JG SUMMIT HOLDINGS, INC.

May 13, 2020

# CERTIFICATION

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

I, **FRANCISCO M. DEL MUNDO**, Senior Vice President – Chief Financial Officer, is a duly authorized representative of **JG Summit Holdings, Inc.** with SEC registration 184044 with principal office address at 43rd floor Robinsons Equitable Tower, ADB Avenue corner Poveda Road, Ortigas Center, Pasig City, Philippines, do hereby certify that:

JG Summit Holdings, Inc. will comply with the guidelines for the alternative filing of reports and/or documents online with the Securities and Exchange Commission in light with imposition of an Enhanced Community Quarantine and Stringent Social Distancing Measures over Luzon to prevent the spread of the 2019 Coronavirus Disease (COVID-2019).

The information contained in 2020 SEC Form 17-Q (Quarterly Report) with attached unaudited consolidated financial statements for the period ended March 31, 2020, submitted on May 13, 2020 online is true and correct to the best of my knowledge.

On behalf of JG Summit Holdings, Inc. I hereby undertake to (1) submit hard or physical copies of 2020 SEC Form 17-Q (Quarterly Report) with proper notarization and certification; (2) pay the filing fees (where applicable); (3) pay the penalties due (where applicable) and (4) other impositions (where applicable), within ten (10) calendar days from the date of the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours.

JG SUMMIT HOLDINGS, INC.

I am fully aware that non-submission of hard/physical copies of reports as well as certification that they refer to one and the same document submitted online, within ten (10) calendar days from the lifting of the Enhanced Community Quarantine period and resumption of SEC's normal working hours, shall invalidate the reports, applications, compliance, requests and other documents submitted via email. Hence, the corresponding penalties under existing rules and regulations of the Commission shall apply without prejudice to the imposition of penalties under Section 54 of the Securities Regulation Code and other applicable existing rules and regulations for failure to comply with the orders of the Commission.

I am executing this certification on May 13, 2020 to attest to the truthfulness of the foregoing facts and for whatever legal purpose it may serve.

**FRANCISCO M. DEL MUNDO**
Authorized Representative

# COVER SHEET
for
**AUDITED FINANCIAL STATEMENTS**

SEC Registration Number

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**C O M P A N Y   N A M E**

J G   S U M M I T   H O L D I N G S ,   I N C .   A N D   S
U B S I D I A R I E S

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

4 3 r d   F l o o r ,   R o b i n s o n s - E q u i t a b l
e   T o w e r ,   A D B   A v e n u e   c o r n e r   P o v
e d a   R o a d ,   P a s i g   C i t y

| Form Type | Department requiring the report | Secondary License Type, If Applicable |
|---|---|---|
| 1 7 - Q | | N / A |

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

| Company's Email Address | Company's Telephone Number | Mobile Number |
|---|---|---|
| www.jgsummit.com.ph | 633-7631 | - |

| No. of Stockholders | Annual Meeting (Month / Day) | Fiscal Year (Month / Day) |
|---|---|---|
| | 2nd Thursday of June | 12/31 |

**CONTACT PERSON INFORMATION**

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

| Name of Contact Person | Email Address | Telephone Number/s | Mobile Number |
|---|---|---|---|
| Francisco M. Del Mundo | Pancho.DelMundo@urc.net.ph | 633-7631 | |

**CONTACT PERSON's ADDRESS**

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

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

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

**SECURITIES AND EXCHANGE COMMISSION**

**SEC FORM 17-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 17**
**OF THE SECURITIES REGULATION CODE AND SRC RULE 17(2)(b) THEREUNDER**

1. For the quarterly period ended **March 31, 2020**

2. SEC Identification Number **184044**

3. BIR Tax Identification No. **000-775-860**

4. Exact name of registrant as specified in its charter **JG Summit Holdings, Inc.**

5. **Pasig City, Philippines**
   Province, Country or other jurisdiction of incorporation or organization

6. ______ (SEC Use Only)
   Industry Classification Code:

7. **43rd Floor, Robinsons-Equitable Tower ADB Ave. corner Poveda Road, Pasig City 1600**
   Address of principal office — Postal Code

8. **(632) 633-7631**
   Registrant's telephone number, including area code

9. **Not Applicable**
   Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the RSC, or Sec. 4 and 8 of the RSA

| Title of Each Class | Number of Shares of Common Stock Outstanding and Amount of Debt Outstanding |
|---|---|
| **Common Stock** | **7,162,841,657** |
| **Long-term Debt** | **5,489,470,000** |

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

    **Yes [ / ]** No [ ]
    If yes, state the name of such stock exchange and the classes of securities listed herein:

    **Philippine Stock Exchange**
    **Common Stock**

12. Check whether the registrant:

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

    **Yes [ / ]** No [ ]

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

    **Yes [ / ]** No [ ]

## PART I - BUSINESS AND GENERAL INFORMATION

### Item 1. Financial Statements.

The unaudited consolidated financial statements are filed as part of this Form 17-Q.

### Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The Group has presented its interim unaudited consolidated financial statements as of and for the period ended March 31, 2020 and 2019 in compliance with PFRS 16, *Leases,* the new accounting standard which the Group has adopted effective 2019. Effective 2020, United Industrial Corporation Limited (UIC), a Singapore-listed associate of the Group, is only required to file financial reports semi-annually instead of quarterly in accordance with the new rules of the Singapore Stock Exchange (SGX). The recent changes in the SGX rules resulted to a change in reporting of the JG Group financial performance whereby the financial results of UIC are not included in the quarterly report and that UIC results will be included in the semi-annual financial report of the JG Group. Accordingly, the Group's consolidated statements of financial performance for the period ended March 31, 2020 already excludes equity in net earnings of UIC. To align with the current period's presentation, the Group has reclassified and restated the comparative accounts in the consolidated statements of financial performance for the period ended March 31, 2019.

**<u>Results of Operations</u>**

### Three Months Ended March 31, 2020 vs March 31, 2019

JG Summit Holdings, Inc.'s consolidated core net income after taxes (excluding non-operating and nonrecurring items) amounted to ₱4.26 billion for the first quarter of 2020, an 18.8% decline from ₱5.24 billion for the first quarter of 2019, mainly due to lower net income of our airline business which was heavily affected by the impact of COVID-19 outbreak which started with the cancellation of flights caused by imposition of travel restrictions in varying periods during the quarter, and eventually suspension of all scheduled flights beginning March 19, 2020 as prompted by the implementation of an enhanced community quarantine over the entire Luzon. The Group's consolidated net income from equity holders of the parent likewise declined by 70.5% from ₱6.46 billion for the first quarter of 2019 to ₱1.90 billion for the first quarter of 2020 after including the impact of market valuation and foreign exchange losses of ₱2.05 billion. Consolidated EBITDA reached ₱16.89 billion, a 12.7% decline from last year's ₱19.35 billion.

