₱–	₱4,673	₱–	₱155,117,486	₱300,000,000	₱–	₱640,717,050

	December 31, 2015							
	Foods, Agro-Industrial and Commodities	Air Transportation	Real Estate and Hotels	Petrochemicals	Banking	Other Supplementary Businesses	Adjustments and Eliminations	TOTAL OPERATIONS
Revenue								
Sale of goods and services:								
External customers	₱112,004,706,553	₱56,501,654,516	₱20,298,039,549	₱26,780,296,575	₱2,968,940,306	₱558,258,619	₱–	₱219,111,896,118
Intersegment revenues	–	–	32,563,971	964,757,683	–	–	(997,321,654)	–
	112,004,706,553	56,501,654,516	20,330,603,520	27,745,054,258	2,968,940,306	558,258,619	(997,321,654)	219,111,896,118
Dividend income (Note 28)	22,806,476	–	–	–	249,758	2,826,279,780	(1,142,295)	2,848,193,719
Equity in net earnings of associates and joint ventures (Note 14)	(248,426,814)	35,418,498	2,507,485,422	–	–	5,015,199,674	1,886,396	7,311,563,176
Total revenue	111,779,086,215	56,537,073,014	22,838,088,942	27,745,054,258	2,969,190,064	8,399,738,073	(996,577,553)	229,271,653,013
Cost of sales and services (Note 30)	75,285,872,510	33,251,909,025	9,374,307,866	23,439,025,606	615,766,210	–	(1,103,234,875)	140,863,646,342
Gross income	₱36,493,213,705	₱23,285,163,989	₱13,463,781,076	₱4,306,028,652	₱2,353,423,854	₱8,399,738,073	₱106,657,322	₱88,408,006,671
General and administrative expenses (Note 31)								38,677,396,939
Impairment losses and others (Note 34)								378,065,854
Operating income								49,352,543,878
Financing cost and other charges (Note 35)								(6,879,818,419)
Finance income (Note 27)								1,367,392,486
Other operating income (Note 29)								151,214,790
Core earnings								43,991,332,735
Market valuation gains (losses) on financial assets								(2,690,064,305)
Foreign exchange gains (losses)								(4,136,883,267)
Income before income tax								37,164,385,163
Provision for income tax (Note 38)								4,488,982,473
Net income								₱32,675,402,690
Net income attributable to equity holders of the Parent Company	₱7,738,310,512	₱2,949,733,870	₱6,137,260,108	₱3,155,702,482	₱64,002,113	₱2,663,457,053	(₱98,449,832)	₱22,610,016,306
EBIT	₱18,103,065,451	₱9,700,220,805	₱7,923,848,911	₱3,191,887,809	₱239,896,904	₱10,193,623,998	₱–	₱49,352,543,878
Depreciation and amortization (Notes 15, 16, 18 and 33)	4,954,771,494	5,111,543,725	3,203,353,347	1,016,593,005	219,954,653	41,962,769	–	14,548,178,993
EBITDA	₱23,057,836,945	₱14,811,764,530	₱11,127,202,258	₱4,208,480,814	₱459,851,557	₱10,235,586,767	₱–	₱63,900,722,871
Other information								
Non-cash expenses other than depreciation and amortization (Note 34):								
Impairment losses on receivables (Note 11)	₱5,300,692	₱–	₱1,629,711	₱–	₱244,696,803	₱7,786,052	₱–	₱259,413,258
Inventory obsolescence and market decline (Note 12)	104,202,866	–	–	–	–	–	–	104,202,866
Impairment losses on other assets	–	–	–	–	14,449,730	–	–	14,449,730
	₱109,503,558	₱–	₱1,629,711	₱	₱259,146,533	₱7,786,052	₱–	₱378,065,854

Other information on the Group's operating segments follow:

	December 31, 2017							
	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)	**₱404,647,575**	**₱840,972,437**	**₱46,365,842,599**	**₱–**	**₱–**	**₱90,779,861,628**	**₱–**	**₱138,391,324,239**
Segment assets	**₱147,493,293,568**	**₱109,245,863,713**	**₱147,528,320,430**	**₱69,409,114,388**	**₱104,926,584,835**	**₱209,817,783,530**	**(₱49,114,026,661)**	**₱739,306,933,803**
Short-term debt (Note 23)	**₱5,164,505,591**	**₱–**	**₱15,693,400,000**	**₱5,714,393,097**	**₱–**	**₱19,275,514,773**	**₱–**	**₱45,847,813,461**
Long-term debt (Note 23)	**₱33,225,962,388**	**₱40,982,210,752**	**₱35,661,162,154**	**₱–**	**₱–**	**₱71,817,479,372**	**₱–**	**₱181,686,814,666**
Segment liabilities	**₱65,807,280,971**	**₱69,761,176,242**	**₱80,155,702,670**	**₱15,302,675,696**	**₱92,833,429,203**	**₱111,870,754,089**	**(₱42,843,633,069)**	**₱392,887,385,802**
Capital expenditures (Notes 15 and 16)	**₱8,011,626,579**	**₱14,776,336,747**	**₱23,851,531,485**	**₱3,090,406,047**	**₱229,685,485**	**₱104,674,277**	**(₱6,544,360,000)**	**₱43,519,900,620**

	December 31, 2016							
	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)	₱301,582,060	₱805,801,372	₱42,613,725,137	₱–	₱–	₱84,231,127,139	₱–	₱127,952,235,708
Segment assets	₱142,669,975,956	₱100,665,363,677	₱123,330,412,832	₱63,016,837,736	₱77,854,969,207	₱215,598,681,564	(₱56,824,924,086)	₱666,311,316,886
Short-term debt (Note 23)	₱5,985,992,111	₱–	₱16,010,000,000	₱6,982,613,256	₱–	₱32,905,909,210	₱–	₱61,884,514,577
Long-term debt (Note 23)	₱31,366,592,785	₱42,810,437,630	₱23,361,477,678	₱–	₱–	₱61,649,247,507	₱–	₱159,187,755,600
Segment liabilities	₱63,777,329,559	₱67,079,106,744	₱60,598,091,112	₱14,891,419,804	₱65,875,566,403	₱126,120,587,307	(₱44,814,639,244)	₱353,527,461,685
Capital expenditures (Notes 15 and 16)	₱7,657,219,437	₱19,126,054,236	₱12,731,165,668	₱1,973,324,669	₱317,506,229	₱47,758,548	₱–	₱41,853,028,787

	December 31, 2015							
	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)	₱377,551,375	₱525,623,987	₱39,823,358,743	₱–	₱–	₱74,049,553,801	₱–	₱114,776,087,906
Segment assets	₱117,636,749,631	₱85,312,423,204	₱111,711,513,673	₱60,513,281,404	₱57,917,156,532	228,114,024,290	(₱64,873,169,746)	₱596,331,978,988
Short-term debt (Note 23)	₱5,277,377,299	₱–	₱9,264,330,600	₱11,444,378,840	₱–	₱8,897,869,735	₱–	₱34,883,956,474
Long-term debt (Note 23)	₱23,535,491,713	₱36,588,985,492	₱21,840,457,665	₱–	₱–	₱84,517,251,974	₱–	₱166,482,186,844
Segment liabilities	₱48,817,735,721	₱60,289,945,007	₱53,266,770,642	₱17,449,925,835	₱45,939,887,788	₱124,465,736,317	(₱41,223,683,680)	₱309,006,317,630
Capital expenditures (Notes 15 and 16)	₱7,251,505,242	₱13,047,934,091	₱14,003,122,388	₱4,402,650,161	₱312,837,720	₱10,585,122	₱–	₱39,028,634,724

Reconciliation of Income Before Income Tax to EBITDA and Core Earnings

	2017	2016	2015
Income before income tax	**₱45,020,502,999**	₱27,805,517,150	₱37,164,385,163
Finance income	**(1,243,424,967)**	(1,161,245,053)	(1,367,392,486)
Financing cost and other charges	**7,836,137,934**	7,461,996,870	6,879,818,419
Other operating income	**(241,871,584)**	487,955,842	(151,214,790)
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(541,176,531)**	15,032,420,017	2,690,064,305
Foreign exchange losses	**902,717,961**	2,643,312,806	4,136,883,267
EBIT	**51,732,885,812**	52,269,957,632	49,352,543,878
Depreciation and amortization	**18,936,739,260**	17,097,541,131	14,548,178,993
EBITDA	**₱70,669,625,072**	₱69,367,498,763	₱63,900,722,871

Income before income tax	**₱45,020,502,999**	₱27,805,517,150	₱37,164,385,163
Market valuation losses (gains) on financial assets at FVPL and derivative financial instruments	**(541,176,531)**	15,032,420,017	2,690,064,305
Foreign exchange losses	**902,717,961**	2,643,312,806	4,136,883,267
Core earnings	**₱45,382,044,429**	₱45,481,249,973	₱43,991,332,735

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

	December 31, 2017			December 31, 2016		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
ASSETS						
Current Assets						
Cash and cash equivalents	**₱29,519,716,475**	**₱24,816,578,714**	**₱54,336,295,189**	₱23,288,706,821	₱20,121,435,146	₱43,410,141,967
Financial assets at fair value through profit and loss	**14,308,998,010**	**48,134,331**	**14,357,132,341**	14,697,498,896	2,650,398	14,700,149,294
Available-for-sale investments	**2,273,071,015**	**19,195,024,564**	**21,468,095,579**	3,705,074,227	11,762,550,145	15,467,624,372
Receivables - net	**28,582,733,808**	**19,031,459,759**	**47,614,193,567**	28,085,322,312	16,784,915,722	44,870,238,034
Inventories - net	**52,536,364,842**	**–**	**52,536,364,842**	49,702,679,594	–	49,702,679,594
Biological assets - net	**1,180,266,509**	**–**	**1,180,266,509**	920,226,312	–	920,226,312
Other current assets	**15,050,916,371**	**172,425,132**	**15,223,341,503**	12,911,848,176	123,457,025	13,035,305,201
Total current assets	**143,452,067,030**	**63,263,622,500**	**206,715,689,530**	133,311,356,338	48,795,008,436	182,106,364,774
Noncurrent Assets						
Available-for-sale investments	**25,597,305,960**	**–**	**25,597,305,960**	23,608,326,105	–	23,608,326,105
Receivables - noncurrent	**3,775,948,572**	**38,873,763,507**	**42,649,712,079**	2,799,254,419	22,048,530,776	24,847,785,195
Held-to-maturity investments	**–**	**–**	**–**	–	3,549,900,604	3,549,900,604
Investments in associates and JVs - net	**138,538,902,953**	**–**	**138,538,902,953**	127,952,235,708	–	127,952,235,708
Investments properties - net	**88,960,376,499**	**284,458,762**	**89,244,835,261**	75,124,309,829	292,062,541	75,416,372,370
Property, plant and equipment - net	**181,069,052,242**	**591,112,077**	**181,660,164,319**	175,159,768,712	502,944,750	175,662,713,462
Biological assets - bearer	**498,309,880**	**–**	**498,309,880**	463,152,936	–	463,152,936
Goodwill - net	**31,778,856,937**	**244,327,006**	**32,023,183,943**	31,778,856,937	244,327,006	32,023,183,943
Intangibles - net	**12,694,146,088**	**1,326,885,108**	**14,021,031,196**	12,797,827,284	1,361,176,209	14,159,003,493
Other noncurrents assets	**8,162,961,521**	**342,415,875**	**8,505,377,396**	5,461,259,411	1,061,018,885	6,522,278,296
Total Noncurrent Assets	**491,075,860,652**	**41,662,962,335**	**532,738,822,987**	455,144,991,341	29,059,960,771	484,204,952,112
	₱634,527,927,682	**₱104,926,584,835**	**₱739,454,512,517**	₱588,456,347,679	₱77,854,969,207	₱666,311,316,886

**Balances are after elimination of intercompany balances between industrial and banking components*

	December 31, 2017			December 31, 2016		
	Industrial*	**Banks***	**Consolidated**	Industrial*	Banks*	Consolidated
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities						
Accounts payable and accrued expenses	**₱48,813,819,258**	**₱65,785,218,569**	**₱114,599,037,827**	₱41,004,876,196	₱55,294,026,018	₱96,298,902,214
Short-term debt	**45,847,813,461**	–	**45,847,813,461**	61,884,514,577	–	61,884,514,577
Current portion of long-term debt	**5,728,469,720**	–	**5,728,469,720**	6,826,230,309	–	6,826,230,309
Derivative liabilities	**1,809,511,201**	–	**1,809,511,201**	–	5,947,386	5,947,386
Income tax payable	–	–	–	2,987,170,958	1,097,150	2,988,268,108
Other current liabilities	**13,688,829,840**	**6,310,369**	**13,695,140,209**	12,902,376,109	2,115,700	12,904,491,809
Total current liabilities	**115,888,443,480**	**65,791,528,938**	**181,679,972,418**	125,605,168,149	55,303,186,254	180,908,354,403
Noncurrent liabilities						
Long-term debt - net of current portion	**175,958,344,946**	–	**175,958,344,946**	152,361,525,291	–	152,361,525,291
Deferred tax liabilities - net	**7,205,880,096**	–	**7,205,880,096**	7,051,282,285	–	7,051,282,285
Other noncurrent liabilities	**11,305,423,772**	**16,885,343,284**	**28,190,767,056**	8,968,400,708	4,237,898,998	13,206,299,706
Total noncurrent liabilities	**194,469,648,814**	**16,885,343,284**	**211,354,992,098**	168,381,208,284	4,237,898,998	172,619,107,282
Total Liabilities	**310,358,092,294**	**82,676,872,222**	**393,034,964,516**	293,986,376,433	59,541,085,252	353,527,461,685
Stockholders' equity	**260,581,462,007**	**7,255,893,379**	**267,837,355,386**	232,327,880,163	7,187,641,682	239,515,521,845
Minority interest in consolidated subsidiaries	**73,744,930,362**	**4,837,262,253**	**78,582,192,615**	68,476,572,234	4,791,761,122	73,268,333,356
	₱644,684,484,663	**₱94,770,027,854**	**₱739,454,512,517**	₱594,790,828,830	₱71,520,488,056	₱666,311,316,886

**Balances are after elimination of intercompany balances between industrial and banking components*

Intersegment Revenues
Intersegment revenues are eliminated at the consolidation level.

Segment Results
Segment results pertain to the net income (loss) of each of the operating segments adjusted by the subsequent take up of significant transactions of operating segments with fiscal year-end and the capitalization of borrowing costs at the consolidated level for qualifying assets held by a certain subsidiary. The chief decision maker also uses the 'Core earnings', 'EBIT' and 'EBITDA' in measuring the performance of each of the Group's operating segments. The Group defines each of the operating segment's 'Core earnings' as the total of the 'Operating income', 'Finance income' and 'Other operating income' deducted by the 'Financing cost and other charges'. EBIT is equivalent to the Group's operating income while EBITDA is computed by adding back to the EBIT the depreciation and amortization expenses during the period. Depreciation and amortization include only the depreciation and amortization of plant and equipment, investment properties and intangible assets.

Depreciation and amortization
In 2017, 2016 and 2015, the amount of reported depreciation and amortization includes depreciation for investment properties and property, plant and equipment, and amortization of intangible assets.

Segment Assets
Segment assets are resources owned by each of the operating segments with the exclusion of intersegment balances, which are eliminated, and adjustment of significant transactions of operating segment with fiscal year-end.

Segment Liabilities
Segment liabilities are obligations incurred by each of the operating segments excluding intersegment balances which are eliminated. The Group also reports, separately, to the chief operating decision maker the breakdown of the short-term and long-term debt of each of the operating segments.

Capital Expenditures
The components of capital expenditures reported to the chief operating decision maker are the acquisitions of investment property and property, plant and equipment during the period, including those acquired through business combination.

Geographical Information
The Group operates in the Philippines, Thailand, Malaysia, Indonesia, China, Hong Kong, Singapore, Vietnam, Myanmar, 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:

	2017	2016	2015
Domestic	**₱176,285,141,889**	₱163,546,437,410	₱152,281,564,567
Foreign	**97,160,313,018**	76,956,681,827	76,990,088,446
	₱273,445,454,907	₱240,503,119,237	₱229,271,653,013

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:

	2017	2016
Domestic	**₱351,886,428,272**	₱312,536,374,451
Foreign	**109,541,061,355**	116,887,705,059
	₱461,427,489,627	₱429,424,079,510

7. Cash and Cash Equivalents

This account consists of:

	2017	2016
Cash on hand	**₱1,803,114,479**	₱2,115,114,050
Cash in banks (Note 40)	**29,672,232,553**	24,507,650,528
Cash equivalents (Note 40)	**22,860,948,157**	16,787,377,389
	₱54,336,295,189	₱43,410,141,967

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 0.05% to 6.50%, from 0.01% to 6.50% and from 0.05% to 6.50% in 2017, 2016 and 2015, respectively (Note 27).

8. Derivative Financial Instruments

The tables below show the fair value of the Group's outstanding derivative financial instruments, reported as assets or liabilities, together with their notional amounts as of December 31, 2017 and 2016. The notional amount is the basis upon which changes in the value of derivatives are measured.

	December 31, 2017			
	Notional Amounts (in Millions)			
	US Dollar	**New Zealand Dollar**	**Derivative Assets** (Notes 9 and 13)	**Derivative Liabilities** (Note 22)
Derivatives Not Designated as Accounting Hedges (Notes 9 and 22)				
Freestanding:				
Zero cost collars*			**₱454,400,088**	**₱–**
Interest rate swaps	**US$ 250.0**		**13,464,723**	**–**
Foreign currency swaps	**US$17.1**		**32,870**	**5,904,377**
			₱467,897,681	**₱5,904,377**
Derivatives Designated as Accounting Hedges (Note 13)				
Currency options		**NZ$28.2**	**11,023,146**	**–**
			₱11,023,146	**₱–**
Presented in the consolidated statements of financial position as:				
Current			**₱478,920,827**	**₱5,904,377**
Noncurrent			**₱–**	**₱–**

**Notional quantity amounted to 1,740,000 US barrels as of December 31, 2017*

	December 31, 2016			
	Notional Amounts (in Millions)			
	US Dollar	New Zealand Dollar	Derivative Assets (Notes 9 and 13)	Derivative Liabilities (Note 22)
Derivatives Not Designated as Accounting Hedges (Notes 9 and 22)				
Freestanding:				
Commodity swaps and zero cost collars*			₱441,773,905	₱–
Interest rate swaps	US$250.0		35,760,812	–
Foreign currency swaps	US$71.0		1,421,644	5,947,386
			₱478,956,361	₱5,947,386
Derivatives Designated as Accounting Hedges (Note 13)				
Currency options		NZ$28.2	₱26,800,472	–
			₱26,800,472	₱–
Presented in the consolidated statements of financial position as:				
Current			₱505,756,833	₱5,947,386
Noncurrent			–	–

**Notional quantity amounted to 3,285,000 US barrels as of December 31, 2016*

Derivatives not designated as accounting hedges

The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purpose.

- Commodity swaps and zero cost collars
  CAI enters into fuel derivatives to manage its exposure to fuel price fluctuations. Such fuel derivatives are not designated as accounting hedges. The gains or losses on these instruments are accounted for directly as a charge against or credit to profit or loss. As of December 31, 2017 and 2016, CAI has outstanding fuel hedging transactions. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. The collars have various maturity dates through December 31, 2019.

  In 2017, 2016 and 2015, CAI recognized net changes in fair value of derivatives amounting to ₱135.9 million loss, ₱1.6 billion gain and ₱2.9 billion loss, respectively under 'Market valuation gains (losses) on derivative financial instruments' account in the consolidated statements of comprehensive income.

- Interest rate swap
  On December 18, 2012, the JGSPL entered into an interest rate swap transaction with a notional amount of US$250.0 million effective January 16, 2013. The swap is intended to hedge the interest rate exposure due to the movements in the benchmark LIBOR on the US$ 250.0 million JGSPL 5-year Guaranteed Notes. In October 2016, JGSPL prepaid the notes and de-designated the interest rate swap as a cashflow hedge of the related notes. Accordingly, the changes in the fair value of the interest rate swap accumulated in other comprehensive income was recycled to profit or loss in 2016. In 2017, JGSPL recognized net changes in fair value of derivatives amounting to ₱22.7 million loss and ₱34.1 million gain, respectively.

- Foreign currency forwards
  In 2015, URC entered into a foreign currency forwards arrangement with notional amount of NZ$322.3 million and recognized change in fair value of the instrument amounting to ₱578.1 million during the year. On April 6, 2016, URC settled the foreign currency forward with carrying value of NZ$22.1 million (₱694.7 million). The Group recognized total mark-to-market gains of NZ$27.2 million (₱847.0 million).

  In 2017, 2016 and 2015, CAI entered into foreign currency derivative contracts which were pre-terminated in the same year, where it recognized realized gain of ₱14.1 million, ₱6.7 million and ₱14.6 million, respectively. The realized gain is recognized under 'Market valuation gains (losses) on derivative financial instruments - net' account in the consolidated statements of comprehensive income.

- Foreign currency swaps
  In 2017, RBC entered into foreign currency swap transactions with positive and negative fair values of ₱0.03 million and ₱5.9 million, respectively as of December 31, 2017. In 2016, RBC entered into foreign currency swap transactions with positive and negative fair values of ₱1.4 million and ₱5.9 million, respectively as of December 31, 2016. In 2017, 2016 and 2015, RBC recognized net changes in fair value of derivatives amounting to ₱15.3 million gain, ₱12.3 million gain and nil, 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.

- Currency options
  The Group's currency options have a total notional amount of NZD28.2 million with positive fair value amounting to ₱11.0 million and ₱26.8 million as of December 31, 2017 and 2016, respectively. The swap is intended to hedge the foreign currency denominated future purchases and cash outflows of the Company.

Hedge Effectiveness Results
The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

Fair value changes in derivatives

Fair value changes of derivatives designated as accounting hedges
The net movements in fair value of the Group's derivative financial instruments designated as accounting hedges follow:

	2017	2016
Beginning balance	**₱26,800,472**	₱37,358,957
Net changes shown in other comprehensive income (Note 36):		
Net changes in fair value of derivatives taken to other comprehensive income	**(11,359,660)**	16,103,892
Fair value of dedesignated derivative recycled to profit or loss	–	(34,166,517)
	(11,359,660)	(18,062,625)
Fair value of settled instruments	**(4,417,666)**	7,504,140
	(15,777,326)	(10,558,485)
	₱11,023,146	₱26,800,472

Net changes in fair value of derivatives taken to other comprehensive income are recorded under 'Net gains (losses) from cash flow hedges' in the consolidated statement of comprehensive income.

Fair value changes of derivatives not designated as accounting hedges
The net movements in fair value of the Group's derivative financial instruments not designated as accounting hedges follow:

	2017	2016
Balance at beginning of year:		
Derivative assets	**₱478,956,361**	₱580,568,726
Derivative liabilities	**(5,947,386)**	(2,443,495,138)
	473,008,975	(1,862,926,412)
Net gains (losses) from changes in fair value of derivatives taken to profit or loss	**(139,886,091)**	1,734,360,262
Fair value of settled instruments	**128,870,420**	601,575,125
	₱461,993,304	₱473,008,975
Balance at end of year:		
Derivative assets	**₱467,897,681**	₱478,956,361
Derivative liabilities	**₱5,904,377**	₱5,947,386

The net changes in fair value of derivatives taken to profit or loss are included under 'Market valuation gains (losses) on derivative financial instruments' in the consolidated statements of comprehensive income, except for the foreign currency swaps of RBC, where the net changes in fair value are taken to profit or loss under 'Trading and securities gains' (see Note 26).

9. **Financial Assets at Fair Value through Profit or Loss**

This account consists of the following:

	2017	2016
Debt securities:		
Private	**₱8,105,659,667**	₱9,719,180,330
Government	**1,794,792,865**	1,722,743,531
	9,900,452,532	11,441,923,861
Equity securities:		
Quoted	**2,112,003,350**	2,779,265,343
Unquoted	**3,745**	3,729
	2,112,007,095	2,779,269,072
Investment in convertible note	**1,876,775,033**	–
Derivatives (Note 8)	**467,897,681**	478,956,361
	₱14,357,132,341	₱14,700,149,294

On April 13, 2017, JGSPL invested in a convertible note from Sea Limited in the amount of US$25.0 million (or ₱1.3 billion). The Principal Amount excluding any accrued and unpaid interest may be converted into fully paid and non-assessable voting ordinary shares of Sea Limited. As of December 31, 2017, unrealized gain on the investment in convertible note recognized amounted to ₱0.6 billion.

As of December 31, 2017 and 2016, unrealized gain on debt securities recognized amounted to ₱157.7 million and ₱35.9 million, respectively.

As of December 31, 2017 and 2016, unrealized loss on equity securities recognized amounted to ₱95.7 million and ₱93.6 million, respectively.

In 2017, 2016 and 2015, the Group recognized net market valuation gains (losses) on financial assets at FVPL (excluding derivatives) amounting to ₱696.4 million, (₱57.7 million) and (₱337.0 million), respectively, included under 'Market valuation gains (losses) on financial assets at fair value through profit or loss' in the consolidated statements of comprehensive income.