Consolidated revenues were down 9.7% from ₱75.21 billion to ₱67.88 billion due to the performance of the following core subsidiaries:

- URC's total revenues slightly increased from ₱33.32 billion in 2019 to ₱33.46 billion in 2020 driven by the 3.0% increase in branded consumer foods (BCF) domestic sales and 34.0% growth in Sugar business, offset by the 7.8% decrease in BCF international operations and the 25.4% decline in the farms business.
- RLC's total revenues increased by 68.1% from ₱6.78 billion in 2019 to ₱11.39 billion in 2020 mainly due to the revenue increase in the residential division brought by the adoption of a new accounting treatment on revenue recognition using the buyers' equity threshold of 10% from the previous 15%.

- Cebu Air's total revenues went down by 25.0% from ₱21.18 billion for the first quarter of 2019 to ₱15.91 billion in 2020 due to 16.5% drop in passenger traffic driven by 14.7% lesser number of flights as a result of the impact of COVID-19 outbreak.

- JG Petrochemicals Group revenues decreased by 71.0% from ₱9.57 billion for the first quarter of 2019 to ₱2.78 billion for the same period this year as a result of lower average selling prices and volumes.

- Robinsons Bank's revenues increased 23.0% from ₱1.89 billion for the first quarter of 2019 to ₱2.33 billion for the same period this year due to higher interest income from finance receivables resulted from growth in loans portfolio and higher trading gains during the period.

Revenues from our core investments (which consists of dividend income and equity in net earnings of associates and joint ventures) went down by 15.0% from ₱2.31 billion for the first quarter of 2019 to ₱1.81 billion for the first quarter of 2020, mainly due to the 50.4% decrease in total equity in net earnings of associates, primarily from our investment in Meralco, partially offset by the increase in dividend income received by the Group from ₱640.07 million last year to ₱976.92 million this year as a result of the Group's 3% higher ownership interest in PLDT (8.0% interest in 2019 to 11.3% interest in 2020) coupled by the higher dividends declared by PLDT (₱36 per share in 2019 to ₱39 per share in 2020). Equity in net earnings of associates and joint ventures, primarily from our investments in Meralco and GBPC, amounted to ₱829.73 million for the first quarter of 2020, a 50.4% decrease from last year's ₱1.67 million due to 55.6% decrease in equity in net earnings of Meralco from ₱1.62 billion last year to ₱720 million this year as a result of an impairment loss recognized by Meralco during the period. The equity in net earnings for the period ended March 31, 2020 and 2019 excludes equity in net earnings of UIC in accordance with the new rules of the SGX (see discussion under 'Equity Earnings' on page 8).

Consolidated cost of sales and services for the first quarter of the year decreased by 10.1% from ₱48.56 billion last year to ₱43.67 billion this year consistent with the decline in revenue of core businesses.

The Group's operating expenses increased by 5.6% from ₱14.31 billion last year to ₱15.11 billion in the same period this year due to higher selling, general and administrative expenses, particularly from the real estate and banking businesses. As a result, Consolidated Operating Income or EBIT amounted to ₱9.10 billion for the first quarter of 2020, a 26.2% decrease from ₱12.34 billion for the same period last year.

The Group's financing costs and other charges, net of interest income, decreased by 11.9% to ₱2.01 billion this year from last year's ₱2.25 billion primarily due to increase in capitalized borrowing costs of Petrochem, as well as lower interest rates on short-term debts.

Market valuation losses recognized from financial assets and derivative instruments for the first quarter of 2020 amounted to ₱798.79 million from a market valuation gain of ₱1.78 billion for the same period last year attributable to the decline in market values of the Group's financial assets at FVTPL resulting from the initial impact of COVID-19 on capital markets, and the hedging loss incurred by Cebu Pacific due to the discontinuation of hedge accounting application on non-effective hedges in 2020.

The Group recognized a net foreign exchange loss of ₱1.26 billion in 2020 from ₱220.72 million foreign exchange gain for the same period last year mainly driven by significant depreciation of Indonesian Rupiah vis-à-vis U.S. dollar which impacted our foods business, coupled with foreign exchange rate fluctuations of Philippine peso vs U.S. dollar in respect to our dollar-denominated long-term debt.

Other income (expense) - net account, which represents miscellaneous income and expenses, amounted to a loss of ₱20.63 million for the first quarter of 2020 from ₱321.54 million in the same period last year, due to loss on sale of aircraft incurred by Cebu Pacific in 2019.

Provision for income tax decreased by 49.7% to ₱1.03 billion for the first quarter of 2020 mainly due to the benefit from deferred income tax recognized by Cebu Pacific.

**FOOD**

**Universal Robina Corporation (URC)** generated a consolidated sale of goods and services of ₱33.46 billion for the first quarter ended March 31, 2020, slightly higher than same period last year. Sale of goods and services performance by business segment follows: (1) URC's branded consumer foods (BCF) segment, excluding packaging division, decreased by 1.4% to ₱25.41 billion for the first quarter of 2020 from ₱25.77 billion registered in the same period last year. BCFG domestic operations posted a 3.0% increase in net sales from ₱15.23 billion for the first quarter of 2019 to ₱15.69 billion for the first quarter of 2020 driven by growth in snacks and noodles. BCF segment posted high single-digit growth at the start of the year but momentum was affected by the Enhanced Community Quarantine (ECQ) due to COVID-19, which impacted supply operations. BCF international operations reported a 7.8% decrease in net sales from ₱10.54 billion for the first quarter of 2019 to ₱9.72 billion for the first quarter of 2020, with significant impact from forex devaluations particularly in New Zealand and Australia. In constant US dollar (US$) terms, sales decreased by 1.9% with mixed results from major markets. Australia increased by 19.6% driven by better product supply and availability for the quarter compared to same period last year while New Zealand sales increased by 7.0% due to good momentum in biscuits and better trade execution. Vietnam significantly declined by 35.6% due to reduced out-of-home consumption, which heavily impacted RTD beverages. Rong Do was also affected by prolonged extension of school closure since Tet holiday season due to COVID-19. Thailand sales decreased by 10.8% due to significant decline in January as we cycle trade inventory correction from last year but recoveries can be seen in February and March. Sale of goods and services in URC's packaging division decreased by 32.1% to ₱261 million for the first quarter of 2020 from ₱384 million recorded in the same period last year due to weaker volumes. (2) Agro-Industrial group (AIG) amounted to to ₱2.82 billion for the first quarter of 2020, a decrease of 9.4% from ₱3.11 billion recorded in the same period last year. Feeds business is flattish while farms business decreased by 25.4% as a result of the previously announced restructuring and lower selling prices of hogs. (3) Sale of goods and services in commodity foods group (CFG) amounted to ₱4.97 billion for the first quarter of 2020, a 22.7% increase from ₱4.05 billion reported in the same period last year. Sugar business grew by 34.0% due to higher volumes and better prices while renewables business grew by 12.5%. Flour business posted a 5.3% increase due to strong volumes.

URC's cost of sales consists primarily of raw and packaging materials costs, manufacturing costs and direct labor costs. Cost of sales increased by 1.0% to ₱23.34 billion for the first quarter of 2020 from ₱23.11 billion recorded in the same period last year.

URC's gross profit for the first quarter of 2020 amounted to ₱10.11 billion, down by ₱97 million or 1.0% from ₱10.21 billion reported in the same period last year. Gross profit margin decreased by 42 basis points from 30.6% for the first quarter of 2019 to 30.2% for the first quarter of 2020.

URC's selling and distribution costs, and general and administrative expenses consist primarily of compensation benefits, advertising and promotion costs, freight and other selling expenses, depreciation, repairs and maintenance expenses and other administrative expenses. Selling and distribution costs, and general and administrative expenses decrease by ₱113 million or 1.8% to ₱6.15 billion for the first quarter of 2020 from ₱6.26 billion registered in the first quarter of 2019.

As a result of the above factors, operating income increased by ₱16 million to ₱3.97 billion for the first quarter of 2020 from ₱3.95 billion reported for the first quarter of 2019.

Market valuation loss on financial instruments at fair value through profit or loss increased to ₱4 million for the first quarter of 2020 against the ₱44 thousand in the same period last year due to higher decline in market values of equity investments.

URC's finance revenue consists of interest income from investments in money market placements, savings and dollar deposits and dividend income from investment in equity securities. Finance revenue increased by 16.1% to ₱108 million for the first quarter of 2020 from ₱93 million in the same period last year due to higher dividend income.

URC's finance costs consist mainly of interest expense and amortization of debt issue costs. Finance costs amounted to ₱408 million for the first quarters of 2020 and 2019 due to sustained level of interest-bearing financial liabilities.

Net foreign exchange loss amounted to ₱820 million for the first quarter of 2020 from ₱207 million gain in the same period last year mainly driven by significant depreciation of Indonesian Rupiah vis-à-vis US dollar.

Equity in net losses of joint ventures increased to ₱47 million for the first quarter of 2020 from ₱16 million in the same period last year due to higher net losses of VURCI.

Other income (expense) - net account consists of gain (loss) on sale of fixed assets and investments, rental income, and miscellaneous income and expenses. This account amounted to net other expense of ₱54 million for the first quarter of 2020 from a ₱15 million net other income for first quarter of 2019 due to lower rental income this year.

URC recognized provision for income tax of ₱605 million for the first quarter of 2020, a 15.5% decrease from ₱716 million for the first quarter of 2019 due to lower taxable income, net of deferred tax asset reversal on realized foreign exchange loss.

URC's net income for the first quarter of 2020 amounted to ₱2.14 billion, lower by ₱988 million or 31.6%, from ₱3.13 billion for the first quarter of 2019 mainly driven by higher net forex loss.

URC's core earnings before tax (operating profit after equity earnings, net finance costs and other income - net) for the first quarter of 2020 amounted to ₱3.57 billion, a decrease of 1.9% from ₱3.64 billion recorded in the same period last year.

Net income attributable to equity holders of the parent decreased by ₱1.05 billion or 34.6% to ₱1.99 billion for the first quarter of 2020 from ₱3.04 billion for the first quarter of 2019 as a result of the factors discussed above.

URC reported an EBITDA (operating income plus depreciation and amortization) of ₱5.83 billion for the first quarter of 2020, 3.4% higher than ₱5.64 billion posted for the first quarter of 2019.

## REAL ESTATE AND HOTELS

**Robinsons Land Corporation's (RLC)** consolidated net income attributable to equity holders of the parent for the period ended March 31, 2020 amounted to ₱3.34 billion, up by 82% from last year's ₱1.83 billion. EBIT and EBITDA surged by 82% and 59% to ₱4.73 billion and ₱6.00 billion, respectively, for the three months ended March 31, 2020.

Total real estate revenues increased by 77% to ₱11.10 billion against last year's ₱6.27 billion, while hotel revenues were down by 10% to ₱468.4 million. The Commercial Centers Division which accounted for 25% or ₱2.87 billion of RLC's gross revenues, dropped by 8%. The decrease was due to the temporarily closure of the malls except those areas that are being occupied by tenants providing essential services such as the supermarkets, banks, pharmacies and spaces occupied by BPOs; and waived rental for non-operational tenants during the Enhanced Community Quarantine (ECQ). RLC's Residential Division contributed 58% to RLC's revenues, which more than doubled to ₱6.70 billion from last year. This is due to the adoption of a new accounting treatment wherein RLC started to recognize revenues using the buyers' equity threshold at 10% from the previous 15%. Apart from the accounting treatment being an industry practice, the new revenue recognition method will allow the financial statements to be more reflective of actual performance of the residential division over time. The Office Buildings Division contributed 12% or ₱1.43 billion to RLC's revenues, registering a double-digit growth in revenues at 27%. The growth was from the continued operation of the office buildings even during ECQ and the success of the leasing activities for new developments namely Cyber Sigma, Cyberscape Gamma, Zeta Tower and Giga Tower/ and rental escalations in existing office buildings. The Hotels and Resorts Division accounted for 4% or ₱468.4 million to RLC's revenues. As of March 31, 2020, most of our properties had to close down temporarily because of the ECQ. With a massive contraction in demand and limited operations, our hotel revenues fell by 10% to ₱468.4 million in the first quarter of 2020. The Industrial and Integrated Developments Division generated ₱96.4 million in revenues which was 96% higher than the previous year mainly due to opening of a new industrial facility in Calamba, Laguna and recognition of a portion of the gain on sale of land to Shang Robinsons Properties, Inc.

Real estate costs were up by 91% to ₱5.10 billion while hotel expenses were up by 16% to ₱492 million due to the expenses of the new hotels. General and administrative expenses grew by 13% to ₱1.24 billion because of higher taxes and licenses, salaries and wages and advertising and promotions, among others.

## AIR TRANSPORTATION

** March 31, 2019 was restated for the adoption of PFRS 16, Leases*

**Cebu Air, Inc. (Cebu Pacific)** generated gross revenues of ₱15.91 billion for the three months ended March 31, 2020, 24.9% lower than the ₱21.18 billion revenues generated in the same period last year. The overall decline in revenues was brought about by the impact of the COVID-19 outbreak which started with cancellation of flights to China, Hong Kong, Macau and South Korea in varying periods during the quarter due to the imposition of travel restrictions. With the rapid escalation of the situation surrounding COVID-19, the Philippine government implemented an enhanced community quarantine over the entire Luzon, which then prompted Cebu Pacific to suspend all its scheduled flights beginning March 19, 2020. The drop in revenues is accounted for as follows: (1) passenger revenues decreased by 27.4% to ₱11.39 billion for the three months ended March 31, 2020 from ₱15.68 billion earned in the three months ended March 31, 2019. Cebu Pacific saw a 16.5% drop in passenger traffic from 5.3 million to 4.4 million driven by lesser number of flights by 14.7% coupled with a 2.9 ppts decrease in seat load factor from 84.2% to 81.3%. Lower average fares by 13.0% to ₱2,580 for the three months ended March 31, 2020 from ₱2,965 for the same period last year also contributed to the reduction of revenues; (2) cargo revenues dropped by 29.7% to ₱1.01 billion for the three months ended March 31, 2020 from ₱1.44 billion for the three months ended March 31, 2019 following the decrease in cargo volume transported in 2020 by 20.0% consequent to reduced flight operations plus the effect of a lower cargo yield by about 12.2%; and (3) ancillary revenues declined by 13.4% to ₱3.51 billion for the three months ended March 31, 2020 from ₱4.06 billion reported in the same period last year mainly attributable to lesser passenger volume and flight activity during the quarter slightly offset by the increase in average ancillary revenue per passenger by 3.7%

Cebu Pacific incurred operating expenses of ₱16.61 billion for the three months ended March 31, 2020, lower by 4.2% than the ₱17.33 billion operating expenses reported for the three months ended March 31, 2019. Such decline is primarily driven by the suspension of the Cebu Pacific's operations due to the COVID-19 global pandemic since a material portion of its expenses are based on flights and flight hours. The appreciation of the Philippine peso to an average of ₱50.83 per U.S. dollar for the three months ended March 31, 2020 from an average of ₱52.36 per U.S. dollar last year based on the Philippine Bloomberg Valuation (PH BVAL) weighted average rates as well as lower fuel prices also contributed to the decrease in operating expenses.