Interest income on financial assets at FVPL consists of (see Note 27):

	2017	2016	2015
Debt securities:			
Private	**₱536,802,342**	₱528,821,679	₱583,323,027
Government	**113,969,006**	110,301,242	142,739,992
	₱650,771,348	₱639,122,921	₱726,063,019

10. **Available-for-Sale and Held-to-Maturity Investments**

Available-for-Sale Investments

This account consists of investments in:

	2017	2016
Debt securities:		
Government	**₱13,830,643,531**	₱9,580,344,650
Private	**7,202,581,682**	4,233,057,221
	21,033,225,213	13,813,401,871
Equity securities:		
Quoted	**26,007,882,955**	25,238,255,235
Unquoted	**24,293,371**	24,293,371
	26,032,176,326	25,262,548,606
	₱47,065,401,539	₱39,075,950,477

Breakdown of AFS investments as shown in the consolidated statements of financial position follows:

	2017	2016
Current portion	**₱21,468,095,579**	₱15,467,624,372
Noncurrent portion	**25,597,305,960**	23,608,326,105
	₱47,065,401,539	₱39,075,950,477

The Group has classified its remaining 17.3 million PLDT shares representing 8.0% ownership interest as AFS investments which have a carrying values of ₱25.6 billion, ₱23.6 billion and ₱35.6 billion as of December 31, 2017, 2016 and 2015, respectively.

In 2016, the Group recognized impairment losses on its AFS investments amounting to ₱16.7 billion. No impairment in value of its AFS investments was recognized in 2017 and 2015.

Interest income on AFS debt securities follows (see Note 27):

	2017	2016	2015
Debt securities:			
Government	**₱458,963,998**	₱331,913,646	₱330,565,210
Private	**370,841,736**	200,960,934	169,913,035
	₱829,805,734	₱532,874,580	₱500,478,245

The movements in net unrealized gains (losses) on AFS investments follow:

	2017		
	Parent Company	**Non-controlling Interests**	**Total**
Balance at beginning of year	**(₱596,224,679)**	**(₱119,301,795)**	**(₱715,526,474)**
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	**1,855,132,262**	**(80,951,614)**	**1,774,180,648**
Realized gain on sale of AFS investments (Note 29)	**(14,747,467)**	**–**	**(14,747,467)**
	1,840,384,795	**(80,951,614)**	**1,759,433,181**
Share in net changes in fair value of AFS investments of an associate (Note 14)	**24,394,385**	**–**	**24,394,385**
Balance at end of year	**₱1,268,554,501**	**(₱200,253,409)**	**₱1,068,301,092**

	2016		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	(₱4,984,560,896)	(₱4,142,032)	(₱4,988,702,928)
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	(12,220,137,282)	(115,159,763)	(12,335,297,045)
Realized (gain) on sale of AFS investments (Note 29)	(452,510)	–	(452,510)
Reclassification of unrealized loss to profit or loss due to impairment	16,713,629,844	–	16,713,629,844
	4,493,040,052	(115,159,763)	4,377,880,289
Share in net changes in fair value of AFS investments of an associate (Note 14)	(104,703,835)	–	(104,703,835)
Balance at end of year	(₱596,224,679)	(₱119,301,795)	(₱715,526,474)

	2015		
	Parent Company	Non-controlling Interests	Total
Balance at beginning of year	₱9,855,437,008	₱89,716,046	₱9,945,153,054
Net changes shown in other comprehensive income (Note 36):			
Fair value changes during the period on AFS investments of the Parent Company and its subsidiaries	(14,837,369,077)	(93,858,078)	(14,931,227,155)
Realized (gain) on sale of AFS investments (Note 29)	(898,183)	–	(898,183)
	(14,838,267,260)	(93,858,078)	(14,932,125,338)
Share in net changes in fair value of AFS investments of an associate (Note 14)	(1,730,644)	–	(1,730,644)
Balance at end of year	(₱4,984,560,896)	(₱4,142,032)	(₱4,988,702,928)

Held-to-Maturity Investment

In 2017, RBC disposed portion of its HTM investments with carrying value of ₱300.0 million for a total consideration of ₱308.9 million. Total trading gains on disposal of these HTM investments amounted to ₱8.9 million, included in ‘Trading and securities gain’ (Note 26). Accordingly, the remaining HTM investments portfolio of the Group with carrying values amounting to ₱3.2 billion and ₱3.0 billion, respectively, were reclassified to AFS investments and carried at fair value amounting to ₱3.2 billion and ₱3.0 billion, respectively.

Interest income on HTM debt securities amounted to ₱23.7 million and ₱170.4 million, respectively (see Note 27).

11. **Receivables**

This account consists of:

	2017	2016
Finance receivables	**₱57,465,698,853**	₱38,928,503,801
Trade receivables	**28,389,587,453**	26,798,683,841
Due from related parties (Note 40)	**1,606,771,071**	1,417,510,849
Interest receivable	**882,182,402**	757,193,234
Other receivables	**3,690,087,848**	3,518,999,345
	92,034,327,627	71,420,891,070
Less allowance for impairment losses	**1,770,421,981**	1,702,867,841
	₱90,263,905,646	₱69,718,023,229

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

	2017	2016
Current portion	**₱47,614,193,567**	₱44,870,238,034
Noncurrent portion	**42,649,712,079**	24,847,785,195
	₱90,263,905,646	₱69,718,023,229

Noncurrent receivables consist of:

	2017	2016
Finance receivables	**₱38,873,763,507**	₱22,048,530,776
Trade receivables	**3,775,948,572**	2,799,254,419
	₱42,649,712,079	₱24,847,785,195

Finance Receivables

Breakdown of finance receivables, which represent receivables from customers of RBC and its subsidiary, follows:

	2017	2016
Receivables from customers:		
Commercial	**₱40,925,026,335**	₱27,911,987,226
Real estate	**9,430,388,922**	5,762,119,652
Consumption	**6,847,265,413**	5,145,940,300
Domestic bills purchased	**498,529,953**	139,455,175
	57,701,210,623	38,959,502,353
Less unearned interest and discounts	**235,511,770**	30,998,552
	₱57,465,698,853	₱38,928,503,801

Interest income on finance receivables and sales contract receivable included under ‘Banking revenue’ in profit or loss in the consolidated statements of comprehensive income, consists of (see Notes 26 and 27):

	2017	2016	2015
Receivables from customers:			
Commercial	**₱1,691,903,926**	₱1,062,179,726	₱957,872,797
Consumption	**1,016,984,816**	944,289,657	716,822,261
Real estate	**480,287,737**	314,683,992	376,084,516
Domestic bills purchased	**304,453**	455,965	482,050
Others	**4,705,429**	12,526,920	7,628,865
	₱3,194,186,361	₱2,334,136,260	₱2,058,890,489

Others consist of sales contract receivables and lease receivables.

Restructured receivables which do not meet the requirements to be treated as performing receivables are considered as nonperforming loans. Restructured receivables as of December 31, 2017 and 2016 amounted to ₱314.5 million and ₱348.0 million, respectively.

Trade Receivables

Included in trade receivables are installment contract receivables of the real estate segment of the Group amounting to ₱6.9 billion and ₱7.5 billion as of December 31, 2017 and 2016. These are collectible in monthly installments over a period of between one year to five years and earn annual interest ranging from 12.0% to 21.0% computed on the diminishing balance of the principal. The title of the real estate property, which is the subject of the installment contract receivable due beyond 12 months, passes to the buyer once the receivable is fully paid. Revenue from real estate and hotels includes interest income earned from installment contract receivables amounting to ₱1.7 billion, ₱476.6 million and ₱541.4 million in 2017, 2016 and 2015, respectively, and is recorded under the ‘Sale of goods and services’ of real estate segment on the consolidated statements of comprehensive income.

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

Others

Other receivables include claims receivables and other non-trade receivables. As of December 31, 2017 and 2016, claims receivables amounted to ₱1.6 billion and ₱2.0 billion, respectively.

Allowance for Impairment Losses on Receivables

Changes in the allowance for impairment losses on receivables follow:

	December 31, 2017						
	Individual Assessment			**Collective Assessment**			
	Trade Receivables	**Finance Receivables**	**Other Receivables**	**Trade Receivables**	**Finance Receivables**	**Other Receivables**	**Total**
Balance at beginning of year	**₱527,586,044**	**₱433,040,294**	**₱239,988,527**	**₱32,561,291**	**₱352,103,027**	**₱117,588,658**	**₱1,702,867,841**
Provision for impairment losses (Note 34)	**18,726,424**	–	–	–	**193,565,277**	**18,876,157**	**231,167,858**
Accounts written-off	**(7,786,052)**	–	–	–	–	–	**(7,786,052)**
Unrealized foreign exchange gains	**6,487,481**	–	–	–	–	–	**6,487,481**
Reclassification/Others	**(22,125,767)**	**(38,501,691)**	**31,274,954**	–	**(89,996,982)**	**(42,965,661)**	**(162,315,147)**
Balance at end of year	**₱522,888,130**	**₱394,538,603**	**₱271,263,481**	**₱32,561,291**	**₱455,671,322**	**₱93,499,154**	**₱1,770,421,981**

	December 31, 2016						
	Individual Assessment			Collective Assessment			
	Trade Receivables	Finance Receivables	Other Receivables	Trade Receivables	Finance Receivables	Other Receivables	Total
Balance at beginning of year	₱527,395,204	₱526,316,821	₱239,988,527	₱32,561,291	₱173,882,538	₱117,588,658	₱1,617,733,039
Provision for impairment losses (Note 34)	10,149,645	68,344,598	300,000,000	−	70,624,496	−	449,118,739
Accounts written-off	(24,878,644)	(4,985,000)	(300,000,000)	−	−	−	(329,863,644)
Unrealized foreign exchange gains	14,919,839	−	−	−	−	−	14,919,839
Reclassification/Others	−	(156,636,125)	−	−	107,595,993	−	(49,040,132)
Balance at end of year	₱527,586,044	₱433,040,294	₱239,988,527	₱32,561,291	₱352,103,027	₱117,588,658	₱1,702,867,841

Provision for impairment losses on receivables for the year ended December 31, 2017, 2016 and 2015 amounted to ₱231.2 million, ₱449.1 million and ₱259.4 million, respectively.

12. Inventories

This account consists of inventories at cost held as follows:

	2017	2016
Subdivision land, condominium and residential units for sale	**₱26,606,139,436**	₱25,643,036,168
Spare parts, packaging materials and other supplies	**8,983,460,406**	7,582,920,709
Raw materials	**9,640,292,896**	8,879,578,308
Finished goods	**6,323,116,493**	6,545,414,718
Work-in-process	**976,357,941**	1,050,961,612
By-products	**6,997,670**	768,079
	₱52,536,364,842	₱49,702,679,594

Summary of the movements in real estate inventory follows:

	2017	2016
Balance at beginning of year	**₱25,643,036,168**	₱25,999,400,711
Construction and development costs incurred	**5,160,712,394**	3,782,144,704
Costs of real estate sales (Note 30)	**(3,143,037,387)**	(4,138,509,247)
Transfers from (to) investment properties and property and equipment (Notes 15 and 16)	**(1,054,571,739)**	−
Balance at end of year	**₱26,606,139,436**	₱25,643,036,168

Borrowing cost capitalized amounted to ₱490.0 million and ₱474.0 million in 2017 and 2016, respectively. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization in 2017 and 2016 is 4.02% and 3.87%, respectively. This amount was included in the construction and development costs incurred.

Under the terms of agreements covering liabilities under trust receipts amounting to ₱2.95 billion and ₱4.6 billion as of December 31, 2017 and 2016, respectively, inventories of equivalent amount with the liabilities under trust receipts have been released to the Group in trust for the creditor 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 ‘Impairment losses and others’ amounting to ₱2.9 million, ₱175.4 million and ₱104.2 million in 2017, 2016 and 2015, respectively (see Note 34).

As of December 31, 2017 and 2016, the Group does not have inventories that were pledged as collaterals.

13. Other Current Assets

This account consists of:

	2017	2016
Input value-added tax (VAT)	**₱5,600,375,496**	₱4,650,668,245
Advances to suppliers	**4,645,579,635**	4,413,834,474
Advances to lot owners and joint operations	**1,884,161,701**	1,636,442,295
Prepaid expenses	**1,767,150,037**	1,377,863,336
Creditable withholding tax	**1,203,616,654**	817,547,531
Derivative assets under hedge accounting (Note 8)	**11,023,146**	26,800,472
Utility deposits	**9,989,072**	7,261,546
Restricted cash	**4,257,265**	81,436,823
Others	**97,188,497**	23,450,479
	₱15,223,341,503	₱13,035,305,201

Input VAT
As of December 31, 2017 and 2016, the gross amount of output VAT deducted from input VAT amounted to ₱17.8 billion and ₱12.7 billion, respectively. The Group believes that the amount of input VAT is fully realizable in the future.

Advances to Suppliers
Advances to suppliers include advance payments for the acquisition of raw materials, spare parts, packaging materials and other supplies. Also included in the account are advances made to contractors related to construction activities and for the purchase of various aircraft parts and service maintenance for regular maintenance and restoration costs of aircraft. These are applied against progress and final billings which occur within one year from the date the advances arose.

Advances to Lot Owners and Joint Operations
Advances to lot owners consist of advance payments to land owners which will be applied against the acquisition cost of the real properties that will be acquired. The application is expected to be within twelve (12) months after the reporting date.

This also includes deposit to various joint operations partners representing share in an ongoing real estate development which will be liquidated at the end of the joint venture agreement. This deposit will be realized through RLC’s share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

Interest in joint projects with Harbour Land Realty and Development Corp and Federal Land, Inc. (Jointly Controlled Operations)
On February 7, 2011, the Parent Company entered into a joint venture agreement with Harbour Land Realty and Development Corp (HLRD) and Federal Land, Inc. (FLI) to develop a project called Axis Residences located along Pioneer Street in Mandaluyong City. The construction of the planned 2-phase residential condominium has commenced in March 2012. One tower of first phase was completed on September 2015.

The agreed contributions of the parties follow:
a. RLC: Road lot valued at ₱0.1 billion and development costs amounting ₱1.4 billion
b. FLI: Development costs amounting to ₱0.8 billion
c. HLRD, an affiliate of FLI: Four (4) adjoining parcels of land valued at ₱0.7 billion located along Pioneer St., Mandaluyong City, 21,109 sqm.

Further, the sharing of saleable units (inventories) of real estate revenue, cost of real estate sales and any common expenses incurred, are as follows: RLC: 50.00%; FLI: 50.00%.

On December 6, 2017, RLC executed an addendum agreement with HLPDC and FLI to discontinue the development of Phase II.

The following were the agreements included in the addendum:
a. The development of the Project shall be limited to Phase 1;
b. The discontinuance shall be without fault on either of the Parties. Accordingly, HLPDC and FLI shall reimburse RLC the amount of ₱193 million representing the non-development of four (4) towers of Phase II;
c. Ownership and right of possession of the parcels of land corresponding to Phase II shall remain to be with HLPDC and shall be excluded from the provisions of the JVA.
d. The perpetual right to use RLC's land contribution is limited to Phase I and to the adjacent properties owned by HLPDC, FLI or its affiliates.

<u>Prepaid Expenses</u>
This account consists of prepayments on rent, insurance, taxes, and office supplies.

<u>Restricted cash</u>
RLC has restricted cash - escrow which pertains to cash placed in escrow funds earmarked for the acquisition of parcels of land, pursuant to the memorandum of agreement (MOA) with various sellers. Said amount shall be released to the sellers upon fulfillment of certain conditions set forth in MOA.

<u>Deposit to Counterparties</u>
Deposit to counterparties pertains to collateral deposits provided to counterparties for fuel hedging transactions.

14. **Investments in Associates and Joint Ventures**

Details of this account follow:

	2017	2016
Acquisition cost:		
Balance at beginning of year	**₱107,169,574,445**	₱94,487,165,622
Additional investments	**7,963,398,152**	12,682,408,823
Balance at end of year	**115,132,972,597**	107,169,574,445
Accumulated equity in net earnings:		
Balance at beginning of year	**20,291,989,192**	20,452,778,905
Equity in net earnings	**10,056,296,620**	8,176,526,116
Dividends received	**(7,164,697,676)**	(8,337,315,829)
Balance at end of year	**23,183,588,136**	20,291,989,192
Share in net unrealized gains (losses) on AFS investments of an associate:		
Balance at beginning of year	**(103,212,591)**	1,491,244
Share in net changes in fair value of AFS investments of an associate (Notes 10 and 36)	**24,394,385**	(104,703,835)
Balance at end of year	**(78,818,206)**	(103,212,591)
Share in remeasurements of the net defined benefit liability of associates:		
Balance at beginning of year	**525,146,569**	624,084
Share in net changes in remeasurements of the net defined benefit liability of associates	**(326,973,548)**	524,522,485
	198,173,021	525,146,569
Cumulative translation adjustment of associates	**400,437,802**	366,188,490
	138,836,353,350	128,249,686,105
Less allowance for impairment losses	**297,450,397**	297,450,397
	₱138,538,902,953	₱127,952,235,708

Equity in net earnings amounting to ₱10.1 billion in 2017 excludes the excess of the share in net loss over the investment in a joint venture amounting to ₱147.6 million (presented in 'Other noncurrent liabilities).

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	
	2017	2016	**2017**	2016
			(In Million Pesos)	
Associates				
Domestic:				
Manila Electric Company (Meralco)	**29.56**	27.12	**₱77,668.6**	₱71,243.8
Global Business Power Corporation (GBPC)	**30.00**	30.00	**12,223.4**	12,180.5
Oriental Petroleum and Mining Corporation (OPMC)	**19.40**	19.40	**743.0**	731.0
Cebu Light Industrial Park, Inc. (CLIPI)	**20.00**	20.00	**68.2**	72.0
Foreign:				
United Industrial Corp., Limited (UICL)	**37.06**	37.03	**46,365.8**	42,613.7
Air Black Box (ABB)	**10.09**	10.09	**43.7**	43.7
			137,112.7	126,884.7

	Effective Ownership		Carrying Value	
	2017	2016	**2017**	2016
			(In Million Pesos)	
Joint Ventures				
Domestic:				
SIA Engineering (Philippines) Corp. (SIAEP)	**23.53**	23.53	**379.2**	365.3
Aviation Partnership (Philippines) Corp. (APPC)	**32.95**	32.95	**229.3**	230.6
Philippine Academy for Aviation Training (PAAT)	**33.62**	33.62	**188.7**	166.1
Calbee - URC, Inc. (CURCI)	**27.63**	27.63	**184.2**	231.1
Oriente Express Techsystem Corporation (Oriente)	**50.00**	–	**67.0**	–
Hunt Universal Robina Corporation (HURC)	**27.63**	27.63	**56.8**	93.4
Vitasoy-URC, Inc (VURCI)	**27.63**	27.63	**31.6**	5.0
Paloo Financing, Inc	**50.00**	–	**6.0**	–
MPIC-JGS Airport Holdings, Inc.	**41.25**	41.25	**3.8**	3.8
Danone Universal Robina Beverages, Inc. (DURBI)	**27.63**	27.63	**–**	(28.0)
Foreign:				
Proper Snack Foods Limited (PSFL)	**27.68**	–	**279.6**	–
			1,426.2	1,067.3
			₱138,538.9	₱127,952.2

Material investees

Investment in Meralco

On December 11, 2013, the Parent Company completed the acquisition of 305,689,397 common shares of Manila Electric Company (Meralco) from San Miguel Corporation, San Miguel Purefoods Company, Inc., and SMC Global Power Holdings, Inc. (collectively referred to as "Sellers") for a total cost of ₱71.9 billion. The shares acquired represented 27.12% of Meralco's total outstanding common shares. Meralco is a corporation organized and incorporated in the Philippines to construct, operate, and maintain the electric distribution system.

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.

Investment in GBPC

On June 30, 2016, the Parent Company acquired 577,206,289 common shares of Global Business Power Corporation (GBPC) from Meralco Powergen Corporation (153,921,676 shares) and GT Capital Holdings, Inc. (423,284,613 shares) for a total cost of ₱11.8 billion. The acquisition represents 30.0% of GBPC's total outstanding common shares. GBPC is a company incorporated in the Philippines engaged in power generation.

In 2016, the Parent Company engaged the services of a third party valuer to perform a purchase price allocation of the Parent Company's investment in GBPC. Based on the final purchase price allocation, the difference of ₱4.2 billion between the Parent Company's share in the carrying values of GBPC's specific identifiable assets and liabilities and total cost of the Parent Company's investment was allocated to the Parent Company's share in the difference between the fair value and carrying value of GBPC's specific and identifiable assets and liabilities as follows: ₱2.8 billion for intangible assets; ₱442.3 million for property, plant and equipment; ₱4.2 million for long term receivables; ₱333.3 million for long term debt and the remaining balance of ₱1.3 billion for goodwill.

Investment in 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.

Investment in UICL
UICL, a company incorporated in Singapore is engaged in residential property management. UICL follows the fair value model in measuring investment properties while the Group follows the cost model in measuring investment properties. The financial information of UICL below represents the adjusted amounts after reversal of the effect of revaluation and depreciation on the said assets.

In 2017 and 2016, the Group elected to receive 5,272,126 ordinary shares and 5,670,381 ordinary shares, respectively, under the UIC Scrip Dividend Scheme in lieu of cash dividend at the issue price of S$2.99 per share and S$2.75 per share, respectively.

Fair value of investments in listed associates
As of December 31, 2017 and 2016, the Group's investments in the following listed investee companies have fair values of:

	Exchange Listed	**2017**	2016
Meralco	Philippine Stock Exchange	**₱107,953,364,628**	₱81,007,690,205
UICL	Singapore Exchange Limited	**65,623,456,660**	50,043,570,192
OPMC	Philippine Stock Exchange	**465,698,420**	426,890,219

As of December 31, 2017 and 2016, the breakdown of the total fair market value of the Group's investment in OPMC follows:

	2017	2016
Class A Common Stock	**₱108,126,378**	₱99,115,847
Class B Common Stock	**357,572,042**	327,774,372
	₱465,698,420	₱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, 2017 and 2016:

	2017				2016			
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	GBPC	UICL	OPMC
Current assets	**₱98,432,000,000**	**₱24,232,449,977**	**₱30,418,860,996**	**₱916,673,658**	₱88,008,000,000	₱23,593,444,341	₱46,444,482,783	₱931,372,343
Noncurrent assets	**204,923,000,000**	**57,411,862,419**	**277,212,181,039**	**3,684,742,279**	208,030,000,000	55,055,906,714	249,991,477,419	3,588,239,548
Current liabilities	**105,839,000,000**	**11,565,603,710**	**11,769,326,095**	**32,630,114**	104,602,000,000	10,719,239,976	50,308,105,990	26,440,400
Noncurrent liabilities	**123,084,000,000**	**38,446,900,367**	**22,294,704,246**	**101,620,282**	116,290,000,000	35,519,247,861	4,247,430,935	87,802,636
Equity	**₱74,432,000,000**	**₱31,631,808,319**	**₱273,567,011,694**	**₱4,467,165,541**	₱75,146,000,000	₱32,410,863,218	₱241,880,423,277	₱4,405,368,855
Group's carrying amount of the investment	**₱77,668,545,132**	**₱12,223,412,529**	**₱46,365,842,599**	**₱743,002,387**	₱71,243,849,662	₱12,180,494,451	₱42,613,725,137	₱731,013,829

As of December 31, 2017 and 2016, the Group's share in Meralco's net assets amounted to ₱22.0 billion and ₱20.4 billion, respectively. As of December 31, 2017 and 2016, the excess of the carrying value over the Group's share in Meralco's net assets is attributable to the notional goodwill of ₱50.4 billion and ₱45.4 billion, respectively, and the difference between the fair value and carrying value of Meralco's net assets amounting to ₱5.3 billion and ₱6.0 billion, respectively.

As of December 31, 2017 and 2016, the Group's share in GBPC's net assets amounted to ₱9.5 billion and ₱9.7 billion, respectively. The excess of the Group's share in the carrying value of GBPC's net assets over the carrying value of the investment is attributable to the notional goodwill and the difference between the fair value and carrying value of GBPC's net assets.

As of December 31, 2017 and 2016, the Group's share in UICL's net assets amounted to ₱101.4 billion and ₱89.6 billion, respectively. The excess of the Group's share in the carrying value of UICL's net assets over the carrying value of the investment is attributable to the difference between the fair value and carrying value of UICL's net assets.

As of December 31, 2017 and 2016, the Group's share in OPMC's net assets amounted to ₱866.6 million and ₱854.6 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.