Interest income dropped by 48.1% to ₱95.48 million for the three months ended March 31, 2020 from ₱184.07 million earned in the same period last year due to the decrease in the balance of cash in bank and short term placements year on year and lower interest rates in short-term placements.

Cebu Pacific incurred a hedging loss of ₱419.62 million for the three months ended March 31, 2020, a decline of ₱1.43 billion from a hedging gain of ₱1.01 billion for the same period last year primarily due to discontinuation of hedge accounting application on non-effective hedges in 2020. A net foreign exchange losses of ₱320.24 million was recorded for the three months ended March 31, 2020 resulted from the weakening of the Philippine peso against the U.S. dollar. Cebu Pacific's major exposure to foreign exchange rate fluctuations is in respect to U.S. dollar denominated long-term debt incurred in connection with aircraft acquisitions.

Equity in net losses of joint ventures amounted to ₱54.32 million for the three months ended March 31, 2020, ₱75.17 million lower than the ₱20.85 million equity in net income of joint venture earned in the same period last year. The decrease was mainly attributable to net losses incurred by Aviation Partnership (Philippines) Corporation (A-plus) and SIA Engineering (Philippines) Corporation (SIAEP), 1Aviation and Digital Analytics Ventures, Inc. (DAVI) in 2020.

Interest expense decreased by 24.8% to ₱588.91 million for the three months ended March 31, 2020 from ₱782.75 million for the three months ended March 31, 2019 due to the sale of two (2) Airbus A320 aircrafts in the latter part of 2019 and the effect of appreciation of the Philippine Peso against the U.S. Dollar.

In March 2019, Cebu Pacific sold and delivered one Airbus A320 aircraft as part of a three-aircraft sale transaction, to a subsidiary of Allegiant Travel Company which resulted to a loss of ₱178.10 million.

Net loss for the three months ended March 31, 2020 amounted to ₱1.18 billion, a decrease of 135.2% from the ₱3.36 billion net income earned in the same period last year.

## PETROCHEMICALS

**JG Summit Petrochemicals Group,** which consists of JG Summit Petrochemicals Corporation (JGSPC) and JG Summit Olefins Corporation (JGSOC), reached combined gross revenues of ₱2.78 billion for the three months ended March 31, 2020, a decrease of 71.0% from ₱9.57 billion in the same period last year, as a result of lower average selling prices and volumes, brought about by the global economic slowdown, as well as the facility shutdowns in 1st quarter of 2020. Costs and expenses also decreased by32.5% from ₱10.41 billion for the first quarter of 2019 to ₱3.88 billion for the first quarter of 2020 due to lower naphtha cost. This resulted to a net operating loss of ₱956.57 million for the first quarter of 2020 from ₱494.75 million in the same period last year. Interest expense amounted to ₱72.36 million for the first quarter of 2020 from ₱189.77 million for the first quarter of 2019 due to higher level of borrowing costs capitalized during the period. A net foreign exchange loss of ₱100.92 million was also recognized for the first quarter of 2020 from last year's net foreign exchange gain of ₱87.23 million. All these factors contributed to the net loss of ₱1.14 billion recorded for the three months ended March 31, 2020, a 90.7% decrease from ₱599.27 million net loss for the same period last year.

## BANKING

**Robinsons Bank Corporation** generated banking revenue of ₱2.33 billion for the first quarter of 2020, a 23.0% increase from last year's ₱1.89 billion mainly driven by higher interest income from finance receivables resulted from growth in loans portfolio and higher trading gains during the period. Cost and expenses, including interest expense on deposits and bills payable, increased by 6.8% as the bank continued its expansion. These factors contributed to the net income of ₱349.56 million for the first quarter of 2020, 721.9% increase from ₱42.53 million net income for the same period last year.

## EQUITY EARNINGS

**Equity in net earnings of associated companies and joint ventures** amounted to ₱829.73 million for the first quarter of 2020, a 50.4% decrease from ₱1.67 million restated balance for the first quarter of 2019. The 50.4% decrease in total equity in net earnings for the period is mainly due to 55.6% decrease in equity in net earnings of Meralco from ₱1.62 billion last year to ₱720 million this year. Meralco recorded net income from operations of ₱5.67 billion last year to ₱2.62 billion this year due to the recognition of ₱2.60 billion full impairment on its investment in Pacific Light Power Limited for the first quarter of 2020.

Under the recent changes in the SGX-ST Listing Rules, a listed company would only be required to report its financials on a quarterly basis if:
(1) it has received a disclaimer of opinion, adverse opinion or qualified opinion from its auditors on its latest financial statement; or
(2) its auditors have expressed a material uncertainty relating to going concern on its latest financial statements; or
(3) SGX RegCo has regulatory concerns with the listed company (e.g. where there have been material disclosure breaches or where the listed company faces issues that have material financial impact.

As UIC is not a company which falls within any of the categories listed above, it is therefore no longer required under the SGX-ST Listing Rules to release its financial statements on a quarterly basis. To align with the current year's presentation, the Group has restated the comparative accounts and excluded equity in net earnings of UIC for the period ended March 31, 2019.

**FINANCIAL RESOURCES AND LIQUIDITY**

**March 31, 2020 vs December 31, 2019**

As of March 31, 2020, the Group's balance sheet remains healthy, with consolidated assets of ₱937.85 billion from ₱928.31 billion as of December 31, 2019. Current ratio stood at 0.93. The Group's indebtedness remained manageable with a gearing ratio of 0.69 and net debt to equity of 0.55 as of March 31, 2020.

Cash and cash equivalents increased to ₱59.00 billion as of March 31, 2020 from ₱64.34 billion as of December 31, 2019. Cash used in operating activities amounted to ₱45.63 million. As of March 31, 2020, net cash used in investing activities amounted to ₱14.74 billion mainly for the Group's capital expenditure program. The Group's net cash provided by financing activities amounted to ₱9.44 billion primarily due to net availments for short-term and long-term debts during the period.

Contract assets (current and noncurrent) totaling ₱14.59 billion as of March 31, 2020, a 34.5% increase from ₱10.85 billion as of December 31, 2019, refer to RLC's right to consideration in exchange for goods or services transferred to the customers based on percentage of completion. If RLC performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. This is reclassified as installment contract receivables when the monthly amortization is already due for collection.