- Summarized statements of comprehensive income of the Group's significant associates for the period ended December 31, 2016, 2015 and 2014:

	2017				2016			
	Meralco	**GBPC**	**UICL**	**OPMC**	Meralco	GBPC	UICL	OPMC
Revenue	**₱283,382,000,000**	**₱23,980,615,078**	**₱48,056,937,031**	**₱498,684,483**	₱261,186,000,000	₱9,026,093,325	₱35,839,290,575	₱656,345,619
Expenses	**256,178,000,000**	**17,192,603,211**	**34,646,705,537**	**376,981,707**	233,151,000,000	5,863,240,155	25,237,685,045	288,951,142
Finance costs	**658,000,000**	**1,776,083,291**	**426,294,642**	–	1,343,000,000	1,008,892,704	316,620,895	–
Profit before tax	**26,546,000,000**	**5,011,928,576**	**12,983,936,852**	**121,702,776**	26,692,000,000	2,153,960,466	10,284,984,635	367,394,477
Income tax expense	**7,363,000,000**	**1,239,464,976**	**1,815,520,951**	**2,874,004**	7,352,000,000	26,610,580	1,704,881,742	–
Profit for the year (continuing operations)	**₱19,183,000,000**	**₱3,772,463,600**	**₱11,168,415,901**	**₱118,828,772**	₱19,340,000,000	₱2,127,349,886	₱8,580,102,893	₱367,394,477
Other comprehensive income for the year	**470,000,000**	**(54,211,548)**	**-**	**16,272,503**	3,233,000,000	16,330,538	(412,701,096)	-
Total comprehensive income for the year (continuing operations)	**₱19,653,000,000**	**₱3,718,252,052**	**₱11,168,415,901**	**₱135,101,275**	₱22,573,000,000	₱2,143,680,424	₱8,167,401,797	₱367,394,477
Group's share of profit for the year	**₱5,601,657,500**	**₱719,181,542**	**₱3,752,117,462**	**₱8,831,693**	₱4,980,696,000	₱356,430,766	₱2,790,366,394	₱37,617,071

	2015		
	Meralco	UICL	OPMC
Revenue	₱261,110,000,000	₱27,842,938,298	₱676,701,906
Expenses	235,018,000,000	18,301,964,391	348,246,035
Finance costs	1,216,000,000	416,876,275	–
Profit before tax	24,876,000,000	9,124,097,632	328,455,871
Income tax expense	5,687,000,000	1,300,987,718	1,199,154
Profit for the year (continuing operations)	₱19,189,000,000	₱7,823,109,914	₱327,256,717
Total comprehensive income for the year (continuing operations)	(805,000,000)	197,462,482	–
Total comprehensive income for the year (continuing operations)	₱18,384,000,000	₱8,020,572,396	₱327,256,717
Group's share of profit for the year	₱4,959,558,000	₱2,507,485,422	₱39,363,870

Individually immaterial investees

Investment in CLIPI
The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. As of December 31, 2017 and 2016, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorized capital stock.

Investment in ABB
In May 2016, CAI entered into a 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 the parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCC's investment in ABB.

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 15.00 % shareholding proportion to ABB. The Group accounts for its investment in ABB 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 relationship with ABB. However, since ABB is still non-operational as of December 31 2017 and 2016, the investment is recognized at cost. As of December 31, 2017 and 2016, the net carrying amount of the Group's investment in ABB amounted to ₱43.7 million.

SIAEP and APPC
SIAEP and APPC are jointly controlled entities which were established for the purpose of providing line, light and heavy maintenance services to foreign and local airlines, utilizing the facilities and services at airports in the Philippines, as well as aircraft maintenance and repair organizations.

SIAEP was incorporated on July 27, 2008 and started commercial operations on August 17, 2009. APPC was incorporated on May 24, 2005 and started commercial operations on July 1, 2005.

PAAT
Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

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

As of December 31, 2017 and 2016, CAI's investment in PAAT amounted to ₱188.7 million and ₱166.1 million, respectively.

CURCI
On January 17, 2014, URC entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form CURCI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "Calbee Jack 'n Jill" brand name, which is under exclusive license to CURCI in the Philippines. URC contributed cash to CURCI upon its incorporation in 2014 amounting to ₱327.0 million representing its 50% interest in the joint venture.

Oriente
On July 14, 2017, the Company entered into a joint venture with ORT Company (Singapore) Private Limited to invest in Oriente Express Techsystem Corporation (the "JV Company") in order to assist the JV Company in the expansion of its business and distribution of its products and services. The joint venture is setting up a digital financial services marketplace that will enable Filipinos to tap into credit facilities to bridge their ever-growing needs, whether to pay for tuition, unexpected medical expenses or even finance a small business. The Company contributed 50.00% interest in the joint venture amounting to ₱100.00 million.

HURC
URC has an equity interest in HURC, a domestic joint venture which is a jointly controlled entity. HURC manufactures and distributes food products under the "Hunt's" brand name, which is under exclusive license to HURC in the Philippines. In 2017, URC entered into certain agreements with a third party to sell its rights, title, and interest in the assets used in manufacturing the Hunt's business, well as pre-termination of the right to manufacture, sell, and distribute Hunt's products (see Note 16). Subsequent to the sale HURC remains to exist as a jointly controlled entity.

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.

In 2017, URC made additional subscriptions to the unissued authorized capital stock of VURCI consisting of 12,600,000 common shares for a total cost of ₱126.0 million.

Paloo Financing, Inc.
On November 16, 2017, the Company entered into a joint venture agreement with ORT Company (Singapore) Private Limited to form Paloo Financing, Inc., a company organized to extend facilities to consumers and to industrial, commercial or agricultural enterprises. The Company contributed 50.00% interest in the joint venture amounting to ₱6.00 million.

DURBI
On May 23, 2014, URC entered into a joint venture agreement with Danone Asia Holdings, Pte. Ltd., a corporation duly organized in the Republic of Singapore to form DURBI, a corporation duly incorporated and organized in the Philippines to manufacture and distribute food products under the "B'lue" brand name, which is under exclusive license to DURBI in the Philippines. URC contributed

cash to DURBI upon its incorporation in 2014 amounting to ₱180.8 million representing its 50% interest in the joint venture. In 2016 and 2015, URC contributed an additional cash of ₱103.3 million and ₱129.0 million, respectively, to DURBI and maintained its 50% ownership.

PSFL
On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

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

	2017		2016	
	Associates	**Joint Venture**	Associates	Joint Venture
Group's share of:				
Profit for the year	**₱209,494**	**(₱173,279,785)**	(₱173,638)	₱11,589,523
Other comprehensive income for the year	**–**	**805,768**	626,713	–
Total comprehensive income for the year	**₱209,494**	**(₱172,474,017)**	₱453,075	₱11,589,523
Group's share of dividends for the year	**₱4,000,000**	**₱123,659,585**	₱–	₱140,750,375
Group's carrying amount of the investment	**₱111,916,567**	**₱1,426,183,739**	₱115,707,073	₱1,067,445,556

Investment in Subsidiaries
As of December 31, 2017 and 2016, the Parent Company has the following percentage ownership of shares in its wholly-owned and partially-owned subsidiaries as follows:

		Effective Percentage of Ownership	
Name of Subsidiaries	Country of Incorporation	**December 31, 2017**	December 31, 2016
Food			
Universal Robina Corporation and Subsidiaries	Philippines	**55.25**	55.25
Air Transportation			
CP Air Holdings, Inc. and Subsidiaries	-do-	**100.00**	100.00
Cebu Air, Inc. (CAI) and Subsidiaries	-do-	**67.23**	67.23
Pacific Virgin Islands Holdings, Co., Ltd.	British Virgin Islands	**-**	-
Real Estate and Hotels			
Robinsons Land Corporation and Subsidiaries	Philippines	**60.97**	60.97
Petrochemicals			
JG Summit Petrochemical Corporation (JGSPC)	-do-	**100.00**	100.00
JG Summit Olefins Corporation	-do-	**100.00**	100.00
Banking			
Robinsons Bank Corporation	-do-	**60.00**	60.00
Supplementary Businesses			
Express Holdings, Inc. and Subsidiaries	-do-	**100.00**	100.00
Summit Forex Brokers Corporation	-do-	**100.00**	100.00
JG Summit Capital Services Corp. and Subsidiaries	-do-	**100.00**	100.00
JG Summit Capital Markets Corp.	-do-	**100.00**	100.00
Summit Point Services, Ltd.	-do-	**100.00**	100.00
Summit Internet Investments, Inc.	-do-	**100.00**	100.00
JG Summit Cayman, Ltd. (JGSCL)	Cayman Islands	**100.00**	100.00
JG Summit Philippines, Ltd. And Subsidiaries	-do-	**100.00**	100.00
JG Summit Holdings Philippines, Ltd.	British Virgin Islands	**100.00**	100.00
JG Summit Infrastructure Holdings Corporation	Philippines	**100.00**	-
Merbau Corporation	do-	**100.00**	-

Name of Subsidiaries	Country of Incorporation	Effective Percentage of Ownership **December 31, 2017**	 December 31, 2016
Multinational Finance Group, Ltd.	British Virgin Islands	**100.00**	100.00
Telegraph Development, Ltd.	-do-	**100.00**	100.00
Summit Top Investment, Ltd.	-do-	**100.00**	100.00
JG Summit Limited (JGSL)	-do-	**100.00**	100.00
Batangas Agro-Industrial Development Corporation (BAID and Subsidiaries.)	Philippines	**100.00**	100.00
Fruits of the East, Inc.	-do-	**100.00**	100.00
Hometel Integrated Management Corporation	-do-	**100.00**	100.00
King Leader Philippines, Inc.	-do-	**100.00**	100.00
Samar Commodities Trading and Industrial Corporation	-do-	**100.00**	100.00
Tropical Aqua Resources	-do-	**100.00**	100.00
United Philippines Oil Trading, Inc.	-do-	**100.00**	100.00
Unicon Insurance Brokers Corporation	-do-	**100.00**	100.00

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, 2017**	December 31, 2016
Universal Robina Corporation (URC)	Philippines	**44.75**	44.75
Robinsons Land Corporation (RLC)	Philippines	**39.03**	39.03
Cebu Air, Inc. (CAI)	Philippines	**32.77**	32.77
Robinsons Bank Corporation (RBC)	Philippines	**40.00**	40.00

- Accumulated balances of material non-controlling interest:

Name of Subsidiary	**2017**	2016
URC	**₱36,198,230,247**	₱34,800,613,250
RLC	**26,469,695,942**	24,656,704,510
CAI	**13,035,790,451**	10,978,040,752
RBC	**4,702,194,676**	4,656,693,545

- Profit allocated to material non-controlling interest:

Name of Subsidiary	**2017**	2016
URC	**₱5,137,050,094**	₱5,910,692,782
RLC	**2,298,547,742**	2,240,325,255
CAI	**2,591,014,962**	3,195,953,844
RBC	**122,883,854**	102,659,711

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, 2017:

	URC	**RLC**	**CAI**	**RBC**
Current assets	**₱53,681,316,532**	**₱40,290,382,217**	**₱21,691,072,624**	**₱63,263,622,500**
Noncurrent assets	**93,790,615,905**	**107,085,341,092**	**87,385,595,654**	**41,662,962,335**
Current liabilities	**27,802,881,167**	**35,156,889,557**	**29,245,857,666**	**75,948,085,919**
Noncurrent liabilities	**38,004,399,804**	**44,834,917,280**	**40,045,231,246**	**16,885,343,284**

- Summarized statement of financial position as at December 31, 2016:

	URC	RLC	CAI	RBC
Current assets	₱51,812,773,909	₱39,635,922,449	₱15,151,137,743	₱48,795,008,436
Noncurrent assets	90,857,202,047	83,694,490,383	85,363,204,540	29,059,960,771
Current liabilities	27,794,826,668	29,096,687,075	27,827,484,688	61,637,667,405
Noncurrent liabilities	35,982,502,891	31,490,105,325	39,181,585,076	4,237,898,998

- Summarized statements of comprehensive income for 2017:

	URC	**RLC**	**CAI**	**RBC**
Revenue	**₱124,740,211,838**	**₱22,539,608,260**	**₱67,760,353,876**	**₱5,203,953,347**
Profit for the year from continuing operations	**11,152,921,333**	**5,884,437,957**	**7,907,833,230**	**311,137,769**
Total comprehensive income		**6,103,133,145**	**7,946,665,111**	**5,330,803,110**
Dividends paid to non-controlling interests	**3,123,891,519**	**575,177,717**	**545,988,573**	**–**

- Summarized statements of comprehensive income for 2016:

	URC	RLC	CAI	RBC
Revenue	₱112,458,063,518	₱22,875,513,363	₱59,909,327,246	₱3,830,510,373
Profit for the year from continuing operations	13,082,873,919	5,744,373,694	9,745,687,660	298,777,409
Total comprehensive income	13,232,239,647	5,613,769,735	9,753,535,488	6,929,890
Dividends paid to non-controlling interests	3,203,718,761	575,177,717	397,082,599	–

- Summarized statements of comprehensive income for 2015:

	URC	RLC	CAI	RBC
Revenue	₱111,779,086,215	₱20,371,237,379	₱54,414,821,819	₱3,259,453,923
Profit for the year from continuing operations	14,005,436,425	5,952,941,214	4,387,213,429	(50,126,756)
Total comprehensive income	15,749,452,489	5,950,166,519	4,325,308,518	(316,052,601)
Dividends paid to non-controlling interests	3,049,810,705	575,177,717	297,811,949	–

- Summarized statements of cash flows for 2017:

	URC	**RLC**	**CAI**	**RBC**
Operating	**14,271,726,970**	**15,283,487,273**	**17,853,155,512**	**4,749,143,471**
Investing	**(8,407,662,532)**	**(24,438,297,427)**	**(8,788,669,399)**	**(3,922,909,374)**
Financing	**(6,714,248,567)**	**9,794,054,100**	**(3,747,183,911)**	**4,182,320,000**
Net cash flows	**(850,184,129)**	**639,243,946**	**5,317,302,202**	**5,008,554,097**

- Summarized statements of cash flows for 2016:

	URC	RLC	CAI	RBC
Operating	5,661,726,391	3,768,887,539	19,583,851,457	8,082,499,376
Investing	(2,045,083,670)	(4,573,585,334)	(17,059,884,283)	(4,365,060,088)
Financing	(4,387,967,343)	1,091,743,424	(3,066,185,076)	-
Net cash flows	(771,324,622)	287,045,629	(542,217,902)	3,717,439,288

- Summarized statements of cash flows for 2015:

	URC	RLC	CAI	RBC
Operating	16,719,075,027	853,098,851	12,507,549,329	(1,474,807,756)
Investing	(28,767,045,587)	(11,335,760,210)	(11,805,043,905)	(2,043,984,282)
Financing	9,868,617,661	10,438,872,289	(908,929,995)	6,360,702,260
Net cash flows	(2,179,352,899)	(43,789,070)	(206,424,571)	2,841,910,222

15. **Investment Properties**

Movements in this account follow:

	2017			
	Land and Land Improvements	**Buildings and Improvements**	**Construction In-Progress**	**Total**
Cost				
Balance at beginning of year	**₱30,364,482,183**	**₱65,903,480,098**	**₱4,717,861,720**	**₱100,985,824,001**
Additions	**2,913,598,389**	**1,367,205,964**	**11,118,424,504**	**15,399,228,857**
Disposals/transfers and other adjustments	**547,786,538**	**7,589,100,647**	**(6,414,292,028)**	**1,722,595,157**
Balance at end of year	**33,825,867,110**	**74,859,786,709**	**9,421,994,196**	**118,107,648,015**
Accumulated Depreciation and Amortization				
Balance at beginning of year	**167,454,607**	**25,371,578,108**	**–**	**25,539,032,715**
Depreciation and amortization	**18,574,350**	**3,263,230,277**	**–**	**3,281,804,627**
Disposals/transfers and other adjustments	**42,625,499**	**(45,676,781)**	**–**	**(3,051,282)**
Balance at end of year	**228,654,456**	**28,589,131,604**	**–**	**28,817,786,060**
Allowance for Impairment Losses				
Balance at beginning of year	**30,418,916**	**–**	**–**	**30,418,916**
Provision for impairment losses (Note 34)	**–**	**1,885,207**	**–**	**1,885,207**
Transfers/other adjustments	**3,163,082**	**9,559,489**	**–**	**12,722,571**
Balance at end of year	**33,581,998**	**11,444,696**	**–**	**45,026,694**
Net Book Value at End of Year	**₱33,563,630,656**	**₱46,259,210,409**	**₱9,421,994,196**	**₱89,244,835,261**

	2016			
	Land and Land Improvements	Buildings and Improvements	Construction In-Progress	Total
Cost				
Balance at beginning of year	₱28,900,492,180	₱55,614,107,941	₱5,191,790,071	₱ 89,706,390,192
Additions	1,405,006,727	3,583,300,768	6,100,656,140	11,088,963,635
Retirements/disposals	(26,328,645)	–	–	(26,328,645)
Transfers/other adjustments	85,311,921	6,706,071,389	(6,574,584,491)	216,798,819
Balance at end of year	30,364,482,183	65,903,480,098	4,717,861,720	100,985,824,001
Accumulated Depreciation and Amortization				
Balance at beginning of year	218,253,576	22,227,011,026	–	22,445,264,602
Depreciation and amortization	64,213,326	3,083,925,983	–	3,148,139,309
Transfers/other adjustments	(115,012,295)	60,641,099	–	(54,371,196)
Balance at end of year	167,454,607	25,371,578,108	–	25,539,032,715
Allowance for Impairment Losses				
Balance at beginning of year	2,690,919	–	–	2,690,919
Provision for impairment losses (Note 34)	16,148,392	–	–	16,148,392
Transfers/other adjustments	11,579,605	–	–	11,579,605
Balance at end of year	30,418,916	–	–	30,418,916
Net Book Value at End of Year	₱30,166,608,660	₱40,531,901,990	₱4,717,861,720	₱75,416,372,370

Investment properties consist mainly of land held for appreciation, and shopping malls or commercial centers and office buildings that are held to earn rentals. Also included under this account are the properties acquired by the Group's banking segment through foreclosures. Most of the Group's properties are in prime locations across the Philippines.

Construction in progress amounting to ₱9.4 billion and ₱4.7 billion as of December 31, 2017 and 2016, respectively, represents the cost of ongoing construction and development of malls and office buildings for lease.

Borrowing costs capitalized amounted to ₱0.47 billion and ₱0.48 billion in 2017 and 2016, 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 2017 and 2016 were 4.02% and 3.87%, respectively.

Consolidated rent income from investment properties included under 'Real estate and hotels revenue' in the consolidated statements of comprehensive income amounted to ₱11.6 billion, ₱10.7 billion and ₱9.6 billion in 2017, 2016 and 2015, respectively.

Property operations and maintenance costs arising from investment properties amounted to ₱710.0 million, ₱504.0 million and ₱395.0 for the year ended December 31, 2017, 2016 and 2015, respectively.

Gain on sale or retirement and disposal of investment properties amounted to ₱5.3 million, ₱7.3 million, and nil for the year ended December 31, 2017, 2016, and 2015, respectively.

Depreciation and Amortization

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

	2017	2016	2015
Depreciation and amortization expense included under:			
Cost of services (Note 33)	**₱3,252,290,952**	₱3,087,950,727	₱2,668,560,740
General and administrative expenses (Note 33)	**29,513,675**	60,188,582	17,031,688
	₱3,281,804,627	₱3,148,139,309	₱2,685,592,428

Collaterals

As of December 31, 2017 and 2016, 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, 2017							
	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	₱6,765,742,667	₱26,852,152,074	₱115,044,806,328	₱9,332,218,575	₱90,798,387,471	₱20,163,665,563	₱1,794,350,119	₱270,751,322,797
Additions	265,575,198	2,128,929,472	3,099,455,469	1,291,681,840	6,625,238,707	13,164,726,074	1,545,065,003	28,120,671,763
Transfers, disposals and other adjustments	71,520,245	800,885,877	3,324,691,054	(40,055,167)	(11,515,267,930)	(8,461,531,687)	(156,384,630)	(15,976,142,238)
Balance at end of year	7,102,838,110	29,781,967,423	121,468,952,851	10,583,845,248	85,908,358,248	24,866,859,950	3,183,030,492	282,895,852,322
Accumulated Depreciation and Amortization								
Balance at beginning of year	918,194,444	11,425,573,747	52,030,829,341	6,357,201,741	24,339,093,589	–	–	95,070,892,862
Depreciation and amortization	232,318,477	1,320,786,079	6,217,492,513	1,016,897,653	6,576,619,362	–	–	15,364,114,084
Disposals, transfers and other adjustments	106,083,153	211,205,070	(201,094,800)	185,317,965	(9,531,143,070)	–	–	(9,229,631,682)
Balance at end of year	1,256,596,074	12,957,564,896	58,047,227,054	7,559,417,359	21,384,569,881	–	–	101,205,375,264
Allowance for impairment losses								
Balance at beginning of year	–	–	17,716,473	–	–	–	–	17,716,473
Provision for impairment losses (Note 34)		4,434,696	–	279,328	–	–	–	4,714,024
Disposals, transfers and other adjustments	7,742,527	139,715	–	–	–	–	–	7,882,242
Balance at end of year	7,742,527	4,574,411	17,716,473	279,328	–	–	–	30,312,739
Net Book Value at End of Year	₱5,838,499,509	₱16,819,828,116	₱63,404,009,324	₱3,024,148,561	₱64,523,788,367	₱24,866,859,950	₱3,183,030,492	₱181,660,164,319

	December 31, 2016							
	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	₱5,882,980,325	₱23,398,924,976	₱99,289,012,170	₱8,645,193,765	₱83,830,528,666	₱21,849,803,705	₱1,353,469,831	₱244,249,913,438
Additions	156,437,164	1,770,345,824	3,745,359,329	1,083,931,526	10,430,364,773	11,228,547,868	1,025,488,294	29,440,474,778
Additions from acquisition of a subsidiary (Note 44)	–	186,272,233	1,686,772,953	–	–	498,424,492	–	2,371,469,678
Acquisition of assets that qualified as a business (Note 44)	304,217,000	197,496,500	473,847,117	348,029,757	–	–	–	1,323,590,374
Disposals and other adjustments	422,108,178	1,299,112,541	9,849,814,759	(744,936,473)	(3,462,505,968)	(13,413,110,502)	(584,608,006)	(6,634,125,471)
Balance at end of year	6,765,742,667	26,852,152,074	115,044,806,328	9,332,218,575	90,798,387,471	20,163,665,563	1,794,350,119	270,751,322,797
Accumulated Depreciation and Amortization								
Balance at beginning of year	680,309,593	9,774,490,469	45,520,983,527	5,342,607,888	23,077,705,111	–	–	84,396,096,588
Depreciation and amortization	176,680,352	1,338,565,895	5,479,811,045	948,119,530	5,762,601,231	–	–	13,705,778,053
Disposals, transfers and other adjustments	61,204,499	312,517,383	1,030,034,769	66,474,323	(4,501,212,753)	–	–	(3,030,981,779)
Balance at end of year	918,194,444	11,425,573,747	52,030,829,341	6,357,201,741	24,339,093,589	–	–	95,070,892,862
Allowance for impairment losses	–	–	17,716,473	–	–	–	–	17,716,473
Net Book Value at End of Year	₱5,847,548,223	₱15,426,578,327	₱62,996,260,514	₱2,975,016,834	₱66,459,293,882	₱20,163,665,563	₱1,794,350,119	₱175,662,713,462

Construction in-progress

CAI

Construction in-progress represents the cost of aircraft and engine modifications in progress and buildings and improvements and other ground property under construction. Construction in-progress is not depreciated until such time when the relevant assets are completed and available for use. As of December 31, 2017 and 2016, the Group's pre-delivery payments capitalized as construction in-progress amounted to ₱15.9 billion and ₱14.5 billion, respectively.

URC

Construction-in-progress amounting to ₱5.9 billion and ₱3.5 billion as of December 31, 2017 and 2016, respectively represents costs of ongoing expansion and constructions of plants.

JGSOC

Construction-in-progress amounting to ₱1.0 billion and ₱0.8 billion as of December 31, 2017 and 2016, respectively, represents the construction costs of the Naphtha Cracker Plant. The plant is intended for the production primarily of polymer grade ethylene, polymer grade propylene, partially hydrogenated pyrolysis gasoline and pyrolysis fuel oil.

JGSPC

Construction in progress amounting to ₱1.9 billion and ₱1.2 billion as of December 31, 2017 and 2016, respectively, represents the expansion and rehabilitation of polypropylene and polyethylene plant.

Depreciation and Amortization

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

	2017	2016	2015
General and administrative expenses (Note 33)	**₱7,970,903,733**	₱6,849,226,440	₱5,667,790,503
Cost of sales (Note 33)	**6,731,387,202**	6,170,348,732	5,475,444,437
Cost of services (Note 33)	**661,823,149**	686,202,881	534,792,607
	₱15,364,114,084	₱13,705,778,053	₱11,678,027,547

Sale of Assets to Century Pacific Food Inc.

In May 2017, CNPF entered into an asset purchase agreement with the URC to purchase the machineries and equipment used in manufacturing the Hunt's branded products for a total consideration of ₱145.1 million, net of tax. As of date of sale, the net book value of these assets amounts to ₱28.1 million. The Group recognized gain on disposal amounting to ₱117.0 million, under 'Other income (losses)' in the consolidated statements of income. The sale was completed on August 31, 2017.

CNPF also entered into a Compensation Agreement with URC to acquire the exclusive right to manufacture and sell Hunt's branded products amounting to ₱214.2 million. The Group recognized gain of the same amount under 'Other income (losses)' in the consolidated statements of comprehensive income.

Property, Plant and Equipment Pledged as Collateral

Passenger aircraft held as securing assets under various loans
CAI entered into various Export Credit Agency (ECA) loans and commercial loan facilities to finance the purchase of its aircraft and engines. As of December 31, 2017 and 2016, the Group's passenger aircraft and engines held as securing assets under various loans are as follows:

	2017		2016	
	ECA Loans	**Commercial Loans**	ECA Loans	Commercial Loans
Airbus A320	**6**	**17**	10	19
ATR 72-500	**7**	**–**	7	–
Airbus A319	**–**	**–**	4	–
ATR 72-600	**–**	**8**	–	2
Airbus A330	**–**	**2**	–	1
Engines	**–**	**5**	–	5
	13	**32**	21	27

Under the terms of the ECA loan and commercial loan facilities (Note 23), upon the event of default, the outstanding amount of loan (including accrued interest) will be payable by the SPEs or by the guarantors, which are CPAHI and JGSHI. CPAHI and JGSHI are guarantors to loans entered into by CALL, BLL and SLL. Under the terms of commercial loan facilities from local banks, upon event of default, the outstanding amount of loan will be payable, including interest accrued by the Parent Company. Failure to pay the obligation will allow the respective lenders to foreclose the securing assets.

As of December 31, 2017 and 2016, the carrying amounts of the securing assets (included under the 'Property and equipment' account) amounted to ₱54.9 billion and ₱56.9 billion, respectively.

Forward Sale Agreement
On February 23, 2015, CAI signed a forward sale agreement with a subsidiary of Allegiant Travel Company (collectively known as "Allegiant") covering CAI's sale of six (6) Airbus A319 aircraft. The aircrafts were delivered on various dates in 2015 until 2016.

In 2015, CAI delivered the first two out of six Airbus A319 aircraft to Allegiant and recognized ₱80.3 million loss on sale recorded under 'Other expenses' in the consolidated statements of comprehensive income (Note 29).

In 2016, CAI delivered the remaining four out of six airbus A319 aircraft to Allegiant and recognized ₱962.6 million loss on sale recorded under 'Other expenses' in the consolidated statements of comprehensive income (Note 29).

In 2016, CAI signed another forward sale agreement with Allegiant covering the last remaining four A319 aircraft. The aircraft are scheduled for delivery on various dates in 2017 and 2018.

In 2017, CAI delivered the first three out of four Airbus A319 to Allegiant and recognized ₱532.9 million loss on sale in the consolidated statements of comprehensive income (Note 29).

Sale and Operating Leaseback
In May and November 2017, the Group entered into a sale and operating leaseback transactions with Ibon Leasing Limited (ILL) and JPA No. 78/79/80/81 Co., Ltd. covering two and four Airbus A320, respectively. The sale of aircraft required the prepayment of outstanding balance of the loan facility attributed to the sold Airbus A320 aircraft. The total amount of loans and breakage costs paid amounted

to ₱4,162.6 million and ₱12.32 million, respectively. The Group recognized gain on sale of aircraft amounting to ₱635.5 million from these transactions.

Operating Fleet

As of December 31, 2017 and 2016, the Group's operating fleet follows:

	2017	2016
Owned (Note 23):		
Airbus A320	**23**	29
ATR 72-500	**8**	8
ATR 72-600	**8**	2
Airbus A330	**2**	1
Airbus A319	**1**	4
Under operating lease (Note 42):		
Airbus A320	**13**	7
Airbus A330	**6**	6
	61	57

Gain (loss) on sale or retirement of property, plant and equipment amounted to ₱357.6 million, (₱361.7 million) and (₱19.5 million) in 2017, 2016 and 2015, respectively.

As of December 31, 2017 and 2016, the gross amount of fully depreciated property and equipment which are still in use by the Group amounted to ₱2.9 billion and ₱2.4 billion, respectively.

17. Biological Assets

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

	2017	2016
Current portion	**₱1,180,266,509**	₱920,226,312
Noncurrent portion	**498,309,880**	463,152,936
	₱1,678,576,389	₱1,383,379,248

These biological assets consist of:

	2017	2016
Swine		
Commercial	**₱1,137,959,568**	₱897,048,298
Breeder	**435,698,306**	411,356,528
Poultry		
Commercial	**42,306,941**	23,178,014
Breeder	**62,611,574**	51,796,408
	₱1,678,576,389	₱1,383,379,248

The rollforward analysis of this account follows:

	2017	2016
Balance at beginning of year	**₱1,383,379,248**	₱1,557,794,946
Additions	**3,113,809,005**	2,752,445,408
Disposals	**(2,937,452,936)**	(2,831,264,288)
Gains (loss) arising from changes in fair value less estimated costs to sell	**118,841,072**	(95,596,818)
	₱1,678,576,389	₱1,383,379,248

As of December 31, 2017 and 2016, the Group has about 239,438 and 229,582 heads of swine, respectively, and about 488,218 and 443,635 heads of poultry, respectively.

18. Intangible Assets

The composition and movements in this account follow:

	2017						
	Technology Licenses	**Bank licenses and others**	**Software Costs**	**Trademarks and Brands**	**Product Formulation**	**Customer Relationship**	**Total**
Cost							
Balance at beginning of year	**₱552,331,752**	**₱1,763,344,748**	**₱714,445,807**	**₱9,564,461,252**	**₱425,000,000**	**₱2,201,281,165**	**₱15,220,864,724**
Additions	**–**	**1,814,157**	**280,658,820**	**–**	**–**	**–**	**282,472,977**
Disposals/reclassification/ others	**–**	**(200,000)**	**(103,359,680)**	**–**	**–**	**–**	**(103,559,680)**
Balance at end of year	**552,331,752**	**1,764,958,905**	**891,744,947**	**9,564,461,252**	**425,000,000**	**2,201,281,165**	**15,399,778,021**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	**552,331,752**	**–**	**189,483,985**	**201,524,581**		**118,520,913**	**1,061,861,231**
Amortization	**–**	**–**	**126,801,991**		**–**	**77,381,982**	**204,183,973**
Disposals/reclassifications	**–**	**–**	**110,367,527**			**2,334,094**	**112,701,621**
Balance at end of year	**552,331,752**	**–**	**426,653,503**	**201,524,581**	**–**	**198,236,989**	**1,378,746,825**
Net Book Value at End of Year	**₱–**	**₱1,764,958,905**	**₱465,091,444**	**₱9,362,936,671**	**₱425,000,000**	**₱2,003,044,176**	**₱14,021,031,196**

	2016						
	Technology Licenses	Bank licenses and others	Software Costs	Trademarks and Brands	Product Formulation	Customer Relationship	Total
Cost							
Balance at beginning of year	₱552,331,752	₱1,718,744,748	₱157,039,729	₱5,198,501,291	₱425,000,000	₱1,885,972,092	₱9,937,589,612
Additions	–	44,600,000	555,048,596	–	–	–	599,648,596
Additions due to business combination (Note 44)	–	–	–	4,365,959,961	–	315,309,073	4,681,269,034
Disposals/others	–	–	2,357,482	–	–	–	2,357,482
Balance at end of year	552,331,752	1,763,344,748	714,445,807	9,564,461,252	425,000,000	2,201,281,165	15,220,864,724
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	552,331,752	–	96,057,927	201,524,581	–	54,917,799	904,832,059
Amortization	–	–	91,433,676		–	56,418,608	147,852,284
Disposals/reclassifications	–	–	1,992,382			7,184,506	9,176,888
Balance at end of year	552,331,752	–	189,483,985	201,524,581	–	118,520,913	1,061,861,231
Net Book Value at End of Year	₱–	₱1,763,344,748	₱524,961,822	₱9,362,936,671	₱425,000,000	₱2,082,760,252	₱14,159,003,493

<u>Technology Licenses</u>

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

Bank Licenses and Others

Bank licenses pertain to RBC's bank licenses amounting to ₱1.2 billion and ₱911.2 million in 2017 and 2016, respectively. Others include intangible assets representing CAI's costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc.

Bank licenses have been allocated to the cash-generating units (CGU)/branches 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 in value-in-use calculation of CGUs follow:

- Balance sheet items
  Deposit levels are based on projected bank-wide plan, with varying growth of 5.0% to 20.0% depending on product type. Cash on hand is based on 3.0% of total deposits derived from historical average. Loan levels are based on historical growth, assuming a linear trend function. Past due receivables and/or real and other properties required are a function of loan levels, while other assets are a function of fund source levels. Reserve requirements include 18.0% of peso deposits.

- Income statement items
  Historical or average interest rates are used for loan interest income. For theoretical income from branch funds, peso-denominated accounts are pegged on the average high cost rate while foreign currency-denominated accounts use average interest derived from blended foreign currency-denominated funds. Other income is based on incremental growth ratios derived from the market's perceived response and assumed marketing efforts on the bank's products and services. Interest expense is computed using 0.3% for current and savings accounts, 4.8% for time deposits and special savings accounts, and 0.9% for foreign currency deposits. Operating expenses have 7% benchmark for increments.

- Net present value computation
  Terminal value is the growth rate based on the bank-wide average balance sheet spread, plus weighted average cost of capital. The discount rate is the weighted average cost of capital derived using actual levels.

Bank licenses and others include other assets representing costs to establish brand and market opportunities under the strategic alliance with Cebgo, Inc. amounting to ₱852.2 milion (see Note 44).

Trademarks, Product Formulation, Brands and Customer Relationships

Trademarks and product formulation were acquired from General Milling Corporation in 2008. Total intangible assets acquired from the acquisition of CSPL and NZSFHL in 2016 and 2015, respectively, were composed of brands of ₱9.3 billion, customer relationships of ₱2.2 billion and software costs of ₱56.3 million.

19. **Goodwill**

Movements in the Group's goodwill account follow:

	2017	2016
Cost		
Balance at beginning of year	**₱32,276,536,238**	₱15,771,272,280
Additions due to business combinations (Note 44)	**–**	16,505,263,958
Balance at end of year	**32,276,536,238**	32,276,536,238
Accumulated Impairment Losses		
Balance at beginning and end of year	**253,352,295**	253,352,295
Net Book Value at End of Year	**₱32,023,183,943**	₱32,023,183,943

The Group's goodwill pertains to: (a) the acquisition of LSB in December 2012, (b) the acquisition of Advanson in December 2007, (c) the acquisition of Acesfood in May 2007, (d) the excess of the acquisition cost over the fair values of the net assets acquired by Hongkong China Foods Co., Ltd. (HCFCL) and URC Asean Brands Co., Ltd. (UABCL) in 2000, (e) the acquisition of Southern Negros Development Corporation (SONEDCO) in 1998, (f) the acquisition of Cebgo, Inc. (formerly Tiger Airways Philippines (TAP)) and NZSFHL in 2014, (g) acquisition of Balayan Sugar Mill and Snack Brands Australia in 2016.

Goodwill is not amortized and is non-deductible for tax purposes.

Acquisition of CSPL/Griffin's
Goodwill arising from the acquisition of CSPL (amounting to ₱16.5 billion) and Griffin's (amounting ₱13.9 billion) is mainly attributable to synergies formed between URC and CSPL, and URC and NZSFHL, respectively.

Key assumptions used to determine the recoverable amounts of the aforementioned significant CGUs as at December 31, 2017 and 2016 are as follows:

	December 31, 2017		December 31, 2016	
	CSPL	**Griffin's**	CSPL	Griffin's
Forecast period	**5 years**	**5 years**	–	5 years
Long-term growth rate	**2.5%**	**2.0%**	–	2.0%
Revenue and operating margin growth rate	**3.0%**	**13.4%**	–	13.4%
Discount rate	**9.5%**	**7.8%**	–	7.8%

Acquisition of Cebgo
Goodwill arising from the acquisition of Cebgo is attributable to the following:

<u>Achievement of Economic Scale</u>
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.

<u>Defensive Strategy</u>
Acquiring a competitor enables CAI to manage overcapacity in certain geographical areas/markets.

The goodwill arising from the acquisitions of HCFCL, UABCL, Acesfood and Advanson was translated at the applicable year-end exchange rate.

20. **Other Noncurrent Assets**

This account consists of:

	2017	2016
Deferred tax assets (Note 38)	**₱1,443,214,144**	₱2,070,533,318
Advances to suppliers - net of current portion	**3,502,139,815**	941,864,046
Security and miscellaneous deposits	**915,984,716**	847,186,323
Utility deposits	**874,345,792**	616,948,137
Advances to lot owners - net of current portion	**190,078,577**	190,078,577
Others	**1,579,614,352**	1,855,667,895
	₱8,505,377,396	₱6,522,278,296

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

Advances to Suppliers
Advances to suppliers pertain to RLC's advance payments to suppliers or contractors which will be applied against the final billing. As of December 31, 2017 and 2016, these advances amount to ₱819.6 million and ₱941.9 million, respectively.

As of December 31, 2017, advances to suppliers include pre-purchase of Airbus A330 life limited engine parts amounting to ₱2.7 billion.

Utility Deposits
Utility deposits consist primarily of bid bonds and meter deposits.

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, 2017, others include deferred input VAT, prepaid rent, deposits to various joint venture partners, and repossessed chattels amounting to ₱666.0 million, ₱382.8 million, ₱133.4 million, and ₱90.0 million, respectively.

As of December 31, 2016, others include bills payment, prepaid rent, repossessed chattels, and deposits to various joint venture partners amounting to ₱626.4 million, ₱422.8 million, ₱98.7 million, and ₱90.8 million, respectively.

21. Accounts Payable and Accrued Expenses

This account consists of:

	2017	2016
Deposit liabilities	**₱63,756,016,649**	₱53,176,102,052
Trade payables	**22,949,510,709**	19,099,938,293
Accrued expenses	**18,837,213,636**	16,180,422,862
Airport and other related fees payable	**3,255,283,618**	2,434,975,392
Output VAT	**1,410,700,196**	416,976,865
Withholding taxes payable	**804,782,841**	289,365,215
Due to related parties (Note 40)	**104,073,070**	136,118,258
Dividends payable	**40,990,210**	248,503,402
Other payables	**3,440,466,898**	4,316,499,875
	₱114,599,037,827	₱96,298,902,214

Deposit Liabilities

Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Of the total deposit liabilities of the RBC and LSB as of December 31, 2017 and 2016, 57.04% and 52.12%, respectively, are subject to periodic interest repricing. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 4.50% in 2017 and from nil to 2.88% in 2016.

On March 27, 2014, the BSP through Circular 830 approved the 1.00% increase in reserve requirements effective April 11, 2014, thereby increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 18.00% to 19.00% and 6.00% to 7.00% respectively. As mandated by the Circular, only demand deposit accounts maintained by the bank with the BSP are eligible for compliance with reserve requirements, thereby excluding government securities and cash in vault as eligible reserves. Further, deposits maintained with the BSP in compliance with the reserve requirement shall no longer be paid interest. On May 8, 2014, the BSP, through BSP Circular 832, approved the 1.00% increase in reserve requirement effective May 30, 2014, thereby further increasing the reserve requirements on non-FCDU deposit liabilities of the Parent Company and LSB from 19.00% to 20.00% and from 7.00% to 8.00%, respectively.

As of December 31, 2017 and 2016, the liquidity and statutory reserves of RBC and LSB amounted to ₱15.2 billion in 2017 and ₱11.0 billion in 2016.

As of December 31, 2017 and 2016, RBC and LSB are in compliance with the regulations.

The details of 'Interest expense' on 'Deposit liabilities', which are included in the 'Cost of services - Banking' in profit or loss in the consolidated statements of comprehensive income are as follows (see Note 30):

	2017	2016	2015
Savings	**₱707,442,241**	₱327,306,744	₱287,391,613
Time	**415,621,367**	319,618,028	274,848,318
Demand	**2,456,744**	1,938,352	1,785,501
	₱1,125,520,352	₱648,863,124	₱564,025,432

Long-Term Negotiable Certificates of Deposit (LTNCD)
On May 4, 2017, the BSP approved RBC's issuance of the ₱3.00 billion LTNCD. On June 16, 2017, RBC listed its LTNCD issuance amounting to ₱4.18 billion through the Philippine Dealing and Exchange Corporation. The minimum investment was ₱50,000 with increments of ₱10,000 thereafter. The peso-denominated issue will mature on December 16, 2022 with nominal interest rate of 4.125% and EIR of 4.29%, payable every quarter. The proceeds was used to diversify RBC's maturity profile and funding sources and general corporate purposes.

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:

	2017	2016
Advertising and promotions	**₱5,465,609,049**	₱4,605,661,535
Landing and take-off, navigational charges, and other aircraft-related expenses	**2,846,666,677**	2,454,928,921
Compensation and benefits	**2,475,275,937**	2,416,449,248
Accrued interest payable	**2,169,637,990**	2,018,859,767
Rental expense	**1,356,665,739**	1,003,369,623
Contracted services	**1,140,269,273**	970,430,471
Taxes and licenses	**1,076,004,287**	489,361,168
Import bills payable	**1,065,641,006**	1,132,410,067
Utilities	**375,918,613**	284,420,702
Freight and handling costs	**336,634,916**	493,055,041
Insurance	**79,038,159**	99,427,394
Royalties	**17,179,354**	11,125,092
Other accrued expenses	**432,672,636**	200,923,833
	₱18,837,213,636	₱16,180,422,862

Other accrued expenses include accruals for travel and transportation, repairs and maintenance and other professional services.

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.

Other Payables
As of December 31, 2017 and 2016, 'Other payables' consist of management bonus and other non-trade payables.

22. **Other Current Liabilities**

This account consists of:

	2017	2016
Unearned transportation revenue	**₱9,050,351,455**	₱8,141,752,727
Deposit from lessees (Notes 24 and 42)	**2,356,241,519**	1,770,955,616
Deposits from real estate buyers (Note 24)	**1,397,065,724**	1,838,572,591
Advances from agents and others	**483,419,341**	676,600,363
Customer's deposits	**402,157,793**	474,910,512
Derivative liabilities	**5,904,377**	5,947,386
Redeemable preference shares	**–**	1,700,000
	₱13,695,140,209	₱12,910,439,195

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).

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 and Long-term Debts**

Short-term Debts
Short-term debts consist of:

	2017	2016
Parent Company:		
Philippine Peso - with interest rates ranging from 2.5% to 3.0% in 2017 and 2016	**₱12,445,000,000**	₱13,167,000,000
	12,445,000,000	13,167,000,000
Subsidiaries:		
Foreign currencies - unsecured with interest rates ranging from 0.8% to 4.4% in 2017 and from 1.3% to 4.4% in 2016	**10,502,408,274**	30,273,201,690
Philippine Peso - with interest rates of 2.6% to 3.0% in 2017 and 1.85% to 2.5% in 2016	**22,900,405,187**	18,444,312,887
	33,402,813,461	48,717,514,577
	₱45,847,813,461	₱61,884,514,577

As of December 31, 2017 and 2016, short-term debt of certain subsidiaries denominated in foreign currency and peso include trust receipts payable amounting to ₱5.6 billion and ₱11.5 billion, respectively. The trust receipts payable are secured by the trusteed inventories for the same amount (see Note 12).

In 2017, 2016 and 2015, the Group has incurred interest expense on short-term notes amounting to ₱780.4 milion, ₱407.4 million and ₱268.5 million, respectively (see Note 35).

Long-term Debts

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

	Maturities	Interest Rates	**2017**	2016	Condition
Parent Company:					
Fixed Rate Retail Bonds:					
₱30.0 billion Fixed Rate Retail Bonds					
₱24.5 billion bonds	2019	5.23%	**₱24,451,863,188**	₱24,404,360,690	Unsecured
₱5.3 billion bonds	2021	5.24%	**5,288,516,867**	5,281,565,626	Unsecured
₱0.2 billion bonds	2024	5.30%	**175,228,915**	175,080,780	Unsecured
Term Loans					
₱5.0 billion Term Loan	2022	4.65%	**4,977,185,221**	–	Unsecured
₱5.0 billion Term Loan	2024	4.93%	**4,976,415,465**	–	Unsecured
			39,869,209,656	29,861,007,096	
Subsidiaries:					
Foreign currencies:					
JGSPL					
US$750.0 million guaranteed notes	2023	4.38%	**₱31,948,269,716**	₱31,788,240,411	Guaranteed
CAI					
ECA loans (Note 15)	2024	2-6%; 1-2% (US$ Libor)	**6,491,078,408**	12,402,011,468	Secured
Commercial loan from foreign banks	2025	3-6%; 1-2% (US$ Libor)	**20,945,327,844**	24,829,936,162	- do -
URC					
NZ$420.0 million term loan	2019	NZ BKBM+1.60%	**14,703,928,540**	14,311,677,913	Guaranteed
AU$484.2 million term loan	2021	AU 3.04% (BBSY BID+1.25%)	**18,522,033,848**	17,054,914,872	- do -
RLC					
RMB60 million term loan	2022	RMB 4.75%	**458,325,660**	–	Secured
RMB50 million term loan	2019	RMB 4.75%	**381,938,050**	–	Unsecured
			93,450,902,066	100,386,780,826	
Philippine Peso:					
RLC					
₱10.6 billion loan facility	2022	4.80%	**10,572,734,836**	10,560,505,235	Unsecured
₱1.4 billion loan facility	2025	4.93%	**1,354,785,206**	1,354,882,882	- do -
₱4.5 billion loan facility	2027	4.95%	**4,479,057,874**	–	- do -
₱7.0 billion loan facility	2024	4.75%	**6,968,413,235**	–	- do -
₱6.5 billion loan facility	2021	3.83%	**6,475,938,594**	6,469,690,891	- do -
₱5.0 billion loan facility	2023	3.89%	**4,969,968,699**	4,976,398,670	- do -
CAI					
Commercial loans	2027	2-3% (PDST-R2)	**13,545,804,500**	5,578,490,000	Guaranteed
			48,366,702,944	28,939,967,678	
			181,686,814,666	159,187,755,600	
Less current portion			**5,728,469,720**	6,826,230,309	
			₱175,958,344,946	₱152,361,525,291	

The foreign exchange rate used to revalue the foreign currency borrowings was ₱49.93 to US$1.00 and ₱49.72 to US$1.00 as of December 31, 2017 and 2016, respectively.

Long-term debt to foreign banks is shown net of unamortized debt issuance costs totaling ₱520.8 million and ₱634.6 million as of December 31, 2017 and 2016, respectively. Unamortized debt issuance cost related to peso-denominated long-term debt amounted to ₱299.9 million and ₱277.5 million as of December 31, 2017 and 2016, respectively.

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

	2017	2016
Due in:		
2017	**₱–**	₱7,040,253,460
2018	**5,969,257,624**	5,962,465,277
Thereafter	**176,538,250,996**	147,097,131,332
	₱182,507,508,620	₱160,099,850,069

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

Subsidiaries' Foreign Currency Loans
JGSPL 4.375% Senior Unsecured Notes Due 2023
On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% senior unsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

JGSPL 5-year Guaranteed Notes
On January 16, 2013, JGSHPL, a wholly owned subsidiary of JGSPL, issued US$250.0 million, US$ LIBOR plus 2.2% margin, 5-year guaranteed notes. The notes are unconditionally and irrevocably guaranteed by the Parent Company. These notes are hedged items in a cash flow hedge. In October 2016, JGSHPL prepaid the notes under Clause 7.1 of the underlying Term Loan Facility Agreement. Total payment amounted to US$251.8 million (₱12.5 billion).

CAI Commercial Loans From Foreign Banks
On various dates from 2007 to 2016, CAI entered into a commercial loan facility to partially finance the purchase of 19 Airbus A320 aircraft, one CFM 565B4/P engine, two CFM 565B5/P engines and one QEC Kit. The security trustee of the commercial loan facility established SPEs, namely ILL, PTALL, PTHALL, SAALL, SBALL and SCALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to a: (a) 10-year finance lease arrangement for the Airbus A320 aircraft, (b) six-year finance lease arrangement for the engines and (c) five-year finance lease arrangement for the QEC Kit. The quarterly and semi-annual rental payments of CAI to those SPEs correspond to the principal and interest payments made by these SPEs to the commercial lenders and are guaranteed by CAI. CAI has the option to purchase the aircraft, the engines and the QEC Kit for a nominal amount at the end of such leases.

The terms of the CAI commercial loans from foreign banks follow:

- Term of ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a quarterly and semi-annual basis for the aircraft and engines.
- Interests on loans are a mix of fixed and variable rates. Interest rates ranges from 2.00% to 5.00%.
- The facilities provide for material breach as an event of default, upon which, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose on secured assets, namely the aircraft.

As of December 31, 2017 and 2016, the total outstanding balance of the US dollar commercial loans amounted to ₱20.9 billion (US$419.5 million) and ₱24.8 billion (US$499.4 million), respectively. Interest expense amounted to ₱780.6 million, ₱751.9 million and ₱585.4 million in 2017, 2016 and 2015, respectively.

CAI's ECA Loans
On various dates from 2005 to 2012, CAI entered into ECA-backed loan facilities to partially finance the purchase of ten Airbus A319 aircraft, seven ATR 72-500 turbopop aircraft and ten Airbus A320 aircraft. The security trustee of the ECA loans established SPEs, namely CALL, BLL, SLL, SALL, VALL and POALL, which purchased the aircraft from the supplier and leases such aircraft to CAI pursuant to (a) ten-year finance lease arrangement for the ATR 72-500 turbopop aircraft and (b) twelve-year finance lease arrangement for the Airbus A319 and A320 aircraft. The quarterly and semi-annual rental payments made by CAI to these SPEs correspond to the principal and interest payments made by the SPEs to the ECA-backed lenders. The quarterly and semi-annual lease rentals to the SPEs are

guaranteed by CPAHI and CAI. CAI has the option of purchasing the aircraft for a nominal amount at the end of such leases.

In 2017 and 2016, CAI exercised the option to purchase three and four of the ten Airbus A319 aircraft, respectively, which were subsequently sold to a third party as part of a forward sale arrangement (see Note 16). The purchase required the prepayment of the balance of the loan facility attributed to the sold Airbus A319 aircraft. The total amount of loans paid amounted to ₱494.1 million and ₱870.5 million in 2017 and 2016, respectively. The breakage cost for the related loan prepayments amounted to ₱12.0 million and ₱45.6 million in 2017 and 2016, respectively.