Other noncurrent assets went up by 22.0% from ₱13.40 billion as of December 31, 2019 to ₱16.34 billion as of March 31, 2020 primarily due to CEB's deposits to derivative counterparties and increase in future deductible amounts such as net operating loss carryover and unrealized hedging losses.

Short term debt increased 14.0% to ₱61.60 billion as of March 31, 2020 from ₱54.05 billion as of December 31, 2019 mainly due to additional loans availed by CEB and RLC during the period to support working capital requirements.

Income tax payable decreased 26.3% mainly due to income tax payments made by RLC in March 2020.

Stockholders' equity, excluding minority interest, stood at ₱309.05 billion as of March 31, 2020 from ₱304.81 billion as of December 31, 2019.

Book value per share amounted to ₱43.14 as of March 31, 2020.

## KEY FINANCIAL INDICATORS

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

| **Key Financial Indicators** | **2020** | **2019 (As Restated)** |
|---|---|---|
| Revenues | ₱67,884 million | ₱75,214 million |
| EBIT | ₱9,105 million | ₱12,344 million |
| EBITDA | ₱16,891 million | ₱19,352 million |
| Core net income after taxes | ₱4,256 million | ₱5,242 million |
| Net income attributable to equity holders of the Parent Company | ₱1,903 million | ₱6,456 million |
| Liquidity Ratio: | | |
| Current ratio | 0.93 | 0.96 |
| Solvency ratios: | | |
| Gearing ratio | 0.69 | 0.67 |
| Net debt to equity ratio | 0.55 | 0.52 |
| Asset-to-equity ratio | 2.27 | 2.27 |
| Interest rate coverage ratio | 7.19 | 6.97 |
| Profitability ratio: | | |
| Operating margin | 0.13 | 0.16 |
| Book value per share | ₱43.14 | ₱42.55 |

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

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

2.1 Any known trends or any known trends, demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way.

The Company does not expect any liquidity problems and is not in default of any financial obligations.

2.2 Any events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation:

None

2.3 Any material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period:

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

2.4 Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations should be described.

**COVID 19 Impact, Risks and Mitigation**

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID 19 which resulted to the imposition of an Enhanced Community Quarantine throughout Luzon starting midnight of March 16, 2020.

In compliance with the notice of the Securities and Exchange Commission dated March 12, 2020, the Group disclosed to the public the measures it has undertaken to manage the risk of COVID-19 in its CY2019 Annual report. It shared that it has an existing crisis management plan and primary operating measures established in the areas of: (1) Employee Health and Safety, (2) Public Health and Safety, and (3) Business Continuity.

The Group has ensured that it fully complies with all the government-mandated measures to contain the COVID-19 outbreak in the country. These however have caused disruptions to certain areas of the Group's diverse portfolio of businesses and economic activities as follows:

- Travel restrictions imposed by the Philippine government and other countries have resulted to significant reduction in air travel demand for the Air transportation segment;
- The Real estate and hotels segment has temporarily closed down some of its commercial properties and suspended the construction of its residential properties. Only essential business establishments within its malls such such as supermarkets, pharmacies and banks remain open for limited operating hours;
- The Foods, agro-industrial and commodities businesses' selling operations remain open and currently has sufficient inventory that enables it to operate its business at normal levels across

different geographic locations where it has facilities, in both domestic and international markets. But as the situation continues to evolve, the segment nevertheless remains vigilant on the potential impact of the outbreak on its supply chain and consumer demand;

- Identified as an essential business establishment under the government's ECQ guidelines, the Banking segment has ensured continued operations and uninterrupted services to provide the financial requirements of its clients as well as to support the entire financial system; and
- The Petrochemicals plants continue to operate and deliveries to customers are unhampered to ensure that necessary raw materials are available for the nation's supply chain.

The Group has implemented several austerity measures to mitigate the impact of this outbreak to the Group's businesses. In particular, the Group has undertaken the following:

- For its Real estate and hotels, Foods, agro-industrial and commodities, Banking and Petrochemicals segments which are, or a part or parts thereof, considered essential business establishments in accordance with the government's ECQ guidelines, a skeletal work force and rotation schedules for highly critical functions and activities have been employed. To supplement this, various precautionary measures were also implemented such as strict adherence to personal hygiene practices, mandatory temperature checks and social distancing protocols, and proper and frequent sanitation and deep disinfection of plant premises, offices, branches and supermarkets.
- For the other employees of the Group, work-from-home arrangements, job reassignment and other flexible personnel resourcing measures have been implemented.
- For its Air transportation segment, prior to the suspension of all flights beginning March 19, 2020, lost capacity due to cancellation of international flights have been redeployed into the domestic network. In addition, various cost saving and cash preservation initiatives were undertaken.
- The Banking segment opens as many branches feasible, ensures cash availability in ATMs, maintains availability of various digital and online products, and has provided its customers 30-day grace period for loan payments.

Refer to Note 26 of the Consolidated Financial Statements attached to this report.

The Company's and its subsidiaries' performance will at all times be affected by the economic performance of the Philippines and other countries where its subsidiaries operate. Hence, the Group is always on guard and establishes controls to minimize such risks.

2.5. Any significant elements of income or loss that did not arise from the issuer's continuing operations.

None

2.6. Any seasonal aspects that had a material effect on the financial condition or results of operations.

None

## PART II – OTHER INFORMATION

Item 1. List of disclosure not made under SEC Form 17 - C.

None.

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## SIGNATURES

Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**JG SUMMIT HOLDINGS, INC.**

By:

5/13/2020

**JAMES L. GO**
Chairman of the Board

5/13/2020

**LANCE Y. GOKONGWEI**
President and
Chief Executive Officer

5/13/2020

**FRANCISCO M. DEL MUNDO**
Senior Vice President and
Chief Financial Officer

## JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

## INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(In Thousands)

| | **March 31, 2020** | December 31, 2019 |
|---|---|---|
| | **(Unaudited)** | (Audited) |
| **ASSETS** | | |
| **Current Assets** | | |
| Cash and cash equivalents (Note 7) | **₱58,999,205** | ₱64,343,249 |
| Financial assets at fair value through profit or loss (Note 9) | **5,576,341** | 4,384,645 |
| Financial assets at fair value through other comprehensive income (Note 10) | **19,437,613** | 22,259,890 |
| Receivables (Note 11) | **52,087,722** | 47,712,910 |
| Inventories (Note 12) | **71,460,079** | 68,513,876 |
| Biological assets | **656,788** | 733,436 |
| Contract assets | **4,044,798** | 3,007,039 |
| Other current assets (Note 13) | **23,475,964** | 23,200,634 |
| Total Current Assets | **235,738,510** | 234,155,679 |
| **Noncurrent Assets** | | |
| Financial assets at fair value through other comprehensive income (Note 10) | **27,482,633** | 24,050,347 |
| Receivables (Note 11) | **60,990,117** | 60,913,548 |
| Investment securities at amortized cost (Note 10) | **11,355,345** | 11,357,261 |
| Investments in associates and joint ventures (Note 14) | **148,948,038** | 151,691,573 |
| Property, plant and equipment | **259,861,033** | 259,242,817 |
| Investment properties | **100,292,539** | 99,000,246 |
| Right-of-use assets | **20,089,139** | 20,531,421 |
| Contract assets | **10,549,881** | 7,843,135 |
| Goodwill | **32,005,604** | 32,005,604 |
| Intangible assets | **13,940,127** | 13,898,390 |
| Biological assets | **261,993** | 224,128 |
| Other noncurrent assets (Note 15) | **16,335,030** | 13,395,369 |
| Total Noncurrent Assets | **702,111,479** | 694,153,839 |
| | **₱937,849,989** | ₱928,309,518 |

| | | |
|---|---|---|
| **LIABILITIES AND EQUITY** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued expenses (Note 16) | **₱142,791,817** | ₱146,327,372 |
| Short-term debts (Note 18) | **61,597,427** | 54,047,410 |
| Current portion of long-term debts (Note 18) | **12,194,330** | 6,819,094 |
| Contract liabilities | **14,499,654** | 14,184,664 |
| Income tax payable | **1,305,802** | 1,771,271 |
| Other current liabilities (Note 17) | **21,901,003** | 21,989,131 |
| Total Current Liabilities | **254,290,033** | 245,138,942 |

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| **Noncurrent Liabilities** | | |
| Long-term debts - net of current portion (Note 18) | **₱209,455,530** | ₱212,116,441 |
| Deferred tax liabilities | **8,343,124** | 8,318,082 |
| Contract liabilities | **3,024,179** | 2,958,482 |
| Other noncurrent liabilities (Note 19) | **49,569,209** | 51,130,429 |
| Total Noncurrent Liabilities | **270,392,042** | 274,523,434 |
| Total Liabilities | **524,682,075** | 519,662,376 |
| **Equity** | | |
| Equity attributable to equity holders of the Parent Company: | | |
| Paid-up capital (Note 20) | **30,755,867** | ₱30,755,867 |
| Retained earnings (Note 20) | **269,875,459** | 267,972,795 |
| Equity reserve (Note 20) | **30,870,289** | 30,870,149 |
| Other comprehensive loss | **(22,449,826)** | (24,787,169) |
| | **309,051,789** | 304,811,642 |
| Non-controlling interests | **104,116,125** | 103,835,500 |
| Total Equity | **413,167,914** | 408,647,142 |
| | **₱937,849,989** | ₱928,309,518 |

*See accompanying Notes to Consolidated Financial Statements.*

## JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In Thousands Except Per Share Amounts)

| | Three Months Ended March 31 | |
|---|---|---|
| | **2020** | 2019 (As Restated) |
| **REVENUE** | | |
| Sale of goods and services: | | |
| Foods | **₱33,457,288** | ₱33,317,050 |
| Air transportation | **15,914,083** | 21,177,466 |
| Real estate and hotels | **11,391,680** | 6,777,299 |
| Petrochemicals | **2,775,860** | 9,566,882 |
| Banking | **2,327,589** | 1,894,103 |
| Dividend income | **976,923** | 640,075 |
| Equity in net earnings of associates and joint ventures | **829,732** | 1,673,535 |
| Supplementary businesses | **210,939** | 167,213 |
| | **67,884,094** | 75,213,623 |
| **COST OF SALES AND SERVICES** | **43,667,003** | 48,561,941 |
| **GROSS INCOME** | **24,217,091** | 26,651,682 |
| **OTHER OPERATING EXPENSES** | | |
| General and administrative expenses | **15,005,463** | 14,306,824 |
| Impairment losses and others | **107,068** | 796 |
| | **15,112,531** | 14,307,620 |
| **OPERATING INCOME** | **9,104,560** | 12,344,062 |
| **OTHER INCOME (LOSSES)** | | |
| Financing costs and other charges | **(2,350,119)** | (2,777,934) |
| Foreign exchange gains (losses) | **(1,255,572)** | 218,351 |
| Market valuation gains (losses) on derivative financial instruments | **(419,624)** | 1,014,289 |
| Market valuation losses on financial assets at fair value through profit or loss | **(379,169)** | 763,956 |
| Finance income | **339,518** | 528,191 |
| Others | **(20,633)** | (321,537) |
| **INCOME BEFORE INCOME TAX** | **5,018,961** | 11,769,378 |
| **PROVISION FOR INCOME TAX** | **1,030,547** | 2,047,548 |
| **NET INCOME** | **₱3,988,414** | ₱9,721,830 |
| **NET INCOME ATTRIBUTABLE TO** | | |
| Equity holders of the Parent Company | **₱1,902,664** | ₱6,455,520 |
| Non-controlling interests | **2,085,750** | 3,266,310 |
| | **₱3,988,414** | ₱9,721,830 |

(Forward)

| | Three Months Ended March 31 | |
|---|---|---|
| | **2020** | 2019 |
| **NET INCOME** | **₱3,988,414** | ₱9,721,830 |
| **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX** | | |
| Item that may be reclassified subsequently to profit or loss: | | |
| Cumulative translation adjustments | **2,882,016** | (132,823) |
| Net gains (losses) on financial assets at FVOCI (debt securities) | **(1,207,341)** | 981,375 |
| Net losses from cash flow hedges | **(1,728,859)** | (5,864) |
| Share in the net unrealized losses on financial assets at FVOCI (debt securities) | **3,084** | 76,566 |
| | **(51,100)** | 919,254 |
| Item that will not be reclassified subsequently to profit or loss: | | |
| Net gains (losses) on financial assets at FVOCI (equity securities) | **3,410,203** | 466,598 |
| Remeasurements due to defined benefit liability, net of tax | **6,418** | 350 |
| Share in remeasurements of the net defined benefit liability of associates | **2** | 10,642 |
| **OTHER COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD, NET OF TAX** | **3,365,523** | 1,396,844 |
| **TOTAL COMPREHENSIVE INCOME** | **₱7,353,937** | ₱11,118,674 |
| **TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO** | | |
| Equity holders of the Parent Company | **₱4,240,006** | ₱7,656,429 |
| Non-controlling interests | **3,113,930** | 3,462,245 |
| | **₱7,353,936** | ₱11,118,674 |
| **Earnings Per Share Attributable to Equity Holders of the Parent Company** | | |
| Basic/diluted earnings per share (Note 22) | **₱0.27** | ₱0.90 |