The terms of the remaining ECA-backed facilities, which are the same for the six (6) Airbus A320 aircraft and seven (7) ATR 72-500 turboprop aircraft, follow:

- Term of 12 years starting from the delivery date of each Airbus A320 aircraft and ten years for each ATR 72-500 turboprop aircraft.
- Combination of annuity style and equal principal repayments for the ATR 72-500 turboprop aircraft and Airbus A320 aircraft. Principal repayments shall be made on a semi-annual basis for ATR 72-500 turboprop aircraft. Principal repayments shall be made on a quarterly basis for A320 aircraft.
- Interest on loans from the ECA lenders are a mix of fixed and variable rates. Fixed annual interest rates ranges from 2.00% to 5.00% and variable rates are based on US dollar LIBOR plus margin.
- As provided under the ECA-backed facility, the SPEs cannot create or allow to exist any security interest, other than what is permitted by the transaction documents or the ECA administrative parties. SPEs must not allow impairment of first priority nature of the lenders' security interests.
- The ECA-backed facilities also provide for the following events of default: (a) nonpayment of the loan principal or interest or any other amount payable on the due date, (b) breach of negative pledge, covenant on preservation of transaction documents, (c) misrepresentation, (d) commencement of insolvency proceedings against SPEs becomes insolvent, (e) failure to discharge any attachment or sequestration order against SPEs' assets, (f) entering into an undervalued transaction, obtaining preference or giving preference to any person, contrary to the laws of the Cayman Islands, (g) sale of any aircraft under ECA financing prior to discharge date,(h) cessation of business, (i) revocation or repudiation by the SPEs, the Group, JGSHI or CPAHI of any transaction document or security interest, and (j) occurrence of an event of default under the lease agreement with CAI.
- Upon default, the outstanding amount of loan will be payable, including interest accrued. Also, the ECA lenders will foreclose on secured assets, namely the aircraft (Note 13).
- An event of default under any ECA loan agreement will occur if an event of default as enumerated above occurs under any other ECA loan agreement.

The Group is not in breach of any terms on the ECA and commercial loans.

The total future minimum lease payments of the operating aircraft leases guaranteed by the Parent Company amounted to ₱29.8 billion and ₱31.9 billion in 2017 and 2016, respectively.

URC NZ Finance Company Limited NZD420 Million Term Loan due 2019
On November 13, 2014, URC New Zealand Holding Finance Company, Ltd. (URC NZ Finco) entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD420.0 million (₱12.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019. This long-term loan is guaranteed by URC Parent Company.

URC Oceania Company Limited NZD322 Million Term Loan due 2019
On November 13, 2014, URC Oceania entered into a secured term loan facility agreement payable in five (5) years, amounting to NZD322.0 million (₱9.6 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, NZ Snack Foods Holdings Limited. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on November 13, 2019.

On February 16, 2016, URC Oceania prepaid its 5-year term loan under Clause 7.1 of the underlying Facility Agreement. Total payment amounted NZ$326.0 million (approximately ₱10.1 billion), including interest.

URC Australia Finance Company Limited Term Loan US$484.2 Million
On September 30, 2016, URC AU FinCo entered into a secured syndicated term loan facility agreement payable in five (5) years, amounting to AU$484.2 million (₱17.9 billion), with various banks for payment of acquisition costs and to refinance certain indebtedness of an acquired company, CSPL. The loan obtained bears a market rate plus a certain spread, payable quarterly, maturing on September 30, 2021. This long-term loan is guaranteed by URC Parent Company.

RLC Five-year loan from Agricultural Bank of China (ABC) maturing in August 2022
In 2017, Chengdu Xin Yao entered into a facility loan agreement with ABC amounting to RMB500.0 million. On August 22, 2017, RLC made a drawdown amount to ₱459.6 million or RMB60.0 million which is payable after a period of 5 years. Interest on the loan shall be based on the rates released by the People's Bank of China which is 4.75% per annum as of loan agreement date. This long-term loan is guaranteed with RLC's land use rights in China under Chengdu Xin Yao.

Three-year entrusted loan from Chengdu Ding Feng Real Estate Development Co. Ltd. Maturing in December 2019
In 2017, Chengdu Xin Yao entered into a loan agreement with Chengdu Ding Feng Real Estate Development Co. Ltd. amounting to RMB50.0 million. Interest on the loan is 4.75%.

<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 5.23% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.24% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.30% due 2024. Interest is calculated on a 30/360-day count basis and is payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes.

Parent Company ₱7.5 Billion and ₱1.5 Billion Term Loan Facilities
On December 10 and 11, 2014, the Parent Company entered into a ₱7.5 billion and a ₱1.5 billion term loan facility, respectively. The loans bear a floating interest rate based on the applicable three (3)-month PDST-R1 plus 0.75% spread. The interest is calculated based on the actual number of days lapsed over a 365-day calendar year count and are payable quarterly starting December 10, 2015 until December 10, 2016, the maturity of the loans.

On June 10, 2015, the Parent Company prepaid the ₱1.5 billion loan facility. The interest rate basis for the ₱7.5 billion loan was also changed to the current SDA rates. The Parent Company deemed the change as not a substantial modification of the previous loan terms.

On June 10, 2016, the Parent Company partially prepaid the ₱2.0 billion of the ₱7.5 billion term loan facility. The Parent Company paid ₱2.05 billion representing ₱2.0 billion for principal and ₱48.6 million for interest. On December 10, 2016, the Parent Company settled the remaining ₱5.5 billion term loan facility. The Parent Company paid ₱5.5 billion representing ₱5.5 billion for principal and ₱36.1 million for interest.

Parent Company ₱9.0 Billion Term Loan Facility
On November 20, 2014, the Parent Company entered into a ₱9.0 billion term loan facility. The loan bears a fixed rate of 4.5% calculated based on the actual number of days lapsed over a 365-day calendar year count and is payable quarterly starting November 20, 2014 until November 20, 2019, the maturity of the loans.

On December 14, 2015, the Parent Company partially prepaid the ₱4.1 billion term loan facility. The Parent Company paid ₱4.2 billion representing ₱4.1 billion for principal, ₱26.1 million for interest and ₱41.0 million as prepayment fee.

On May 20, 2016, the Parent Company prepaid the remaining balance of ₱4.9 billion. The Parent Company paid ₱4.98 billion representing ₱4.9 billion for principal, ₱53.3 million for interest and ₱24.5 million as prepayment fee. The related loss on the derecognition of the loan that was partially prepaid was included under "Financing Cost and Other Charges" in the consolidated statement of comprehensive income.

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.

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.

<u>Subsidiaries' Philippine Peso Loans</u>
RLC ₱10.0 Billion Term Loan due in July 2019
On July 8, 2014, RLC borrowed ₱9.0 billion and ₱1.0 billion under a Term Loan Facility Agreement with BDO Unibank, Inc. and BDO Leasing and Finance, Inc., respectively.

The ₱9.0 billion loan was released in two tranches amounting to ₱5.0 billion and ₱4.0 billion on July 14, 2014 and August 27, 2014, respectively. The interest rate is at 5.04% 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 ₱1.0 billion loan was released on July 14, 2014 with interest rate at 5.04% 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 interest rate for both loans was fixed based on the applicable five (5) - year PDSTF plus 1% spread determined one (1) banking day prior to the initial borrowing and inclusive of gross receipts tax, but subject to a floor rate of 4.50% per annum. The market rate at the date of inception is above the floor rate of 4.50% and management assessed that the interest rate floor is clearly and closely related to the host contract and is not required to be separately valued.

RLC may, subject to the penalty of one percent (1.00%), prepay the loan in part or in full together with accrued interest thereof to prepayment date. RLC has assessed that the embedded derivative related to this prepayment option is clearly and closely related to the host contract thus was not separately valued. On October 17, 2016, RLC pre-terminated the outstanding balance of the ₱10.0 billion loan and paid a prepayment charge amounting to ₱147 million.

RLC ₱10.6 Billion Term Loan due in February 2022
On February 23, 2015, RLC issued ₱10.6 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.80% per annum.

RLC ₱1.4 Billion Term Loan due in February 2025
On February 23, 2015, RLC issued ₱1.4 billion bonds constituting direct, unconditional, unsubordinated, and unsecured obligation obligations of RLC and shall at all times rank pari-passu and without preference among themselves and among any present and future unsubordinated and unsecured obligations of RLC, except for any statutory preference or priority established under Philippine law. The net proceeds of the issue shall be used by RLC to refinance existing debt obligations and to partially fund investment capital expenditures.

Interest on the bonds shall be calculated on a 30/360-day count basis and shall be paid semi-annually in arrears on February 23 and August 23 of each year at which the bonds are outstanding. Interest rate is 4.93% per annum.

RLC ₱6.5 Billion Term Loan due in July 2021
On July 8, 2016, RLC borrowed ₱6.5 billion under Term Loan Facility Agreements with BDO Unibank, Inc.

The loan was released on July 8, 2016 amounting to ₱3.0 billion and on September 27, 2016 amounting to ₱3.5 billion with interest rate at 3.83% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

RLC ₱5.0 Billion Term Loan due in August 2023
On August 10, 2016, RLC borrowed ₱5.0 billion under Term Loan Facility Agreements with Bank of the Philippine Islands. The ₱5.0 billion loan was released on August 10, 2016 with interest rate at

3.89% per annum and shall be payable quarterly, computed on the basis of a 360-day year and on the actual number of days elapsed.

RLC ₱7.0 Billion Term Loan due in March 2024
On March 15, 2017, RLC borrowed ₱7.0 billion 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 ₱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.

CAI Philippine Peso Commercial Loans
In 2016, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of two ATR 72-600 aircraft and one Airbus A330 aircraft.

In 2017, CAI entered into a Philippine peso commercial loan facility to partially finance the acquisition of six ATR 72-600 aircraft and one Airbus A330 aircraft.

The terms of the commercial loans follow:
- Term of ten years starting from the delivery date of each aircraft.
- Forty equal consecutive principal repayments made on a quarterly basis
- Interests on loans are variable rates. Interest rates ranges from 2.00% to 3.00%.
- The facilities provide that, upon event of default, the outstanding amount of loan will be payable, including interest accrued. The lenders will foreclose mortgaged assets, namely the aircraft.

In 2017, 2016 and 2015, total interest expense on long-term debt amounted to ₱6.6 billion, ₱6.5 billion and ₱6.1 billion, respectively (see Note 35).

In 2017, 2016 and 2015, the Group recognized amortization of bond issue costs amounting to ₱84.2 million, ₱209.3 million and ₱147.2 million, respectively (see Note 35).

Debt Covenants
Certain loan agreements contain provisions which, among others, require the maintenance of specified financial ratios at certain levels and impose negative covenants which, among others, prohibit a merger or consolidation with other entities, dissolution, liquidation or winding-up, except with any of its subsidiaries; and prohibit the purchase or redemption of any issued shares or reduction of registered and paid-up capital or distribution of assets resulting in capital base impairment.

For the Parent Company's ₱9.0 Billion, ₱5.0 Billion and ₱5.0 Billion Term Loan Facilities, the Group is required to maintain a financial ratio of Group's total borrowings to Group's shareholders' equity not exceeding 2.0:1.0.

For the Parent Company's ₱30.0 Billion Fixed Rate Retail Bonds, the Group is required to maintain the following financial ratios:
- the Group's current ratio of not less than 0.5:1.0;
- the Group's debt-to-equity ratio of not greater than 2.0:1.0

For the RLC's ₱10.6 Billion Retail Bonds due in February 2022, ₱1.4 Billion Retail Bonds due in February 2025, ₱10.0 Billion Term Loan due in July 2019, ₱6.5 Billion Term Loan due in July 2021, ₱5.0 Billion Term Loan due in August 2023, ₱4.5 Billion Term Loan due in February 2027 and ₱7.0 Billion Term Loan due in March 2024, RLC is required to maintain a debt-to-equity ratio not exceeding 2:1 as referenced from its consolidated financial statement as of its year end December 31 and consolidated interim financial statements as of March 31. These loans were not guaranteed by the Parent Company.

For the RLC's RMB60 million loan from Agricultural Bank of China (ABC) maturing in August 2022, Chengdu Xin Yao is required to maintain the following financial indicators: (a) actual revenue in its operating period which should not be lower than 20%; (b) asset-liability ratio should not equal or exceed 70%; (c) the borrower should not have a bad credit; and (d) borrower contingent liability ratio should not exceed 4%. Chengdu Xin Yao has complied with the debt covenant as of December 31, 2017.

For CEB's ECA loans, the Group is required to maintain the following financial ratios:
- Consolidated EBITDA to consolidated interest payable ratio should not be less than 3:1 ratio;
- Consolidated total borrowings to consolidated equity should not exceed 2:1 ratio; and
- Consolidated current liabilities should not exceed consolidated current assets.

The agreements for the ECA loans also include conditions that has to be met prior to declaring CAI or the Parent Company in default or in breach of the related debt covenants, such as but not limited to, written notice of default and lapse of the relevant grace period.

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$250.0 million loans due in 2018, the guarantor shall procure that the ratio of Consolidated Total Borrowings to Consolidated Shareholders' Equity does not at any time exceed 2:1.

For the NZ and AU Term loans, these loans contain negative covenants which include, among others, maintenance of a debt to equity ratio of not greater than 2.5 to 1.0.

The Group has complied with all of its debt covenants as of December 31, 2017 and 2016.

24. **Other Noncurrent Liabilities**

This account consists of:

	2017	2016
Deposit liabilities - net of current portion	**₱16,803,718,389**	₱4,188,393,891
ARO	**3,824,447,419**	2,606,050,631
Deposit from lessees - net of current portion (Note 42)	**2,341,568,583**	2,262,502,350
Accrued rent expense	**1,458,843,803**	1,577,720,784
Pension liabilities (Note 37)	**1,431,166,804**	1,275,276,439
Deposits from real estate buyers - net of current portion	**1,443,705,475**	296,427,485
Others	**887,316,583**	999,928,126
	₱28,190,767,056	₱13,206,299,706

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

<u>ARO</u>
CAI is legally required under certain lease contracts to restore certain leased passenger aircraft to stipulated return conditions and to bear the costs of restoration at the end of the contract period. These costs are accrued based on estimates made by CAI's engineers, which include estimates of future aircraft utilization and certain redelivery costs at the end of the lease period (see Note 3).

URC also has obligations to restore the leased manufacturing sites, warehouses and offices at the end of the respective lease terms. These provisions are calculated as the present value of the estimated expenditures required to remove any leasehold improvements. These costs are currently capitalized as part of the cost of the plant and equipment and are amortized over the shorter of the lease term and the useful life of assets.

The rollforward analysis of the Group's ARO follows:

	2017	2016
Balance at beginning of year	**₱2,606,050,631**	₱1,344,571,000
Provision for ARO	**1,218,396,788**	1,261,479,631
Balance at end of year	**₱3,824,447,419**	₱2,606,050,631

In 2017, 2016 and 2015, ARO expenses included as part of repairs and maintenance under 'Cost of Sales' amounted to ₱1.2 billion, ₱1.3 billion and ₱0.9 billion, respectively (Note 30).

<u>Deposits from Lessees</u>
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 ₱56.0 million, ₱88.1 million and ₱63.9 million in 2017, 2016 and 2015, respectively (Note 30). The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

The unearned rental income (included under 'Deposit from lessees') amounted to ₱373.0 million and ₱282.0 million as of December 31, 2017 and 2016, respectively. The rental income on amortization of unearned rental income amounted to ₱64.0 million, ₱83.0 million and ₱62.5 million in 2017, 2016 and 2015, respectively.

Accrued Rent

Accrued rent expense represents the portion of the lease as a consequence of recognizing expense on a straight-line basis. These pertain to various lease of land entered by the Group where the malls are located.

Deposits from Real Estate Buyers

Deposits from real estate buyers (including the current portion shown in Note 22) represent cash received in advance from buyers which shall be applied against the total contract price of the subdivision land, condominium and residential units that are for sale as soon as the contractual obligation of the real estate buyer has begun. The deposits from buyers which are expected to be applied to the contract price within one year are classified as current (see Note 22).

Deposits from real estate buyers also include cash collections in excess of the installment contract receivables recognized under the percentage-of-completion method.

Others

Others include retention payable which represents amounts withheld from payments to contractors as guaranty for any claims against them. These are noninterest-bearing and will be remitted to contractors at the end of the contracted work.

25. Equity

Details of the Parent Company's authorized capital stock as of December 31, 2017 and 2016 follow:

	Par Value	Shares	Amount
Common shares	₱1.00	12,850,800,000	₱12,850,800,000
Preferred voting shares	0.01	4,000,000,000	40,000,000
Preferred non-voting shares	1.00	2,000,000,000	2,000,000,000
		18,850,800,000	₱14,890,800,000

The paid-up capital of the Group consists of the following:

Capital stock:	
Common shares - ₱1 par value	₱7,162,841,657
Preferred voting shares - ₱0.01 par value	40,000,000
	7,202,841,657
Additional paid-in capital	23,553,025,157
Total paid-up capital	₱30,755,866,814

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.

Preferred Non-voting Shares

The preferences, privileges and voting powers of the preferred non-voting shares shall be as follows:

a. May be issued by the BOD of the Parent Company for such amount (not less than par), in such series, and purpose or purposes as shall be determined by the BOD of the Parent Company.
b. The shares shall be non-convertible, non-voting, cumulative and non-participating.
c. May be redeemable at the option of the Parent Company at any time, upon payment of their aggregate par or issue value, plus all accrued and unpaid dividends, on such terms as the BOD of the Parent Company may determine at the time of issuance. Shares so redeemed may be reissued by the Parent Company upon such terms and conditions as the BOD of the Parent Company may determine.
d. The holders of shares will have preference over holders of common stock in the payment of dividends and in the distribution of corporate assets in the event of dissolution, liquidation or winding up of the Parent Company, whether voluntary or involuntary. In such an event, the holders of the shares shall be paid in full or ratably, insofar as the assets of the Parent Company will permit, the par or issue value of each share held by them, as the BOD of the Parent Company may determine upon their issuance, plus unpaid cumulated dividends up to the current period, before any assets of the Parent Company shall be paid or distributed to the holders of the common shares.
e. The holders of shares shall be entitled to the payment of current as well as any accrued or unpaid dividends on the shares before any dividends can be paid to the holders of common shares.
f. The holders of shares shall not be entitled to any other or further dividends beyond that specifically payable on the preferred non-voting shares.
g. The holders of shares shall not be entitled to vote (except in those cases specifically provided by law) or be voted for.
h. The holders of shares shall have no pre-emptive rights, options or any other similar rights to subscribe or receive or purchase any or all issues or other disposition of common or other preferred shares of the Parent Company.
i. The shares shall be entitled to receive dividends at a rate or rates to be determined by the Parent Company's BOD upon their issuance.

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, 2017, 2016 and 2015:

	2017	2016	2015
Common shares	**1,033**	1,043	1,054
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:

	2017	2016
(a) Gross debt		
Short-term debt (Note 23)	**₱45,847,813,461**	₱61,884,514,577
Current portion of long-term debt (Note 23)	**5,728,469,720**	6,826,230,309
Long-term debt, net of current portion (Note 23)	**175,958,344,946**	152,361,525,291
Derivative liabilities (Note 8)	**5,904,377**	5,947,386
Redeemable preferred shares (Note 22)	**–**	1,700,000
	₱227,540,532,504	₱221,079,917,563
(b) Capital	**₱346,419,548,001**	₱312,783,855,201
(c) Debt-to-capital ratio (a/b)	**0.66:1**	0.71:1

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
Under existing BSP regulations, the determination of RBC's compliance with regulatory requirements and ratios is based on the amount of the parent company's 'unimpaired capital' (regulatory net worth) reported to the BSP, which is determined on the basis of regulatory policies. In addition, the risk-based capital ratio of a bank, expressed as a percentage of qualifying capital to risk-weighted assets, should not be less than 10.00% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of 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 directors, officers, stockholders, and their related interests (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 nonfinancial 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 125.00% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors.

Following is a summary of risk weights and selected exposure types:

Risk weight	Exposure/Asset type*
0%	Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation
20%	Checks and other cash items (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)
125%	All non-performing loans (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%.

In the case of derivatives, the credit equivalent amount (against which the risk weight factor is multiplied to arrive at the risk-weighted exposure) is generally the sum of the current credit exposure or replacement cost (the positive fair value or zero if the fair value is negative or zero) and an estimate of the potential future credit exposure or add-on. The add-on ranges from 0.00% to 1.50% (interest rate-related) and from 1.00% to 7.50% (exchange rate-related), depending on the residual maturity of the contract. For credit-linked notes (CLNs) and similar instruments, the risk-weighted exposure is the higher of the exposure based on the risk weight of the issuer's collateral or the reference entity or entities.

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 6.0% and Tier 1 capital ratio of 7.5%. It also introduces a capital conservation buffer of 2.5% comprised of CET1 capital. The BSP's existing requirement for total capital adequacy ratio (CAR) remains unchanged at 10.0% 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, 2015. 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 6.0% CET1 capital ratio and 10% risk-based CAR, on a solo and consolidated basis, under a prescribed write-off rate of 25% on the Group's real estate exposure. These limits shall be complied with at all times.

On October 29, 2014, the BSP issued amendments to Circular
No. 854, *Minimum Capitalization of Banks.* Based on the amendments, RBC, as a commercial bank with more than 100 branches, is required to increase its capitalization to ₱15.00 billion.

RBC has taken into consideration the impact of the foregoing requirements to ensure that the appropriate level and quality of capital are maintained on an ongoing basis.

The CAR of RBC as reported to the BSP as of December 31, 2017 and 2016 follows:

	2017	2016
CET 1 Capital	**₱10,475**	₱10,270
Additional Tier 1 Capital	**–**	–
Tier 1 capital	**10,475**	10,270
Tier 2 capital	**491**	318
Total qualifying capital	**₱10,966**	₱10,588
Credit risk-weighted assets (RWA)	**₱49,862**	₱38,931
Market RWA	**1,340**	223
Operational RWA	**4,696**	4,224
Total RWA	**₱55,898**	₱43,378
Common Equity Tier 1 Ratio 1	**18.74%**	23.68%
Additional Tier 1 Ratio	**0.00%**	0.00%
Tier 1 capital ratio	**18.74%**	23.68%
Tier 2 capital ratio	**0.88%**	0.73%
Risk-based CAR	**19.62%**	24.41%

As of December 31, 2017 and 2016, RBC was in compliance with the required CAR.

On January 28, 2015 and February 25, 2015, in relation to BSP Circular No. 854, the BOD of RBC and the stockholders representing at least two-thirds (2/3) of the outstanding capital stock, respectively, approved the issuance of the remaining 46,070,226 unissued preferred shares (A and B) of RBC at ₱10.00 par value in favor of the JGSCSC and Robinsons Retail Holdings, Inc. (RRHI) as follows:

Stockholder	**Types of Shares**	**No. of Shares Subscribed**	**Par Value**	**Amount**
JGSCSC	Preferred A	27,404,962	₱10	₱274,049,620
	Preferred B	237,174	10	2,371,740
RRHI	Preferred A	18,269,974	10	182,699,740
	Preferred B	158,116	10	1,581,160
Total		46,070,226		₱460,702,260

Furthermore, the BOD and stockholders of RBC also approved the following resolutions:

- Conversion of all preferred shares of RBC, whether issued or unissued, particularly the 356,316,500 preferred shares A and the 210,000,000 preferred shares B, into common shares, and removal of all the other class of shares of RBC, except common shares.
- Increase in RBC’s authorized capital stock from ₱6.10 billion to ₱15.00 billion divided into 1.50 billion common shares with a par value of ₱10.00 each.
- The total authorized stock of RBC is ₱15.00 billion divided into 1.50 billion common shares with a par value of ₱10.00 each.

On March 15, 2015, JGSCSC acquired additional 27,404,962 preferred shares A and 237,174 preferred shares B amounting to ₱274.05 million and ₱2.37 million, respectively.

On July 8, 2015, JGSCSC subscribed to an additional 292,905,882 common shares at ₱10.00 per share. JGSCSC paid the whole additional subscription amounting to ₱2.93 billion on the same date.

On July 9, 2015, RBC's BOD approved the increase in authorized capital stock amounting to ₱8.90 billion composed of 890.00 million common shares at 10.00 per share. Out of the ₱8.90 billion increase, ₱5.90 billion was paid-up and subscribed as follows:

Stockholder	No. of Shares Subscribed	Amount
JGSCSC	292,905,882	2,929,058,820
RRHI	297,094,118	2,970,941,180
Total	590,000,000	5,900,000,000

On November 15, 2015, the BSP also approved RBC's capital build-up program as follows:
1. Capital infusion from unissued shares up to the existing authorized capital stock of ₱6.10 billion.
2. Capital infusion from the increase in authorized capital stock from ₱6.10 billion to ₱15.00 billion of which ₱12.00 billion is paid up.
3. Internally generated capital based on RBC financial projections for the period 2015 to 2019.

The approval of BSP to the capital build-up program further provides that RBC shall:
1. Refrain from declaring and distributing cash dividends until the ₱15.00 billion minimum capital requirement is attained;
2. Call on its stockholders to infuse additional capital in case of shortfall in internally-generated income to meet the target capital levels; and
3. Submit progress reports with supporting documents, duly noted by its BOD, to the Central Point of Contact Department II, within 20 banking days from end of December of each tear until the Bank is deemed by the BSP to have fully complied with its capital build-up program.