*See accompanying Notes to Consolidated Financial Statements.*

## JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In Thousands)

| | For the Three Months Ended March 31, 2020 and 2019 | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY | | | | | | | | | | | | | | |
| | **Paid-up Capital** (Note 20) | | | **Retained Earnings** | | | | **Other Comprehensive Income** | | | | | | | |
| | **Capital Stock** | **Additional Paid-in Capital** | **Total Paid-up Capital** | **Unrestricted Retained Earnings** | **Restricted Retained Earnings** | **Total Retained Earnings** | **Equity Reserve** | **Cumulative Translation Adjustments** | **Net Unrealized Gains (Losses) on Financial Assets at FVOCI** | **Net Unrealized Losses on Cash Flow Hedge** | **Remeasurements of the Net Defined Benefit Liabilitiy** | **Total Other Comprehensive Income (Loss)** | **Total** | **NON-CONTROLLING INTERESTS** | **TOTAL EQUITY** |
| Balance at January 1, 2020 | **₱7,202,842** | **₱23,553,025** | **₱30,755,867** | **₱149,688,466** | **₱118,284,329** | **₱267,972,795** | **₱30,870,149** | **₱135,082** | **(₱22,832,622)** | **₱121,883** | **(₱1,211,513)** | **(₱24,787,169)** | **₱304,811,642** | **₱103,835,500** | **₱408,647,142** |
| Total comprehensive income (loss) | **–** | **–** | **–** | **1,902,664** | **–** | **1,902,664** | **–** | **997,183** | **2,507,601** | **(1,174,134)** | **6,693** | **2,337,343** | **4,240,007** | **3,113,930** | **7,353,937** |
| Change in non-controlling interest | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | | **–** | **–** | **–** | **–** | **(3,106,904)** | **(3,106,904)** |
| Increase in subidiary's treasury shares | **–** | **–** | **–** | **–** | **–** | **–** | **140** | **–** | | **–** | **–** | **–** | **140** | **(44,901)** | **(44,761)** |
| Issuance of shares by a subsidiary | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **–** | **318,500** | **318,500** |
| **Balance at March 31, 2020** | **₱7,202,842** | **₱23,553,025** | **₱30,755,867** | **₱151,591,130** | **₱118,284,329** | **₱269,875,459** | **₱30,870,289** | **₱1,132,265** | **(₱20,325,021)** | **(₱1,052,251)** | **(₱1,204,820)** | **(₱22,449,826)** | **₱309,051,789** | **₱104,116,125** | **₱413,167,914** |
| Balance at January 1, 2019 | ₱7,202,842 | ₱23,553,025 | ₱30,755,867 | ₱121,317,360 | ₱117,784,330 | ₱239,101,690 | ₱29,573,169 | (₱538,393) | (₱22,647,670) | ₱2,541 | ₱338,667 | (₱22,844,855) | ₱276,585,871 | ₱90,891,990 | ₱367,477,861 |
| Total comprehensive income (loss) | – | – | – | 6,455,520 | – | 6,455,520 | – | (73,256) | 1,267,909 | (3,240) | 9,496 | 1,200,909 | 7,656,429 | 3,462,245 | 11,118,674 |
| Change in non-controlling interest | – | – | – | – | – | – | – | – | – | – | – | – | – | (3,101,095) | (3,101,095) |
| Issuance of shares by a subsidiary | – | – | – | – | – | – | (11,100) | – | – | – | – | – | (11,100) | (77,484) | (88,584) |
| Balance at March 31, 2019 | ₱7,202,842 | ₱23,553,025 | ₱30,755,867 | ₱127,772,880 | ₱117,784,330 | ₱245,557,210 | ₱29,562,069 | (₱611,649) | (₱21,379,761) | (₱699) | ₱348,163 | (₱21,643,946) | ₱284,231,200 | ₱91,175,656 | ₱375,406,856 |

## JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

## UNAUDITED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

| | Three Months Ended March 31 | |
|---|---|---|
| | **2020** | 2019 |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Income before income tax | **₱5,018,961** | ₱11,769,378 |
| Adjustments for: | | |
| Depreciation and amortization | **7,786,145** | 7,008,423 |
| Market valuation losses (gains) on: | | |
| Financial assets at fair value through profit or loss | **379,169** | (763,956) |
| Derivative instruments | **419,624** | (1,014,289) |
| Interest expense | **2,288,145** | 2,718,982 |
| Dividend income | **(976,923)** | (640,075) |
| Interest income | **(339,518)** | (528,191) |
| Equity in net earnings of associates and joint ventures | **(829,732)** | (1,673,535) |
| Foreign exchange losses (gains) | **1,255,572** | (218,351) |
| Loss (gain) on sale and retirement of property, plant and equipment | **(594)** | 178,076 |
| Gain on sale of financial assets at FVOCI | **1,567** | 112,264 |
| Losses (gains) arising from changes in fair value less estimated costs to sell of swine stocks | **(26,918)** | 5,953 |
| Inventory obsolescence and market decline | **607** | 796 |
| Provision for impairment losses on receivables | **106,461** | – |
| Operating income before changes in working capital accounts | **15,082,566** | 16,955,475 |
| Changes in operating assets and liabilities: | | |
| Decrease (increase) in the amounts of: | | |
| Derivative financial instruments | **282,614** | 743,460 |
| Financial assets at fair value through profit or loss | **(1,570,622)** | 1,415,549 |
| Receivables | **(881)** | (4,400,299) |
| Inventories | **(2,946,810)** | (928,584) |
| Biological assets | **39,750** | (70,682) |
| Other current assets | **(1,313,088)** | 1,438,237 |
| Increase (decrease) in the amounts of: | | |
| Accounts payable and accrued expenses | **(2,492,728)** | 3,893,829 |
| Unearned revenue | **(3,004,248)** | 1,841,312 |
| Other current liabilities | **130,047** | (50,920) |
| Net cash generated from operations | **4,206,600** | 20,837,377 |
| Interest paid | **(2,818,637)** | (3,620,839) |
| Interest received | **193,873** | 507,887 |
| Income taxes paid | **(1,627,461)** | (823,394) |
| Net cash provided by operating activities | **(45,625)** | 16,901,031 |

(Forward)

| | Three Months Ended March 31 | |
|---|---|---|
| | **2020** | 2019 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisitions of: | | |
| Property, plant and equipment | **(₱8,333,178)** | (₱14,732,328) |
| Investment properties | **(2,311,871)** | (1,443,315) |
| Investments in associates and joint ventures (Note 14) | **–** | (521,450) |
| Intangible assets | **(80,033)** | (39,474) |
| Net decrease (increase) in the amounts of: | | |
| Financial assets at FVOCI | **1,591,286** | 3,392,033 |
| Investment securities at amortized cost | **1,916** | 85,135 |
| Other noncurrent assets (Note 15) | **(5,646,407)** | (10,207) |
| Proceeds from sale of property, plant and equipment | **9,903** | 1,059,897 |
| Dividends received | **27,919** | 166,446 |
| Net cash used in investing activities | **(14,740,465)** | (12,043,263) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Net availments (payments) of: | | |
| Short-term debts | **7,709,013** | 5,299,168 |
| Long-term debts | **3,838,667** | (1,228,310) |
| Decrease in the amounts of: | | |
| Other noncurrent liabilities (Note 19) | **727,531** | 407,199 |
| Non-controlling interests | **(3,106,904)** | (3,101,095) |
| Subsidiary's purchase of treasury shares | **(44,761)** | (88,584) |
| Cash received from non-controlling interest for issuance of shares by a subsidiary | **318,500** | – |
| Net cash provided by financing activities | **9,442,046** | 1,288,378 |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **(5,344,044)** | 6,146,146 |
| **CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR** | **64,343,249** | 49,194,676 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** (Note 7) | **₱58,999,205** | ₱55,340,822 |

*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 and People's Republic of China.