On December 15, 2015, RBC filed its application for the increase in its authorized shares as approved by the BOD and the BSP with the SEC.

As of December 31, 2017 and 2016, JGSCSC's deposit for the additional subscription amounting to ₱2.93 billion in RBC's common shares is presented under 'Investments in subsidiaries' in the consolidated statement of financial position.

On January 29, 2016, the SEC approved RBC's application for the increase in authorized capital stock from ₱6.10 billion divided into ₱43.68 million common shares, ₱356.32 million preferred shares A and ₱210.00 million preferred shares B of ₱10.00 par value each, to ₱12.00 billion divided into 633.64 million common shares, 356.32 million preferred shares A and 210.00 million preferred shares B of ₱10.00 par value each.

In 2016, RBC has issued 590.00 million common shares amounting to ₱5.90 billion in exchange for the deposits for future subscriptions.

In 2016, RBC removed all the other classes of shares, except common shares, and converted its ₱356.32 million preferred shares A and ₱210.00 million preferred shares B to ₱566.32 million common shares with ₱10.00 par value.

Retained Earnings

As of December 31, 2017 and 2016, the Group has a total retained earnings of ₱207.7 billion and ₱180.4 billion, respectively. Out of this, ₱117.8 billion and ₱114.1 billion were restricted as of December 31, 2017 and 2016, respectively.

Details of the Group's restricted retained earnings follow:

Parent Company

In April 2003, the Parent Company's BOD approved the appropriation of retained earnings amounting to ₱8.0 billion. On December 29, 2014, December 30, 2010 and December 28, 2009, the Parent Company's BOD approved the additional appropriation of retained earnings amounting to ₱39.0 billion, ₱19.0 billion and ₱15.0 billion, respectively.

On December 18, 2015, the BOD approved the appropriation of retained earnings amounting to ₱47.0 billion and the reversal of the appropriation made during 2014 amounting to ₱41.4 billion.

On November 20, 2016, the BOD approved the appropriation of retained earnings amounting to ₱10.4 billion.

On December 14, 2017, the BOD approved the appropriation of retained earnings amounting to ₱3.7 billion.

As of December 31, 2017, the Parent Company's restricted retained earnings amounted to ₱100.7 billion.

As of December 31, 2017, the ₱100.7 billion restricted retained earnings of the Parent Company is earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company; (b) funding of capital expenditure commitments of certain wholly owned subsidiaries; (c) and 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
Term Loans	Parent Company	₱10.0 billion	Maturing in 2022 and 2024
Retail Bonds	Parent Company	₱30.0 billion	Maturing in 2019, 2021 and 2024
Short-term loans	Parent Company	₱12.7 billion	Maturing in 2018

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 lesser than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

URC

In 2003, URC's BOD approved the appropriation of retained earnings amounting to ₱3.0 billion for URC's expansion plans.

In April 2011, as approved by the BOD, URC has appropriated retained earnings amounting to ₱5.0 billion for URC's expansion plans. On the same date, URC's BOD also approved the reversal of the previously appropriated retained earnings amounting to ₱3.0 billion.

URC's expansion plans include investments and capital expenditures for existing and on-going projects. Out of the ₱5.0 billion, around ₱4.3 billion was allocated to branded consumer foods group for Polyethylene terephthalate bottle projects and snack food facilities in the Philippines; expansion of chocolates, biscuits and wafer lines in Thailand and Malaysia; and expansion of beverage, biscuits, cake and candy lines in Vietnam, which were completed in the first half of fiscal year 2013. The rest of the appropriation were used for farm expansion, handling facilities of the feeds division and maintenance capital expenditures of the commodity group in the first half of fiscal year 2013.

On February 11, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱5.0 billion. On the same date, the BOD approved the appropriation of retained earnings amounting to ₱6.0 billion for the purposes of the URC's plant expansion. On September 18, 2013, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱6.0 billion.

On September 18, 2015, as approved by the BOD, URC has appropriated retained earnings amounting to ₱2.0 billion for the URC's capital expenditure commitments to expand capacities in the snack foods and beverage businesses across branded food operations which is expected to be completed within the next two years.

On September 27, 2016, the BOD approved the reversal of the previously appropriated retained earnings amounting to ₱1.0 billion, which has been used to complete portions of the snack foods and beverage business projects across branded foods group. On the same date, the BOD approved the additional appropriation of retained earnings amounting to ₱2.0 billion for capital expenditure commitments to expand capacities across branded consumer and commodity foods businesses, which are expected to be completed within the next two years.

RLC
On December 12, 2017, the BOD approved the reversal of the retained earnings it appropriated in 2016 amounting to ₱16.0 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, the BOD also approved the appropriation of ₱24.5 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of the Group for various projects approved by the Executive Committee during meetings held in September 2016. These projects and acquisitions are expected to be completed in various dates in 2018 to 2022.

On September 27, 2016, the BOD approved the reversal of the retained earnings it appropriated in 2015 amounting to ₱17.0 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 RLC for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱16.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects approved by the Executive Committee during meetings held in September 2016.

These projects and acquisitions are expected to be completed in various dates in 2017 to 2021.

On September 10, 2015, the BOD approved the reversal of the retained earnings it has appropriated in 2014 amounting to ₱17.0 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 RLC for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, the BOD also approved the appropriation of ₱17.0 billion, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects approved by the Executive Committee during meetings held in September 2015. These projects and acquisitions are expected to be completed in various dates in 2016 to 2018.

CAI
On December 15, 2017, November 10, 2016 and December 3, 2015, CAI's BOD appropriated ₱18.3 billion, ₱6.6 billion and ₱1.0 billion, respectively, from its unrestricted retained earnings for purposes of CAI's re-fleeting program. The appropriated amount will be used for the settlement of pre-delivery payments and aircraft lease commitments. As of December 31, 2017 and 2016, CAI has appropriated retained earnings totaling ₱18.3 billion and ₱14.5 billion, respectively.

Project name	BOD approval	Expected Receipt Date
Re-fleeting program		
2017	**December 15, 2017**	**2018-2021**
2016	November 10, 2016	2017-2021
2015	December 3, 2015	2016-2021

RBC
As of December 31, 2013 and 2012, RBC's surplus reserve amounted to ₱133.7 million and ₱112.2 million, respectively, which were appropriated for self-insurance and for its trust operations.

In 2017 and 2016, RBC's BOD approved to appropriate reserves for trust reserves amounting to ₱0.64 million and ₱0.93 million, respectively. In 2017, the Parent Company's BOD approved to reverse appropriation of reserves for self-insurance amounting to ₱106.95 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 ₱86.7 billion, ₱71.5 billion and ₱58.8 billion as of December 31, 2017, 2016 and 2015, 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:

	2017	2016	2015
Date of declaration	**June 27, 2017**	June 9, 2016	June 10, 2015
Dividend per share	**₱0.28**	₱0.25	₱0.22
Total dividends	**₱2.0 billion**	₱1.8 billion	₱1.6 billion
Date of record	**July 17, 2017**	June 29, 2016	June 25, 2015
Date of payment	**August 10, 2017**	July 25, 2016	July 21, 2015

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

	2017	2016	2015
Date of declaration	**June 27, 2017**	June 9, 2016	June 10, 2015
Dividend per share	**₱0.0028**	₱0.0025	₱0.0022
Total dividends	**₱11.2 million**	₱10.0 million	₱8.8 million
Date of record	**July 17, 2017**	June 29, 2016	June 25, 2015
Date of payment	**August 10, 2017**	July 25, 2016	July 21, 2015

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

URC
Details of URC's dividend declarations follow:

	2017	2016	2015
Date of declaration	**February 15, 2017**	February 9, 2016	February 6, 2015
Dividend per share	**₱3.15**	₱3.15	₱3.00
Total dividends	**₱6.9 billion**	₱6.9 billion	₱6.5 billion
Date of record	**March 1, 2017**	February 29, 2016	February 26, 2015
Date of payment	**March 27, 2017**	March 28, 2016	March 24, 2015

RLC
Details of RLC's dividend declarations follow:

	2017	2016	2015
Date of declaration	**March 3, 2017**	March 9, 2016	April 29, 2015
Dividend per share	**₱0.36**	₱0.36	₱0.36
Total dividends	**₱1.5 billion**	₱1.5 billion	₱1.5 billion
Date of record	**April 3, 2017**	March 29, 2016	May 14, 2015
Date of payment	**May 2, 2017**	April 22, 2016	June 9, 2015

CAI
Details of CAI's dividend declarations follow:

	2017	2016	2015
Date of declaration	**May 19, 2017**	May 20, 2016	June 24, 2015
Dividend per share - regular	**₱1.00**	₱1.00	₱1.00
Total dividends - regular	**₱606.0 million**	₱606.0 million	₱606.0 million
Dividend per share - special	**₱1.75**	₱1.00	₱0.50
Total dividends - special	**₱1,060.5 million**	₱606.0 million	₱303.0 million
Date of record	**June 9, 2017**	June 9, 2016	July 16, 2015
Date of payment	**July 5, 2017**	July 5, 2016	August 11, 2015

Treasury Shares
The Group had 98.1 million outstanding treasury shares amounting to ₱721.8 million as of December 31, 2012. On November 25, 2013, the Parent Company sold all of its 98.1 million treasury shares, with total cost of ₱721.8 million via an accelerated overnight equity placement at a price of ₱40.0 per share.

Equity Reserve
On September 27, 2016, URC reissued 22.7 million common shares previously held as treasury shares by way of block sale at a selling price of ₱193.45 per share, with a total selling price amounting to ₱4.4 billion, net of transaction costs amounting to ₱27.2 million. As a result of the sale, the equity interest of the Parent Company over URC changed from 55.83% to 55.25%. The excess of the total consideration received over the carrying value of the interest transferred to the non-controlling interest is included under "Equity Reserve" in the 2016 consolidated statements of changes in equity.

In December 2014, URC entered into a share purchase agreement with Nissin to sell 14.0% of its equity interest in NURC. As a result of the sale, the equity interest of URC changed from 65% to 51%. The gain from the sale amounting to ₱239.8 million is included under 'Equity reserve' in the 2014 consolidated statements of financial position.

Non-controlling Interests
Below is the rollforward of non-controlling interests:

	2017	2016	2015
Beginning balance	**₱73,268,333,356**	₱63,935,131,765	₱53,994,117,270
Total comprehensive income:			
Net income attributable to non-controlling interests	**10,149,496,652**	11,449,631,592	10,065,386,384
Other comprehensive income attributable to non-controlling interests:			
Net unrealized gains (losses) on AFS investments (Note 10)	**(80,951,614)**	(115,159,763)	(93,858,078)
Cumulative translation adjustments	**(554,608,529)**	(150,702,267)	766,066,829
Remeasurements due to defined benefit liability (Note 37)	**50,063,791**	24,244,127	(27,639,789)
Gain (loss) on cashflow hedge	**(5,083,232)**	8,634,742	(1,362,560)
	9,558,917,068	11,216,648,431	10,708,592,786
Cash dividends paid to non-controlling interests	**(4,245,057,809)**	(4,175,979,077)	(3,922,800,371)
Deposit for future subscription of shares by non-controlling interest in a subsidiary	–	–	3,155,222,080
Sale of shares of subsidiary	–	–	–
Decrease in subsidiaries' treasury shares	–	2,292,532,237	–
	₱78,582,192,615	₱73,268,333,356	₱63,935,131,765

Deposit for future subscription of shares by non-controlling interest in a subsidiary amounting to ₱3.2 billion pertain to the additional investment by RRHI in RBC.

26. Banking Revenue

This account consists of:

	2017	2016	2015
Interest income (Note 27)	**₱4,109,285,854**	₱3,092,862,946	₱2,705,799,538
Service fees and commission income	**181,649,418**	174,216,102	176,209,592
Trading and securities gains (Notes 8 and 10)	**184,893,310**	145,108,071	86,931,176
	₱4,475,828,582	₱3,412,187,119	₱2,968,940,306

27. Interest Income

This account consists of:

	2017	2016	2015
Interest income from:			
Finance receivables and sales contract receivable (Note 11)	**₱3,194,186,361**	₱2,334,136,260	₱2,058,890,489
AFS debt securities (Note 10)	**829,805,734**	532,874,580	500,478,245
Cash and cash equivalents (Note 7)	**654,200,215**	574,695,922	677,762,510
Financial assets at FVPL (Note 9)	**650,771,348**	639,122,921	726,063,019
HTM investments (Note 10)	**23,747,163**	170,428,187	109,230,854
Others	**–**	2,850,129	766,907
	₱5,352,710,821	₱4,254,107,999	₱4,073,192,024

Interest income are included in the following accounts in the consolidated statements of comprehensive income as follows:

	2017	2016	2015
Banking revenue (Note 26)	**₱4,109,285,854**	₱3,092,862,946	₱2,705,799,538
Finance income	**1,243,424,967**	1,161,245,053	1,367,392,486
	₱5,352,710,821	₱4,254,107,999	₱4,073,192,024

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 ₱1.3 billion, ₱1.8 billion and ₱2.6 billion in 2017, 2016 and 2015, respectively. Investment in PLDT is presented under AFS investments in the consolidated statements of financial position.

29. Other Operating Income (Expenses)

This account consists of:

	2017	2016	2015
Gain (loss) on sale of aircraft (Note 16)	**₱102,574,043**	(₱962,608,741)	(₱80,267,191)
Gain on insurance claims	**28,397,634**	208,713,905	20,410,473
Realized gain on sale of AFS investments (Note 10)	**14,747,467**	452,510	898,183
Others	**96,152,440**	265,486,484	210,173,325
	₱241,871,584	(₱487,955,842)	₱151,214,790

Others also include rent income and gain (loss) on sale of PPE.

30. **Cost of Sales and Services**

This account consists of:

	2017	2016	2015
Raw materials used	**₱83,764,786,696**	₱68,183,544,851	₱70,263,610,601
Direct labor	**5,861,994,335**	4,913,509,312	4,430,994,387
Overhead cost	**29,252,629,291**	25,784,489,519	20,548,206,319
Total manufacturing cost	**118,879,410,322**	98,881,543,682	95,242,811,307
Work-in-process	**74,603,670**	(123,486,411)	1,091,582,056
Cost of goods manufactured	**118,954,013,992**	98,758,057,271	96,334,393,363
Finished goods	**222,298,225**	(633,954,248)	1,287,269,878
Cost of sales	**119,176,312,217**	98,124,103,023	97,621,663,241
Cost of services	**52,378,128,769**	45,970,133,223	43,241,983,101
Cost of sales and services	**₱171,554,440,986**	₱144,094,236,246	₱140,863,646,342

Overhead costs consist of:

	2017	2016	2015
Utilities and fuel	**₱13,216,743,403**	₱11,590,606,501	₱7,900,966,532
Depreciation and amortization (Note 33)	**6,818,023,778**	6,266,120,217	5,583,856,785
Personnel (Note 32)	**3,492,390,785**	2,505,254,937	2,150,514,551
Repairs and maintenance	**3,162,811,896**	3,286,778,957	2,778,894,150
Rental	**414,997,425**	722,979,186	900,526,771
Handling and delivery charges	**185,825,028**	147,726,876	148,713,483
Research and development	**82,777,295**	78,903,939	68,809,570
Others	**1,879,059,681**	1,186,118,906	1,015,924,477
	₱29,252,629,291	₱25,784,489,519	₱20,548,206,319

Cost of services is composed of:

	2017	2016	2015
Air transportation	**₱40,626,822,232**	₱34,262,194,205	₱33,251,909,025
Real estate	**9,217,080,148**	9,702,256,952	8,053,837,238
Hotel operations	**1,350,512,369**	1,308,841,469	1,320,470,628
Banking	**1,183,714,020**	696,840,597	615,766,210
	₱52,378,128,769	₱45,970,133,223	₱43,241,983,101

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

	2017	2016	2015
Fuel and oil	**₱19,594,980,725**	₱15,821,328,265	₱17,659,066,442
Maintenance costs	**6,836,779,366**	5,878,097,172	4,550,586,937
Personnel (Note 32)	**5,270,242,234**	4,935,226,272	4,192,828,456
Depreciation and amortization (Note 33)	**3,914,114,101**	3,774,153,608	3,203,353,347
Landing and take-off	**3,487,271,164**	3,158,774,262	2,832,246,339
Cost of real estate sales (Note 12)	**3,143,037,387**	4,138,509,247	3,250,836,782
Ground handling charges	**2,682,026,202**	2,105,087,686	1,887,062,871
Reservation costs	**1,811,955,992**	1,522,455,857	1,266,652,869
Interest expense (Note 21)	**1,126,827,599**	648,863,124	564,027,213
Property operations and maintenance costs	**1,097,218,241**	780,823,807	665,699,155
Film rentals expense - amusement services	**820,824,802**	751,257,456	746,273,093
Cost of food and beverage - hotel operations	**353,667,814**	346,871,025	239,910,716
Contracted services	**307,231,516**	368,352,704	144,634,858
Interrupted/delayed trips expense	**287,708,265**	229,268,417	121,345,627
Passenger liability insurance	**209,138,455**	215,957,012	320,065,462
Travel and transportation	**190,585,490**	140,327,683	80,970,363
Passenger food and supplies	**152,382,065**	193,893,235	204,018,446
Pilot and crew meals	**61,731,718**	52,521,078	44,490,913
Service charges and commission expense	**56,886,421**	47,919,379	51,738,997
Customs, immigration and duties	**34,877,755**	30,562,641	147,512,446
Others	**938,641,457**	829,883,293	1,068,661,769
	₱52,378,128,769	₱45,970,133,223	₱43,241,983,101

31. General and Administrative Expenses

This account consists of:

	2017	2016	2015
Outside services	**₱10,537,048,072**	₱8,766,844,452	₱7,816,265,383
Advertising and promotions	**9,173,757,140**	8,658,542,014	7,942,500,312
Depreciation and amortization (Note 33)	**8,204,601,381**	7,057,267,306	5,760,968,861
Personnel (Note 32)	**8,091,935,699**	6,542,791,378	5,502,889,794
Aircraft and engine lease	**4,635,003,450**	4,253,724,294	4,024,599,732
Rental (Note 42)	**2,066,485,679**	1,901,708,524	1,536,638,847
Taxes, licenses and fees	**1,398,172,998**	1,072,903,748	854,093,884
Travel and transportation	**1,316,855,993**	1,183,698,971	1,028,625,335
Utilities and supplies	**735,173,495**	645,701,612	586,457,081
Sales commission	**731,736,670**	738,284,393	951,090,219
Insurance	**635,478,465**	511,265,268	588,958,297
Repairs and maintenance	**534,931,956**	498,762,284	467,983,749
Communication	**348,095,166**	277,733,808	240,500,923
Entertainment, amusement and recreation (Note 38)	**184,657,022**	198,317,165	129,884,589
Others	**1,316,114,551**	1,190,663,092	1,245,939,933
	₱49,910,047,737	₱43,498,208,309	₱38,677,396,939

Others

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

32. **Personnel Expenses**

This account consists of:

	2017	2016	2015
Salaries and wages	**₱13,558,842,741**	₱11,443,919,120	₱9,678,699,199
Other employee benefits	**2,872,204,576**	2,165,028,871	1,833,467,599
Pension expense	**423,521,401**	374,324,596	334,066,003
	₱16,854,568,718	₱13,983,272,587	₱11,846,232,801

The breakdown of personnel expenses follows:

	2017	2016	2015
Cost of sales and services (Note 30)	**₱8,762,633,019**	₱7,440,481,209	₱6,343,343,007
General and administrative expenses (Note 31)	**8,091,935,699**	6,542,791,378	5,502,889,794
	₱16,854,568,718	₱13,983,272,587	₱11,846,232,801

33. **Depreciation and Amortization**

The breakdown of depreciation and amortization on property, plant and equipment, investment properties, biological assets and intangible assets follows:

	2017	2016	2015
Cost of sales and services (Notes 15, 16 and 30)	**₱10,732,137,879**	₱10,040,273,825	₱8,787,210,132
General and administrative expenses (Notes 15, 16, 18, and 31)	**8,204,601,381**	7,057,267,306	5,760,968,861
	₱18,936,739,260	₱17,097,541,131	₱14,548,178,993

34. **Impairment Losses and Others**

This account consists of:

	2017	2016	2015
Provision for impairment losses on:			
Receivables (Note 11)	**₱231,167,858**	₱449,118,739	₱259,413,258
Property, plant and equipment (Note 16)	**4,714,024**	–	–
Investment properties (Note 15)	**1,885,207**	16,148,392	–
Other noncurrent assets	**7,443,236**	–	14,449,730
Inventory obsolescence and market decline (Note 12)	**2,870,047**	175,449,919	104,202,866
	₱248,080,372	₱640,717,050	₱378,065,854

35. Financing Costs and Other Charges

This account consists of:

	2017	2016	2015
Interest expense	**₱7,635,388,645**	₱7,298,442,812	₱6,682,291,317
Bank charges and others	**200,749,289**	163,554,058	197,527,102
	₱7,836,137,934	₱7,461,996,870	₱6,879,818,419

Sources of financing costs and other charges follow:

	2017	2016	2015
Long-term debt (Note 23)	**₱6,642,940,617**	₱6,545,503,576	₱6,130,913,522
Short-term debt (Note 23)	**780,408,518**	407,350,305	268,472,042
Advances from affiliates	–	–	32,054,925
Others	**328,574,778**	299,876,101	301,179,116
	7,751,923,913	7,252,729,982	6,732,619,605
Amortization of debt issuance costs (Note 23)	**84,214,021**	209,266,888	147,198,814
	₱7,836,137,934	₱7,461,996,870	₱6,879,818,419

36. Components of Other Comprehensive Income

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

	2017		
	Parent Company	**Non-controlling Interests**	**Total**
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	**₱1,855,132,262**	**(₱80,951,614)**	**₱1,774,180,648**
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	**(14,747,467)**	–	**(14,747,467)**
	1,840,384,795	**(80,951,614)**	**1,759,433,181**
Share in net changes in fair value of AFS investments of an associate	**24,394,385**	–	**24,394,385**
	1,864,779,180	**(80,951,614)**	**1,783,827,566**
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	**(6,276,428)**	**(5,083,232)**	**(11,359,660)**
	1,858,502,752	**(86,034,846)**	**1,772,467,906**
Cumulative translation adjustments	**(629,187,834)**	**(554,608,529)**	**(1,183,796,363)**
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	**66,750,379**	**50,063,791**	**116,814,170**
Share in remeasurements of net DBL of associates	**(326,973,548)**	–	**(326,973,548)**
	₱969,091,749	**(₱590,579,584)**	**₱378,512,165**

	2016		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	(₱12,220,137,282)	(₱115,159,763)	(₱12,335,297,045)
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(452,510)	–	(452,510)
Reclassification of unrealized loss to profit or loss due to impairment	16,713,629,844	–	16,713,629,844
	4,493,040,052	(115,159,763)	4,377,880,289
Share in net changes in fair value of AFS investments of an associate	(104,703,835)	–	(104,703,835)
	4,388,336,217	(115,159,763)	4,273,176,454
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(26,697,367)	8,634,742	(18,062,625)
	4,361,638,850	(106,525,021)	4,255,113,829
Cumulative translation adjustments	29,518,399	(150,702,267)	(121,183,868)
Remeasurements due to defined benefit liability, net of tax (Note 37)			
Remeasurements of net DBL of Parent and subsidiaries	28,230,597	24,244,127	52,474,724
Share in remeasurements of net DBL of associates	524,522,485	–	524,522,485
	₱4,943,910,331	(₱232,983,161)	₱4,710,927,170

	2015		
	Parent Company	Non-controlling Interests	Total
Net gains on AFS investments (Note 10):			
Net changes in fair value of AFS investments of the Parent Company and its subsidiaries:			
Net changes in fair value during the period	(₱14,837,369,077)	(₱93,858,078)	(₱14,931,227,155)
Reclassification adjustment included in profit or loss arising from disposal of AFS investments	(898,183)	–	(898,183)
	(14,838,267,260)	(93,858,078)	(14,932,125,338)
Share in net changes in fair value of AFS investments of an associate	(1,730,644)	–	(1,730,644)
	(14,839,997,904)	(93,858,078)	(14,933,855,982)
Net changes in fair value of cash flow hedge (Note 8):			
Net changes in fair value of derivatives taken to OCI	(90,546,696)	(1,362,560)	(91,909,256)
	(14,930,544,600)	(95,220,638)	(15,025,765,238)
Cumulative translation adjustments	1,005,444,798	766,066,829	1,771,511,627
Remeasurements due to defined benefit liability, net of tax (Note 37)	(95,398,077)	(27,639,789)	(123,037,866)
	(₱14,020,497,879)	₱643,206,402	(₱13,377,291,477)

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

	2017		
	Before tax	**Tax benefit**	**Net of tax**
Net gains on AFS investments of Parent Company and its subsidiaries	**₱1,759,433,181**	**₱–**	**₱1,759,433,181**
Cumulative translation adjustments	**(1,183,796,363)**	**–**	**(1,183,796,363)**
Net movement in cash flow hedge	**(11,359,660)**	**–**	**(11,359,660)**
Remeasurements due to defined benefit liability	**(160,096,162)**	**(50,063,216)**	**(210,159,378)**
Net changes in fair value of AFS investments of an associate (Note 10)	**24,394,385**	**–**	**24,394,385**
	₱428,575,381	**(₱50,063,216)**	**₱378,512,165**

	2016		
	Before tax	Tax benefit	Net of tax
Net gains on AFS investments of Parent Company and its subsidiaries	₱4,377,880,289	₱–	₱4,377,880,289
Cumulative translation adjustments	(121,183,868)	–	(121,183,868)
Net movement in cash flow hedge	(18,062,625)	–	(18,062,625)
Remeasurements due to defined benefit liability	599,486,376	(22,489,167)	576,997,209
Net changes in fair value of AFS investments of an associate (Note 10)	(104,703,835)	–	(104,703,835)
	₱4,733,416,337	(₱22,489,167)	₱4,710,927,170

	2015		
	Before tax	Tax benefit	Net of tax
Net gains on AFS investments of Parent Company and its subsidiaries	(₱14,932,125,338)	₱–	(₱14,932,125,338)
Cumulative translation adjustments	1,771,511,627	–	1,771,511,627
Net movement in cash flow hedge	(91,909,256)	–	(91,909,256)
Remeasurements due to defined benefit liability	(175,768,380)	52,730,514	(123,037,866)
Net changes in fair value of AFS investments of an associate (Note 10)	(1,730,644)	–	(1,730,644)
	(₱13,430,021,991)	₱52,730,514	(₱13,377,291,477)

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 pl 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:

	2017	2016
Present value of defined benefit obligation	**₱4,205,872,266**	₱4,098,485,361
Fair value of plan assets	**2,774,705,462**	2,823,208,922
Pension liabilities (Note 24)	**₱1,431,166,804**	₱1,275,276,439

Changes in net defined benefit liability of funded funds in 2017 and 2016 follows:

	2017		
	Present value of defined benefit obligation	**Fair value of plan assets**	**Net defined benefit liability/(asset)**
Balance at beginning of year	**₱4,098,485,361**	**₱2,823,208,922**	**₱1,275,276,439**
Net benefit cost in consolidated statement of income:			
Current service cost	**392,543,353**	**–**	**392,543,353**
Net interest cost	**237,689,709**	**139,080,003**	**98,609,706**
Subtotal	**630,233,062**	**139,080,003**	**491,153,059**
Benefits paid	**(327,226,096)**	**(292,293,276)**	**(34,932,820)**
Remeasurements in other comprehensive income:			
Return on plan assets	**–**	**(23,294,759)**	**23,294,759**
Actuarial changes arising from experience adjustments	**62,858,628**	**(5,447,916)**	**68,306,544**
Actuarial changes arising from changes in financial/ demographic assumptions	**(258,478,689)**	**–**	**(258,478,689)**
Subtotal	**(195,620,061)**	**(28,742,675)**	**(166,877,386)**
Contributions paid	**–**	**133,452,488**	**(133,452,488)**
Balance at end of year	**₱4,205,872,266**	**₱2,774,705,462**	**₱1,431,166,804**

	2016		
	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability/(asset)
Balance at beginning of year	₱3,821,647,448	₱2,573,433,993	₱1,248,213,455
Net benefit cost in consolidated statement of income:			
Current service cost	347,001,937	–	347,001,937
Net interest cost	190,476,269	127,824,448	62,651,821
Subtotal	537,478,206	127,824,448	409,653,758
Benefits paid	(177,975,816)	(147,111,611)	(30,864,205)
Remeasurements in other comprehensive income:			
Return on plan assets	–	(42,335,053)	42,335,053
Actuarial changes arising from experience adjustments	82,718,416	–	82,718,416
Actuarial changes arising from changes in financial/ demographic assumptions	(165,382,893)	–	(165,382,893)
Subtotal	(82,664,477)	(42,335,053)	(40,329,424)
Contributions paid	–	311,397,145	(311,397,145)
Balance at end of year	₱4,098,485,361	₱2,823,208,922	₱1,275,276,439

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

	2017	2016
ASSETS		
Cash and cash equivalents	**₱854,815,813**	₱2,322,421,302
Debt instruments	**1,299,099,679**	332,493,436
Available-for-sale investments	**487,489,404**	71,747,005
Equity investments	**12,891,549**	–
Receivable	**2,345,903**	31,588,500
Accrued interest receivable	**8,093,229**	6,232,553
Prepayments	**198,129**	179,905
Land	**143,201,000**	91,448,525
	2,808,134,706	2,856,111,226
LIABILITY		
Current liabilities	**33,429,244**	32,902,304
	₱2,774,705,462	₱2,823,208,922

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, 2017 is 9.2 years.

The Group expects to contribute ₱139.0 million into the pension fund in 2018.

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

	2017			
	Retirement Age	**Average Remaining Working Life (in years)**	**Salary Rate Increase**	**Discount Rate**
Parent Company	**60**	**13**	**5.7%**	**5.77%**
URC	**60**	**8 to 11**	**5.7%**	**5.23 to 5.76%**
RLC	**60**	**8 to 13**	**5.5%**	**5.63 to 5.80%**
CAI	**60**	**7 to 9**	**5.5 to 5.7%**	**5.73 to 5.76%**
RBC	**60**	**6**	**5.7%**	**5.74%**
JGSPC	**60**	**10**	**5.7%**	**5.75%**
JGSOC	**60**	**10**	**5.7%**	**5.75%**
Unicon	**60**	**10**	**5.7%**	**5.72%**
LSB	**60**	**8**	**5.7%**	**5.79%**

	2016			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	14	5.7%	5.16%
URC	60	9	5.7%	5.26%
RLC	60	15	5.0%	3.93 to 4.85%
CAI	60	11 - 18	5.5%	5.44 to 5.60%
RBC	60	6	5.7%	5.27%
JGSPC	60	10	5.7%	5.40%
Unicon	60	18	5.7%	5.62%
LSB	60	10	5.7%	5.54%

	2015			
	Retirement Age	Average Remaining Working Life (in years)	Salary Rate Increase	Discount Rate
Parent Company	60	15	5.5%	4.97%
URC	60	15	5.7%	4.68 to 4.91%
RLC	60	15	5.0%	4.65%
CAI	60	12	5.7%	5.00%
RBC	60	11	5.7%	4.99%
JGSPC	60	20	5.7%	4.82%
Unicon	60	18	5.7%	5.04%
LSB	60	11	5.0%	5.09%

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, 2017 and 2016, assuming if all other assumptions were held constant:

	2017							
	Parent Company	**URC**	**RLC**	**CAI**	**RBC**	**LSB**	**JGSPC**	**Unicon**
Discount rates								
+1.00%	**(₱32,556,970)**	**(₱2,076,567,749)**	**(₱437,240,855)**	**(₱944,306,805)**	**(₱142,031,508)**	**(₱4,931,832)**	**(₱185,510,227)**	**(₱5,358,432)**
(-1.00%)	**40,068,563**	**2,450,630,129**	**514,048,806**	**1,124,639,036**	**167,448,823**	**6,292,335**	**221,825,314**	**6,492,899**
Future salary increases								
+1.00%	**40,285,672**	**2,463,372,088**	**516,880,298**	**1,131,113,532**	**168,315,856**	**6,323,403**	**223,053,180**	**6,527,526**
(-1.00%)	**(32,313,712)**	**(2,062,363,264)**	**(434,131,727)**	**(937,242,141)**	**(141,067,257)**	**(4,896,076)**	**(184,164,171)**	**(5,319,152)**

	2016							
	Parent Company	URC	RLC	CAI	RBC	LSB	JGSPC	Unicon
Discount rates								
+1.00%	(₱27,562,377)	(₱2,046,618,113)	(₱41,523,152)	(₱876,336,520)	(₱116,194,738)	(₱3,936,763)	(₱148,770,921)	(₱4,352,050)
(-1.00%)	34,521,378	2,405,643,412	48,094,773	1,084,771,639	137,576,236	5,294,508	179,773,132	5,913,595
Future salary increases								
+1.00%	34,688,010	2,417,016,459	44,969,563	1,089,891,204	138,240,060	5,315,427	180,635,089	5,935,611
(-1.00%)	(27,366,842)	(2,033,571,105)	(39,848,946)	(870,361,689)	(115,434,562)	(3,909,854)	(147,785,389)	(4,322,236)

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

	2017	2016
Less than 1 year	**₱392,473,008**	₱340,259,831
More than 1 years to 5 years	**1,460,087,261**	1,233,837,108
More than 5 years to 10 years	**2,834,398,468**	2,477,623,576
More than 10 years to 15 years	**3,375,054,827**	3,057,851,827
More than 15 years to 20 years	**3,408,180,497**	3,244,848,254
More than 20 years	**9,015,819,777**	8,719,979,909

38. **Income Taxes**

Provision for income tax from continuing operations consists of:

	2017	2016	2015
Corporate	**₱4,751,400,034**	₱4,598,138,288	₱5,631,658,297
Final	**161,281,024**	137,761,179	143,694,114
Deferred	**588,787,833**	702,007,166	(1,286,369,938)
	₱5,501,468,891	₱5,437,906,633	₱4,488,982,473

The Group recognized benefit (provision) for income tax in 'Other comprehensive income' for 'Other comprehensive income items' amounting to (₱50.1 million), (₱22.5 million) and ₱52.7 million in 2017, 2016 and 2015, 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.

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 ₱184.7 million, ₱198.3 million and ₱129.9 million in 2017, 2016 and 2015, 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):

	2017	2016
Deferred tax assets on:		
Asset retirement obligation	**₱1,102,526,240**	₱739,701,342
Unrealized forex loss	**924,946,386**	1,408,847,720
MCIT carryforward	**559,759,559**	350,196,959
Net operating loss carry-over	**504,740,026**	1,588,489,361
Allowance for impairment losses on receivables and property and equipment	**502,182,129**	312,572,463
Unfunded pension liabilities	**368,277,163**	458,453,212

(Forward)

	2017	2016
Foreign subsidiaries	**₱33,866,361**	₱28,124,182
Past service cost	**1,018,700**	88,736,185
Others	**338,621,378**	383,151,924
Total	**4,335,937,942**	5,358,273,348
Deferred tax liabilities on:		
Double depreciation	**(2,186,122,651)**	(2,624,040,175)
Unrealized gain from changes in fair value less estimated point-of-sale costs of swine stocks	**(151,215,472)**	(115,563,150)
Others	**(555,385,675)**	(548,136,705)
	(2,892,723,798)	(3,287,740,030)
Net deferred tax asset	**₱1,443,214,144**	₱2,070,533,318

As of December 31, 2017, other deferred tax liabilities under net deferred tax asset include deferred revenue and accrued rent amounting to ₱216.1 million and ₱17.4 million, respectively.

As of December 31, 2016, other deferred tax liabilities under net deferred tax asset include deferred revenue and accrued rent amounting to ₱113.1 million and ₱112.7million, respectively.

Compositions of the Group's net deferred tax liabilities reported in the consolidated statements of financial position follow:

	2017	2016
Deferred tax assets on:		
Accrued rent	**₱488,680,529**	₱473,351,227
Unfunded pension benefits	**234,460,210**	101,560,016
Accrued interest expense	**220,795,887**	203,908,709
Foreign subsidiaries	**91,431,560**	–
Allowance for impairment losses on receivables and property, plant and equipment	**14,302,980**	14,302,980
MCIT carryforward	**2,168,956**	2,709,020
Others	**161,782,012**	11,298,712
Total	**1,213,622,134**	807,130,664
Deferred tax liabilities on:		
Intangibles	**(3,348,400,019)**	(3,222,461,373)
Unamortized capitalized interest	**(1,878,456,323)**	(1,691,225,616)
Excess of real estate revenue based on percentage-of-completion over real estate revenue based on tax rules	**(1,277,103,559)**	(1,320,956,069)
Undistributed income of foreign subsidiaries	**(651,315,255)**	(606,682,516)
Accelerated depreciation	**(543,986,501)**	(434,349,328)
Accrued rent income	**(330,627,337)**	(266,949,776)
Prepaid rent	**(143,707,812)**	(147,569,124)
Borrowing cost	**(71,832,394)**	(71,832,394)
Others	**(174,073,030)**	(96,386,753)
	(8,419,502,230)	(7,858,412,949)
Net deferred tax liability	**(₱7,205,880,096)**	(₱7,051,282,285)

The following are the temporary differences on which the Group did not recognize deferred tax assets:

	2017	2016
Allowance for credit and impairment losses	**₱3,107,733,302**	₱1,613,720,165
NOLCO	**2,768,990,723**	2,239,424,709
Unrealized loss on AFS investments	**1,026,656,867**	562,948,094
Net pension liability	**157,562,867**	41,076,082
Excess MCIT over RCIT	**94,880,453**	82,770,619
Unrealized foreign exchange losses	**71,655,305**	100,702,598
Allowance for inventory write-down	**64,488,572**	19,346,572
Unearned income	**34,061,408**	15,594,527
Unamortized contribution of past service costs	**25,237,968**	9,165,367
Depreciation of investment properties and repossessed chattels	**20,252,729**	20,095,457
Accrued rent	**4,751,226**	3,556,937
	₱7,376,271,420	₱4,708,401,127

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 NOLCO and MCIT as follows:

NOLCO

Year Incurred	Amount	Applied	Balance	Expiry Year
2014	₱1,028,184,259	(₱1,028,184,259)	₱–	2019
2015	955,474,545	(955,474,545)	–	2020
	₱1,983,658,804	(₱1,983,658,804)	₱–	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2014	₱61,319,704	(₱61,319,704)	₱–	2017
2015	117,297,005	–	117,297,005	2018
2016	148,442,253	–	148,442,253	2019
2017	125,331,691	–	125,331,691	2020
	₱452,390,653	(₱61,319,704)	₱391,070,949	

Included in the Group's NOLCO and MCIT is Cebgo, Inc.'s NOLCO and MCIT as follows:

NOLCO

Year Incurred	Amount	Applied	Expired	Balance	Expiry Year
2012	₱1,106,443,070	(₱411,476,400)	(₱694,966,670)	₱–	2017
2013	853,571,166	–	–	853,571,166	2018
2014	685,506,938	–	–	685,506,938	2019
	₱2,645,521,174	(₱411,476,400)	(₱694,966,670)	₱1,539,078,104	

MCIT

Year Incurred	Amount	Expired/Applied	Balance	Expiry Year
2015	₱8,632,361	₱–	₱8,632,361	2018
2016	14,152,299	–	14,152,299	2019
2017	9,021,420	–	9,021,420	2020
	₱31,806,080	₱–	₱31,806,080	

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 22 out of 23 registrations, CAI can avail of bonus years in certain specified cases but the aggregate ITH availment (basic and bonus years) shall not exceed eight (8) years.

As of December 31, 2017 and 2016, 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.

The components of the CAI and Cebgo, Inc.'s deferred tax assets and liabilities follow:

	2017	2016
Deferred tax assets on:		
ARO – liability	**₱1,102,526,240**	₱739,701,340
Unrealized foreign exchange loss – net	**903,411,993**	1,154,300,719
NOLCO	**461,723,431**	1,388,753,997
MCIT	**422,877,029**	349,843,621
Deferred revenue - Customer Loyalty Program	**216,068,873**	113,088,138
Accrued retirement costs	**191,088,323**	170,630,795
Allowance for credit losses	**101,397,202**	99,398,977
	3,399,093,091	4,015,717,587
Deferred tax liabilities on:		
Double depreciation	**2,186,122,651**	2,624,040,175
Business combination (Note 44)	**185,645,561**	185,645,561
Unrealized gain on net derivative assets	**136,320,026**	132,532,172
	2,508,088,238	2,942,217,908
Net deferred tax assets (liabilities)	**₱891,004,853**	₱1,073,499,679

Movement in accrued retirement cost amounting ₱16.6 million and ₱3.4 million in 2017 and 2016, respectively, is presented under other comprehensive income.

CAI and Cebgo, Inc.'s recognized deferred tax assets and deferred tax liabilities are expected to recovered and reversed, respectively, more than twelve months after the reporting date.

As of December 31, 2016, CEBGO has recognized its previously unrecognized deferred tax assets arising from deductible temporary differences, NOLCO and MCIT. Details follow:

NOLCO	**₱793,656,352**
MCIT	**22,784,660**
Allowance for credit losses	**20,553,023**
Retirement benefit obligation	**11,874,373**
Customer loyalty program	**5,348,762**
Unrealized foreign exchange loss	**391,094**
	₱854,608,264

Reconciliation between the Group's statutory income tax rate and the effective income tax rate follows:

	2017	2016	2015
Statutory income tax rate	**30.00%**	30.00%	30.00%
Tax effects of:			
Income exempt from tax	**(1.53)**	(2.19)	(2.30)
Equity in net earnings of affiliates	**(6.60)**	(8.82)	(5.90)
Net income of subsidiaries with different tax rates	**(2.56)**	(5.92)	(6.67)
Income subjected to BOI, PEZA and ITH	**(9.50)**	(16.89)	(6.37)
Changes in unrecognized deferred tax assets	**(2.30)**	3.91	0.16
Interest income subject to final tax	**(0.33)**	(0.06)	(0.55)
Non-deductible items	**0.58**	18.94	0.60
Taxable gain on sale to a subsidiary	**4.33**	–	–
Others	**0.13**	0.59	3.11
Effective income tax rate	**12.22%**	19.56%	12.08%

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

	2017	2016	2015
Income attributable to equity holders of the Parent Company	**₱29,369,537,456**	₱10,917,978,925	₱22,610,016,306
Less: Dividends on preferred shares (Note 25)	**11,200,000**	10,000,000	8,800,000
Income attributable to holders of common shares of the Parent Company	**₱29,358,337,456**	₱10,907,978,925	₱22,601,216,306
Weighted average number of common shares	**7,162,841,657**	7,162,841,657	7,162,841,657
Basic/diluted earnings per share	**₱4.10**	₱1.52	₱3.16

There were no potential dilutive common shares in 2017, 2016 and 2015.

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.

In addition to the related party information disclosed elsewhere in the consolidated financial statements, the year-end balances in respect of related parties follow:

2017						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Subsidiaries:						
Due from related parties	Settlement of advances	**₱350,490,176**	**₱1,245,477,181**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	**49,583,786**	**77,485,069**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Receivable	**4,842,826,400**	**4,842,826,400**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent income	**176,088,179**	–	**176,088,179**		
	Other income	**241,130,242**	–	**241,130,242**		
	Rent expense	**39,675,747**	–	**39,675,747**		
	Management fees	**105,074,286**	–	**105,074,286**		
	Gain on sale of investment property	**6,491,059,867**	–	**6,491,059,867**		
Due to related parties	Settlement of advances	**(11,690,874,584)**	**2,537,388,955**	–	On demand; Non-interest bearing	Unsecured; Not impaired
Cash in bank	Deposits	**4,131,669**	**4,271,369**	–	On demand	Unsecured
Cash equivalents	Money market placements	**(151,273,367)**	**162,427,470**	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	**3,273,543**	–	**3,273,543**	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	**367,901,000**	**576,156,465**	–	On demand	Unsecured
	Dividend income	**9,628,984,655**	–	**9,628,984,655**		
Associate:						
Due from related parties	Settlement of advances	**(108,850)**	**360,436**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	**6,476,626,760**	–	**6,476,626,760**		
	Rent income	**588,853**	–	**588,853**		
	Rent receivable	**(103,263)**	**56,995**	–		
	Utilities expense	**7,913,620**	–	**7,913,620**		

(Forward)

2017						
			Outstanding Balance			
Related Party	**Category/Transaction**	**Amount/Volume**	**Statement of Financial Position**	**Statement of Comprehensive Income**	**Terms**	**Conditions**
Other Related Parties:						
Due from related parties	Settlement of advances	**(₱4,151,841)**	**₱420,316,960**	**₱–**	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	**24,392,795**	**24,392,795**	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Other income	**61,411,050**	–	**61,411,050**		
	Rent income	**35,977,368**	–	**35,977,368**		
Due to related parties	Settlement of advances	**(202,512)**	**1,217,665**	–	On demand; Non-interest bearing	Unsecured; Not impaired
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	**8,500,000**	–	**8,500,000**		

2016						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Settlement of advances	(₱300,376,218)	₱894,987,005	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	4,117,582	27,901,283			
	Rent income	178,757,461	–	178,757,461		
	Other income	57,450,321	–	57,450,321		
	Rent expense	34,715,145	–	34,715,145		
Due to related parties	Advances	444,690,266	14,228,263,539	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	102,074,286	–	102,074,286		
	Interest expense	–	–	–	Interest bearing	
Cash in bank	Deposits	105,014	139,700	–	On demand	Unsecured
Cash equivalents	Money market placements	313,700,837	313,700,837	–	2 to 41 days; Interest bearing with interest rate ranging from 1.50% to 2.04%	Unsecured
	Interest income	446,201	–	–	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	52,857,500	208,255,465	–	On demand	Unsecured
	Dividend income	5,642,292,262	–	5,642,292,262		
Associate:						
Due from related parties	Advances	161,566	469,286	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	7,666,690,077	–	7,666,690,077		
	Rent income	560,813	–	560,813		
	Rent receivable	(46,528)	160,258	–		
	Utilities expense	7,561,361	–	7,561,361		
Other Related Parties:						
Due from related parties	Settlement of advances	(1,531,274)	424,468,802	–	On demand; Non-interest bearing	
	Management fees					
	Rent income	33,160,257	–	33,160,257		

2016						
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Due to related parties	Advances	(₱477,995)	₱1,420,177	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	9,749,802	29,594,431	–		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	8,440,000	–	8,440,000		

		2015				
			Outstanding Balance			
Related Party	Category/Transaction	Amount/Volume	Statement of Financial Position	Statement of Comprehensive Income	Terms	Conditions
Subsidiaries:						
Due from related parties	Settlement of advances	(₱28,416,245)	₱1,195,363,224	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	(6,145,199)	23,783,701			
	Rent income	159,195,209	–	159,195,209		
	Other income	23,474,286	–	23,474,286		
	Rent expense	32,563,971	–	32,563,971		
Due to related parties	Settlement of advances	(4,307,976,057)	13,783,573,273	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Management fees	108,000,000	–	108,000,000		
	Interest expense	28,234,761	–	28,234,761	Interest bearing	
Cash in bank	Deposits	19,848	34,686	–	On demand	Unsecured
Cash equivalents	Money market placements	–	–	–	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	Unsecured
	Interest income	–	–	–	2 to 33 days; Interest bearing with interest rate ranging from 0.5% to 1.5%	
Dividends	Dividend receivable	(2,006,918,210)	155,397,965	–	On demand	Unsecured
	Dividend income	5,244,375,593	–	5,244,375,593		
Associate:						
Due from related parties	Settlement of advances	(877,248)	307,720	–	On demand; Non-interest bearing	Unsecured; Not impaired
	Dividend income	4,661,763,305	–	4,661,763,305		
	Rent income	507,732	–	507,732		
	Rent receivable	206,785	206,786			
	Utilities expense	7,232,952	–	7,232,952		
Other Related Parties:						
Due from related parties	Advances	78,355,034	426,000,076	–	On demand; Non-interest bearing	
	Rent income	35,171,374	–	35,171,374		

(Forward)

2015

Related Party	Category/Transaction	Amount/Volume	Outstanding Balance: Statement of Financial Position	Outstanding Balance: Statement of Comprehensive Income	Terms	Conditions
Due to related parties	Advances	(₱1,687,715,748)	₱1,898,172	₱–	On demand; Non-interest bearing	Unsecured; Not impaired
	Rent receivable	6,902,049	19,844,629			
	Interest expense	426,697	–	426,697		
Director's fees (included under 'Management and other professional fees' account in the parent company statement of comprehensive income)	Expenses	7,745,000	–	7,745,000		

The Parent Company has 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.

Interest earned by the Parent Company on transactions with related parties amounted to nil in 2017 and 2016. Interest expense incurred amounted to nil in 2017 and 2016 and ₱32.1 million in 2015.

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 ₱10.2 million and ₱9.8 million as of December 31, 2017 and 2016, 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:

	2017	2016	2015
Short-term employee benefits	**₱1,522,647,267**	₱1,479,668,656	₱1,373,236,381
Post-employment benefits	**172,508,677**	131,512,625	119,520,583
	₱1,695,155,944	₱1,611,181,281	₱1,492,756,964

41. Registration with Government Authorities/Franchise

Certain operations of consolidated subsidiaries are registered with the BOI 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 some 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**

URC

Operating Lease Commitments - Group as a Lessee

The URC Group land where certain of its facilities are located. The operating lease agreements are for periods ranging from one to five years from the date of the contracts and are renewable under certain terms and conditions. URC's rentals incurred on these leases (included under 'Selling and distribution costs' and 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱425.5 million, ₱395.6 million and ₱179.0 million in 2017, 2016 and 2015, respectively.

Future minimum lease payments under noncancellable operating leases of the URC Group follow:

	2017	2016	2015
Within one year	**₱302,978,419**	₱183,546,225	₱75,583,986
After one year but not more than five years	**425,325,347**	734,184,901	302,335,942
Five years or more	**312,745,257**	520,915,202	–
	₱1,041,049,023	₱1,438,646,328	₱377,919,928

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.

Total rental income earned from investment properties (included under 'Others' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱57.9 million, ₱69.6 million and ₱50.6 million in 2017, 2016 and 2015, respectively. Direct operating expenses (included under 'General and administrative expenses 'in profit or loss in the consolidated statements of comprehensive income) arising from investment properties amounted to ₱0.8 million in 2017 and ₱0.9 million in 2016 and 2015.

Future minimum lease receivables under noncancellable operating leases of the URC Group that are due within one year amounted to ₱63.7 million, ₱61.1 million and ₱51.4 million in 2017, 2016 and 2015, respectively.

Finance Lease Commitments - Group as a Lessee

Some of the URC Group's subsidiaries were granted land usage rights from private entities. The land usage right represents the prepaid amount of land lease payments. The right is currently being amortized by the URC Group on a straight-line basis over the term of the right ranging from 30 to 50 years. The amortization on these leases (included under 'General and administrative expenses' in the consolidated statements of comprehensive income) amounted to ₱36.4 million, ₱34.1 million, and ₱22.5 million in 2017, 2016 and 2015, respectively.

RLC

Operating Lease Commitments - Group as a Lessee

The RLC Group entered into long-term operating leases of land with lease terms ranging from 25 to 50 years. These leases include clauses to enable escalation of rental charges on the agreed dates. Total rent expense (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱52.0 million, ₱203.4 million and ₱203.9 million in 2017, 2016 and 2015, respectively.

Future minimum lease payments under noncancellable operating leases of RLC's certain lessee subsidiaries follow:

	2017	2016	2015
Within one year	**₱92,616,575**	₱85,742,828	₱75,875,322
After one year but not more than five years	**414,556,934**	404,875,129	382,304,085
Over five years	**5,823,064,725**	6,389,039,513	6,472,894,986
	₱6,330,238,234	₱6,879,657,470	₱6,931,074,393

Operating Lease Commitments - Group as a Lessor
The RLC Group has entered into commercial property leases on its investment property portfolio. These noncancellable leases have remaining lease terms of between one and ten years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions. The lease contracts also provide for the percentage rent, which is a certain percentage of actual monthly sales or minimum monthly gross sales, whichever is higher. Total rent income (included under 'Real estate and hotels revenue' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱11.6 billion, ₱10.7 billion and ₱9.6 billion in 2017, 2016 and 2015, respectively. Total percentage rent recognized as income amounted to ₱3.1 billion, ₱2.8 billion and ₱2.5 billion in 2017, 2016 and 2015, respectively.

Future minimum lease receivables under noncancellable operating leases of the RLC Group follow:

	2017	2016	2015
Within one year	**₱6,263,952,404**	₱4,909,033,101	₱5,308,666,374
After one year but not more than five years	**8,250,489,462**	8,407,304,291	10,472,321,498
Over five years	**923,369,939**	941,463,464	1,024,342,237
	₱15,437,811,805	₱14,257,800,856	₱16,805,330,109

Finance Lease Commitments - Group as a Lessor
In 2015, 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, 2017 follow:

	2017	
	Minimum Lease Payments	**Present Value of Minimum Lease Payments**
Within one year	**₱308,131,796**	**₱299,064,170**
After one year but not more than five years	**270,312,270**	**238,254,749**
Over five years	**72,498,624**	**57,502,961**
Total minimum lease payments	**₱650,942,690**	**₱594,821,880**

	2016	
	Minimum Lease Payments	Present Value of Minimum Lease Payments
Within one year	₱1,760,245,659	₱1,718,117,420
After one year but not more than five years	536,379,175	483,544,977
Over five years	6,878,911	5,456,359
Total minimum lease payments	₱2,303,503,745	₱2,207,118,756

JGSPC

Operating Lease Commitments - Company as a Lessee

JGSPC has entered into contracts of lease for its Cybergate office and the shuttle bus that transports its employees from Balagtas to Batangas plant with lease term of three years and one year, respectively. 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 ₱17.4 million, ₱21.4 million and ₱28.5 million in 2017, 2016 and 2015, respectively.

Future minimum lease payments under the noncancellable lease of JGSPC's office space follow:

	2017	2016	2015
Within one year	**₱13,337,457**	₱16,523,039	₱11,090,677
After one year but not more than five years	**17,480,912**	30,628,459	29,388,722
	₱30,818,369	₱47,151,498	₱40,479,399

Operating Lease Commitments - Group as a Lessor

JGSPC has entered into commercial property leases. JGSPC has determined that it retains all the significant risks and rewards of ownership of these properties and accounts for them as operating leases.

Future minimum rentals under noncancellable operating lease of JGSPC follow:

	2017	2016
Within one year	**₱108,869**	₱158,615
After one year but not more than five years	–	108,869
	₱108,869	₱267,484

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 CAI's Airbus A320 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
April 2007	Inishcrean Leasing Limited (Inishcrean)	1	October 2019
March 2008	GY Aviation Lease 0905 Co. Limited	2	January 2019
March 2008	APTREE Aviation Trading 2 Co. Ltd	1	October 2019
	Wells Fargo Bank Northwest National Assoc.	1	October 2019
July 2011	SMBC Aviation Capital Limited	2	March 2020
May 2017	Ibon Leasing Limited (ILL)	2	January 2019 and February 2019
November 2017	JPA No. 78 Co., Ltd	1	August 2020
November 2017	JPA No. 79 Co., Ltd	1	October 2020
November 2017	JPA No. 80 Co., Ltd	1	January 2021
November 2017	JPA No. 81 Co., Ltd	1	February 2021

In 2007, CAI entered into operating lease agreement with Inishcrean for the lease of one Airbus A320, which was delivered in 2007, and with CIT Aerospace International for the lease of four Airbus A320 aircraft, which were delivered in 2008. In 2015, CAI extended the lease agreement with Inishcrean for another three years.

In March 2008, CAI entered into operating lease agreements for the lease of two Airbus A320 aircraft, which were delivered in 2009, and two Airbus A320 aircraft which were received in 2012. In November 2010, CAI signed an amendment to the operating lease agreements, advancing the delivery of the two Airbus A320 aircraft to 2011 from 2012.

In 2016, the Group extended the lease agreement with GY Aviation Lease 0905 Co. Limited for another two years pursuant to a letter of intent (LOI) signed in the first quarter of the same year.

In July 2011, CAI entered into an operating lease agreement with RBS Aerospace Ltd. (RBS) for the lease of two Airbus A320 aircraft, which were delivered in March 2012. The lease agreement with RBS was amended to effect the novation of lease rights by the original lessors to new lessors as allowed under the existing lease agreements.

In May 2017, the Group entered into lease agreements with ILL for two Airbus A320 (Note 13).

In November 2017, the Group entered into lease agreement with JPA No. 78/79/80/81 Co., Ltd for four Airbus A320.

Airbus A330 aircraft
The following table summarizes the specific lease agreements on CAI's Airbus A330 aircraft:

Date of Lease Agreement	Lessors	No. of Units	Lease Term
February 2012	CIT Aerospace International	4	12 years with pre-termination option
July 2013	A330 MSN 1552 Limited and A330 MSN 1602 Limited*	2	12 years with pre-termination option

**New lessors per Deed of Novation and Amendment signed on August 2014 and March 2015*

On February 21, 2012, CAI entered into a lease agreement with CIT Aerospace International for four Airbus A330-300 aircraft. The lease term of the aircraft is 12 years with an early pre-termination option.

On July 19, 2013, the Group entered into an aircraft operating lease agreements with Intrepid Aviation for the lease of two Airbus A330-300 aircraft, which were delivered in September 2014 and March 2015.

As of December 31, 2017, CAI has six (6) Airbus A330 aircraft under operating lease (Note 16).

The first two A330 aircraft were delivered in June 2013 and September 2013. Three A330 aircraft were delivered in February 2014, May 2014 and September 2014. One A330 aircraft was delivered in March 2015.

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

	2017		2016		2015	
	Philippine peso equivalent	**US dollar**	Philippine peso equivalent	US dollar	Philippine peso equivalent	US dollar
Within one year	**₱5,195,955,222**	**US$104,064,795**	₱4,416,187,364	US$88,821,146	₱4,297,695,406	US$90,260,208
After one year but not more than five years	**17,627,451,745**	**353,043,295**	17,195,525,129	345,847,247	14,550,644,708	309,193,470
Over five years	**7,008,670,575**	**140,369,930**	10,243,241,938	206,018,543	15,669,904,258	332,977,141
	₱29,832,077,542	**US$597,478,020**	₱31,854,954,431	US$640,686,936	₱34,468,194,372	US$732,430,819

Lease expenses relating to aircraft leases (included in 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱4.6 billion, ₱4.3 billion and ₱4.0 billion in 2017, 2016 and 2015, respectively (see Note 31).

Operating Non-Aircraft Lease Commitments - Group as a Lessee

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

Future minimum lease payments under these noncancellable operating leases of CAI follow:

	2017	2016	2015
Within one year	**₱201,321,805**	₱167,226,528	₱135,299,739
After one year but not more than five years	**834,940,613**	710,187,772	564,977,120
Over five years	**3,876,023,510**	3,477,917,440	2,433,712,858
	₱4,912,285,928	₱4,355,331,740	₱3,133,989,717

Lease expenses relating to both cancellable and non-cancellable non-aircraft leases (allocated under different expense accounts in the consolidated statements of comprehensive income) amounted to ₱731.0 million, ₱625.8 million and ₱488.6 million in 2017, 2016 and 2015, respectively.

RBC and LSB

Operating Lease Commitments - Group as a Lessee

RBC leases its head office and branch premises for periods ranging from one (1) to ten (10) years, renewable upon mutual agreement of both parties. LSB also leases the premises occupied by its head offices and most of its branches for periods ranging from five (5) to fifteen (15) years, renewable upon mutual agreement of both parties. Various lease contracts of the Group include escalation clauses, most of which bear annual rent increase ranging from 5.00% to 10.00%.

Rent expense recognized by RBC and LSB (included under 'General and administrative expenses' in profit or loss in the consolidated statements of comprehensive income) amounted to ₱303.7 million, ₱268.1 million amd ₱241.4 million in 2017, 2016 and 2015, respectively.

Future minimum lease payments under these noncancellable operating leases of RBC and LSB follow:

	2017	2016	2015
Within one year	**₱259,731,834**	₱261,639,924	₱212,898,691
After one year but not more than five years	**417,228,668**	531,101,622	476,759,239
Over five years	**41,247,312**	27,025,441	34,966,519
	₱718,207,814	₱819,766,987	₱724,624,449

Finance Lease - LSB as Lessor
LSB has entered to a lease on its investment property portfolio. The lease contract provides an option to purchase the properties the end of the lease term. The lease has a lease term of ten (10) years, from April 30, 2009 to March 31, 2019. The building being leased out has an estimated useful life of ten (10) years.

As of December 31, 2017 and 2016, the future minimum lease receivable under the finance lease as follows:

	2017			2016		
	Minimum Lease Receivable	**Interest**	**Principal**	Minimum Lease Receivable	Interest	Principal
Within one year	**₱750,000**	**₱1,309,117**	**(₱559,117)**	₱750,000	₱1,236,467	(₱486,467)
After one year but not more than five years	**10,000,000**	**339,868**	**9,660,132**	10,750,000	1,648,986	9,101,014
	₱10,750,000	**₱1,648,985**	**₱9,101,015**	₱11,500,000	₱2,885,453	₱8,614,547

43. **Other Commitments and Contingent Liabilities**

Parent Company

- *JGSOC Loan Accommodation from Private Bank*
  On May 4, 2012, the BOD of the Parent Company approved and authorized the Parent Company to act as surety with respect to the credit accommodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱1.0 billion, including the extensions, renewals or modifications of such credit accommodation.

  On February 4, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSOC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱9.0 billion, including the extensions, renewals or modifications of such loan/credit accommodation.

- *JGSPC Loan Accommodation from Private Bank*
  On May 8, 2014, the BOD of the Parent Company approved and authorized the Parent Company to guarantee the loan/credit accommodation of JGSPC from Banco de Oro Unibank, Inc. in the aggregate principal amount of ₱4.0 billion, including the extensions, renewals or modifications of such loan/credit accommodation.

<u>RLC</u>
Capital Commitments
RLC has contractual commitments and obligations for the construction and development of investment properties and property and equipment items aggregating ₱15.7 million, ₱16.9 million and ₱8.2 million as of December 31, 2017, 2016 and 2015, respectively. Moreover, RLC has contractual obligations amounting to ₱1.4 million and ₱1.2 million as of December 31, 2017 and 2016, respectively, for the completion and delivery of real estate units that have been presold.

<u>CAI</u>
Capital Expenditure Commitments
CAI's capital expenditure commitments relate principally to the acquisition of aircraft fleet, aggregating to ₱127.3 billion and ₱117.8 billion as of December 31, 2017 and 2016, respectively, which are payable over the following periods:

	December 31, 2017		December 31, 2016	
	US Dollar	**Philippine Peso Equivalent**	US Dollar	Philippine Peso Equivalent
Within one year	**US$541,112,509**	**₱27,017,747,591**	US$483,178,223	₱24,023,621,236
After one year but not more than five years	**2,008,923,295**	**100,305,540,083**	1,886,172,565	93,780,499,949
	US$2,550,035,804	**₱127,323,287,674**	US$2,369,350,788	₱117,804,121,185

Aircraft and Spare Engine Purchase Commitments
In August 2011, CAI entered in a commitment with Airbus S.A.S. to purchase firm orders of thirty two new A321 NEO Aircraft and ten addition option orders. These aircraft are scheduled to be delivered from 2018 to 2022.

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 30 firm and ten options A321 NEO aircraft to be delivered beginning 2017. The agreement also includes an engine maintenance services program for a period of ten 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 10 additional option ATR 72-600 aircraft. These aircraft are scheduled to be delivered from 2016 to 2020. Two ATR72-600 were received during 2016 and six ATR-600 during 2017.

On June 6, 2017, CAI placed an order with Airbus S.A.S to purchase seven (7) new A321 CEO Aircraft to be delivered starting 2018.

As of December 31, 2017, CAI will take delivery of seven (7) Airbus A321 CEO, thirty-two Airbus A321 NEO and eight (8) ATR 72-600 aircraft.

The above-indicated commitments relate to CAI’s re-fleeting and expansion programs. These agreements remained in effect as of December 31, 2017.

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 redeliveey of the last A330.

On March 28, 2017, the Parent Company entered into a maintenance service contract with Societe Air France for the lease, repair and overhaul services of parts and components of its 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.

Off-Balance Sheet Items
In the normal course of RBC and LSB's operations, there are various outstanding contingent liabilities and bank guarantees which are not reflected in the accompanying consolidated financial statements. The subsidiary bank does not anticipate material unreserved losses as a result of these transactions.

Following is a summary of RBC and LSB's commitments and contingent liabilities at their equivalent peso contractual amounts:

	2017	2016
Trust and investment group accounts	**₱16,424,743,919**	₱15,507,740,556
Contingent - foreign currency swap	**1,936,176,488**	5,681,648,084
Inward bills for collection	**966,438,653**	288,993,938
Spot exchange - foreign currency	**952,213,950**	2,338,846,500
Outward bills for collection	**683,173,837**	253,379,120
Domestic standby letters of credit	**483,189,586**	479,316,335
Committed credit lines	**337,635,067**	22,000,000
Guarantees issued	**184,930,289**	81,382,715
Late deposit/payment received	**172,496,144**	11,795,810

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. **Business Combination**

Acquisition of Griffin's

URC NZ FinCo, a newly formed wholly-owned subsidiary of URCICL entered into a Sale and Purchase Agreement with Pacific Equity Partners (PEP) for the acquisition of 100% equity interest in NZSFHL, which is the holding company of Griffin's Food Limited, the leading snack food company in New Zealand, subject to the approval of New Zealand's Overseas Investment Office (OIO) as required by Overseas Investment Act 2005 and Overseas Investment Regulation of 2005. The total consideration of the acquisition is NZ$233.7 million (approximately ₱8.2 billion), including the initial deposit of NZ$100.0 million (₱3.5 billion) and the balance upon completion.

On October 29, 2014, New Zealand's OIO granted its consent on the application for the acquisition of NZSFHL. On November 14, 2014, following the approval from OIO, the transaction was completed and the remaining balance of the consideration was settled.

URC engaged a third party valuer to conduct the final purchase price allocation.

In 2015, the fair values of the assets and liabilities of NZSFHL at the date of acquisition were finalized as follow:

Purchase consideration transferred	₱8,152,809,497
Fair value of identifiable assets	
Cash and cash equivalents	₱1,066,628,343
Trade receivables	2,022,403,012
Inventories	1,500,415,759
Property, plant and equipment	4,365,177,575
Intangibles	6,865,982,527
Total Assets	15,820,607,216
Fair value of identifiable liabilities	
Trade payables	2,889,821,951
Deferred tax liability	2,303,077,210
Income tax liability	1,020,200
External bank debt	16,387,274,619
Total Liabilities	21,581,193,980
Total fair value of identifiable net liabilities	(5,760,586,764)
Goodwill	₱13,913,396,261

Acquisition of Cebgo, Inc.

As part of the strategic alliance between the CAI and Tiger Airways Holding Limited (TAH), on February 10, 2014, the CAI signed a Sale and Purchase Agreement (SPA) to acquire 100.0% of Cebgo, Inc. Under the terms of the SPA, closing of the transaction is subject to the satisfaction or waiver of each of the conditions contained in the SPA. On March 20, 2014, all the conditions precedent has been satisfactorily completed. The CAI has paid the purchase price covering the transfer of shares from TAH. Consequently, CAI gained control of Cebgo on the same date. The total consideration for the transaction amounted to ₱265.1 million.

The fair values of the identifiable assets and liabilities of Cebgo, Inc. at the date of acquisition follow:

	Fair Value recognized in the acquisition
Total cash, receivables and other assets	₱1,234,084,305
Total accounts payable, accrued expenses and unearned income	1,535,756,691
Net liabilities	(301,672,386)
Goodwill	566,781,533
Acquisition cost at post-closing settlement date	₱265,109,147

CAI identified intangible assets amounting to ₱852.2 milion representing costs to establish brand and market opportunities under strategic alliance with TAH (Note 18). In February 2015, CAI reached an agreement with ROAR II on the settlement of post-closing adjustments amounting to ₱223.5 million pursuant to the SPA. Such amount was received by CAI in 2015 and is accounted for as an adjustment to the purchase price. Total purchase price after closing settlement date amounted to ₱488.6 million.

Acquisition of Balayan Sugar Mill

On February 4, 2016, URC entered into an Asset Purchase Agreement with Batangas Sugar Mill, Inc. (BSCI) for the acquisition of Balayan sugar mill for a total consideration of ₱1.6 billion. URC engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable net assets at the date of acquisition follow:

Purchase consideration transferred	₱1,600,000,000
Fair value of identifiable net assets	
Inventories	264,000,000
Property, plant and equipment (Note 16)	1,323,590,374
Total fair value of identifiable net assets	1,587,590,374
Goodwill	₱12,409,626

Goodwill arising from acquisition of Balayan is allocated entirely to the operations of the sugar mill and is mainly attributable to the synergies formed between URC and Balayan.

From the date of acquisition, the Balayan sugar mill has contributed net sales of ₱636.7 million and net income of ₱85.2 million to the Group. If the business combination had taken place at the beginning of 2016, net sales and net income of the Group in 2016 would have been ₱240.6 billion and ₱22.4 billion, respectively.

Acquisition of Snack Brands Australia

On August 16, 2016, URC AU FinCo, a wholly-owned subsidiary of URCICL, entered into a Share Sale Agreement with Toccara Securities Pty Ltd and Hopkins Securities Pty Ltd for the acquisition of 100% equity interest in CSPL, which trades under the company name Snack Brands Australia (SBA), one of the leading snack food companies in Australia, subject to the approval of the Australian Foreign Investment Review Board (FIRB). The total consideration of the acquisition is approximately AU$584.5 million (₱21.6 billion).

On September 14, 2016, the Australian FIRB approved the acquisition of SBA. Following the approval, the transaction was completed on September 30, 2016.

The Group engaged the services of a third party valuer to conduct the final purchase price allocation.

The fair values of the identifiable assets and liabilities of CSPL at the date of acquisition follow:

Purchase consideration transferred	₱21,579,202,907
Fair value of identifiable assets	
Cash	₱419,944,622
Receivables	1,608,193,555
Inventories	369,121,737
Other current assets	68,764,464
Property, plant and equipment (Note 16)	2,371,469,678
Intangibles (Note 18)	4,681,269,034
Deferred tax assets	310,964,989
Total Assets	9,829,728,079
Fair value of identifiable liabilities	
Accounts payable and other accrued liabilities	3,103,596,275
Deferred tax liabilities	1,514,713,029
Other noncurrent liabilities	125,070,200
Total Liabilities	4,743,379,504
Total fair value of identifiable net liabilities	5,086,348,575
Goodwill	₱16,492,854,332

Goodwill arising from the acquisition of AU Group is allocated entirely to the operations of Snack Brands. None of the goodwill recognized is expected to be deductible for income tax purposes. From the date of acquisition, the AU Group has contributed net sales of ₱2.6 billion and net income of ₱0.3 billion to the Group. If the business combination had taken place at the beginning of the year, net sales and net income of the Group in 2016 would have been ₱248.3 billion and ₱22.4 billion, respectively.

45. Subsequent Events

The following non-adjusting events happened subsequent to the respective reporting dates of the Parent Company and its subsidiaries:

On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Petrochemical Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

On February 8, 2018, the BOD authorizes the Parent Company to guarantee the loan/credit accommodation of JG Summit Olefins Corporation from BDO Unibank in the aggregate principal amount of ₱15.0 billion including any extension, renewal or modification of such loan or credit accommodation.

On March 23, 2018, NURC's BOD approved the declaration of cash dividends amounting to ₱690.00 million (₱3.65 per share) to stockholders of record as of December 31, 2017 payable on or before September 30, 2018.

46. Supplemental Disclosures to Cash Flow Statements

In 2016, the total cash paid, net of cash received from the Group's acquisition of subsidiaries amounted to ₱21.2 billion (see Note 44).

Changes in liabilities arising from financing activities in 2017 follow:

	January 1, 2017	Cash Flows	Foreign Exchange Movement	Others*	December 31, 2017
Short-term debts	61,884,514,577	(16,409,717,227)	230,064,662	142,951,449	₱45,847,813,461
Long-term debts	159,187,755,600	19,532,626,809	995,927,867	1,970,504,390	181,686,814,666
	₱221,072,270,177	₱3,122,909,582	₱1,225,992,529	₱2,113,455,839	₱227,534,628,127

**Others consist of amortization and capitalization of bond issue cost.*

The principal noncash activities of the Group are as follows:

a. On December 31, 2015 the Group recognized a liability based on the schedule of pre-delivery payments amounting to ₱482.0 million. These incurred costs are recognized under the 'Property, Plant, and Equipment - Construction-in progress' account. The liability was paid the following year.

b. Movements in the cumulative translation adjustment amounted to (₱1.1 billion), (₱1.9 billion), and ₱1.7 billion in 2017, 2016 and 2015, respectively.

c. In 2017, 2016 and 2015, the Group foreclosed some assets, which are recorded under 'Investment properties' in the consolidated statements of financial position, amounting to ₱85.5 million, ₱91.4 million and ₱65.4 million, respectively.

d. In 2017, 2016 and 2015, the Group acquired additional investment in UICL through the script dividend schemed in lieu of cash dividends amounting to ₱560.4 million, ₱529.9 million and ₱510.0 million, respectively.

e. Acquisition of aircraft through loan financing amounting to ₱10.1 billion, ₱12.3 billion and ₱8.0 billion in 2017, 2016 and 2015, respectively

47. 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 April 10, 2018.

SGV
Building a better working world

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

Tel: (632) 891 0307
Fax: (632) 819 0872
ey.com/ph

BOA/PRC Reg. No. 0001,
December 14, 2015, valid until December 31, 2018
SEC Accreditation No. 0012-FR-4 (Group A),
November 10, 2015, valid until November 9, 2018

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 Subsidiaries (the Group) as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form17-A, and have issued our report thereon dated April 10, 2018. 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 Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Group's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011) and are not part of the basic consolidated financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.

Aris C. Malantic

Aris C. Malantic
Partner
CPA Certificate No. 90190
SEC Accreditation No. 0326-AR-3 (Group A),
May 1, 2015, valid until April 30, 2018
Tax Identification No. 152-884-691
BIR Accreditation No. 08-001998-54-2018,
February 26, 2018, valid until February 25, 2021
PTR No. 6621284, January 9, 2018, Makati City

April 10, 2018

Corporate Directory

Common Stock	Listed on the Philippine Stock Exchange, Inc. PSE Tower, 28th Street corner 5th Avenue Bonifacio Global City, Taguig City
Stock Transfer and Dividend Paying Agent	BDO Unibank, Inc. Trust and Investment Group 15/F South Tower, BDO Corporate Center, 7899 Makati Avenue, Makati City
Corporate Head Office	JG Summit Holdings, Inc. 43/F Robinsons Equitable Tower ADB Avenue corner Poveda Street, Ortigas Center, Pasig City Metro Manila, Philippines Tel No. (632) 633-7631 to 40 (632) 240-8801 Fax No. (632) 633-9207 (632) 240-9106
Independent Public Accountants	SyCip Gorres Velayo & Co. Certified Public Accountants SGV Building, 6760 Ayala Avenue Makati City, Philippines
Legal Counsel	Romulo, Mabanta, Buenaventura, Sayoc & delos Angeles Law Office 21/F Philamlife Tower, 8767 Paseo de Roxas, Makati City, Philippines
Company Website	www.jgsummit.com.ph