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

## 2. Summary of Significant AccountingPolicies

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

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

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

| Subsidiaries | Country of Incorporation | Functional Currency |
|---|---|---|
| **Parent Company** | | |
| JG Summit Cayman Limited | Cayman Islands | 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 Digital Equity Ventures and subsidiary | | |
| JG Digital Capital Pte. Ltd. | Singapore | Singapore Dollar |
| | | |
| **URC Group** | | |
| Universal Robina (Cayman), Limited | Cayman Islands | US Dollar |
| URC Philippines, Limited | British Virgin Islands | -do- |
| URC Asean Brands Co. Ltd. | -do- | -do- |
| Hong Kong China Foods Co. Ltd. | -do- | -do- |
| URC International Co., Ltd. | -do- | -do- |
| URC China Commercial Co. Ltd. | China | Chinese Renminbi |
| Xiamen Tongan Pacific Food Co., Ltd. | -do- | -do- |
| Shanghai Peggy Foods Co., Ltd. | -do- | -do- |
| Guangzhou Peggy Foods Co., Ltd. | -do- | -do- |
| Jiangsu Acesfood Industrial Co. | -do- | -do- |
| Shantou SEZ Shanfu Foods Co., Ltd. | -do- | -do- |
| 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 |
| Uni Snack Holding Company Ltd | Australia | Australian Dollar |
| Uni Snack Mid Company Ltd | -do- | -do- |
| 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- |
| Yarra Valley Group Holding 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 2020 | 2019 |
|---|---|---|---|---|
| **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 | **–** | – |
| 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** |
| Calbee-URC, Inc (CURCI) | -do- | 8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City | **55.25** | 55.25 |
| URC Beverages Ventures, Inc. (formerly, Hunt - URC (HURC)) | -do- | 8th floor Tera Tower Bridgetowne E. Rodriguez Jr., Ave (C5 Road) Ugong Norte, Quezon City | **55.25** | 55.25 |
| URC Philippines, Limited (URCPL) | British Virgin Islands | Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | **55.25** | 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- | **67.76** | 67.76 |
| **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** |
| Go Hotels Davao, Inc. | -do- | Lanang, Davao City | **31.09**** | 31.09** |
| 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 2020 | 2019 |
|---|---|---|---|---|
| Land Century Holdings, Ltd. | Hong Kong | Hong Kong | **60.97** | 60.97 |
| World Century Enterprise Ltd. | Hong Kong | Hong Kong | **60.97** | 60.97 |
| 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 |
| Bacoor R and F Land Corporation (BRFLC) | Philippines | Philippines | **42.68** | 42.68 |
| Bonifacio Property Ventures,Inc. | Philippines | Philippines | **60.97** | 60.97 |
| Altus Mall Ventures, Inc. | Philippines | Philippines | **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** | | | | |
| Altus Property Ventures, Inc. (formerly Altus San Nicolas Corporation) (APVI) | -do- | Bogy. 1 San Francisco, San Nicolas, I locos Norte | **60.97** | 60.97 |
| JG Digital Equity Ventures, Inc. and a Subsidiary | -do- | 29th Floor, Galleria Corporate Center, EDSA, Quezon City | **100.00** | 100.00 |
| JG Digital Capital Pte. Ltd (JDCPL) | Singapore | 168 Tagore Lane Singapore | **100.00** | 100.00 |
| JG Summit Capital Services Corp. (JGSCSC) and Subsidiaries | -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 Internet Investments, Inc. | -do- | -do- | **100.00** | 100.00 |
| JG Summit Cayman, Ltd. (JGSCL) | Cayman Islands | Maples and Calder, P.O. Box 309, Ugland House, South Church Street, Grand Cayman, Cayman Islands | **100.00** | 100.00 |
| JG Summit Philippines Ltd. (JGSPL) and Subsidiaries | -do- | -do- | **100.00** | 100.00 |
| JGSH Philippines, Limited | British Virgin Islands | Offshore Incorporations Limited, P.O. Box 957 Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands | **100.00** | 100.00 |
| Telegraph Development, Ltd. | -do- | -do- | **100.00** | 100.00 |
| Summit Top Investment, Ltd. | -do- | -do- | **100.00** | 100.00 |
| Unicon Insurance Brokers Corporation (UIBC) | Philippines | CFC Bldg., E. Rodriguez Avenue, Bagong Ilog, Pasig City | **100.00** | 100.00 |
| JG Summit Infrastrure Holdings Corporation | -do- | 43rd Floor Robinsons Equitable Tower, ADB avenue, Corner Poveda Road, Pasig City | **100.00** | 100.00 |
| Merbau Corporation | -do- | Ground floor Cybergate Tower 1 Edsa cor Pioneer St. Mandaluyong City | **100.00** | 100.00 |
| Batangas Agro-Industrial Development Corporation (BAID) and Subsidiaries | -do- | 5th Floor Citibank Center, Makati | **100.00** | 100.00 |
| Fruits of the East, Inc. | -do- | Citibank Center, Paseo de Roxas, Makati | **100.00** | 100.00 |
| Hometel Integrated Management Corporation | -do- | -do- | **100.00** | 100.00 |
| King Leader Philippines, Inc. | -do- | 5th Floor Citibank Center, Makati | **100.00** | 100.00 |
| Tropical Aqua Resources | -do- | -do- | **100.00** | 100.00 |
| United Philippines Oil Trading, Inc. | -do- | -do- | **100.00** | 100.00 |
| Samar Commodities Trading and Industrial Corporation | -do- | -do- | **100.00** | 100.00 |

** Certain subsidiaries are located in other countries, such as China, Malaysia, Singapore, Thailand, Vietnam, etc.*
*** These are majority-owned subsidiaries of the Parent Company's directly-owned subsidiaries.*

*Transfer of direct control over APVI*
On July 31, 2019, RLC declared its 93.89% stake in APVI as property dividends in favor of its registered shareholders. As a result, the Parent Company now has direct control over APVI. However, this has no impact in the consolidated financial statements.

*Incorporation of DAVI*
On December 4, 2018, the Group, through its majority-owned subsidiaries CAI and RLC and wholly-owned subsidiary JG DEV and in partnership with Robinsons Retail Holdings, Inc. (RRHI), launched DAVI, the conglomerate's data services firm.

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: Boracay Leasing Limited (BLL), Surigao Leasing Limited (SLL), Panatag One Aircraft Leasing Limited (POALL), Panatag Two Aircraft Leasing Limited (PTALL), Panatag Three Aircraft Leasing Limited (PTHALL), Summit C Aircraft Leasing Limited (SCALL), Tikgi One Aviation Designated Activity Company (TOADAC), Summit D Aircraft Leasing Limited (SDALL) and CAI Limited (CL). BLL, SLL, POALL, PTALL and PTHALL are SPEs in which the Group does not have equity interest. BLL, SLL, POALL, PTALL, PTHALL, SCALL, TOADAC, SDALL and CL acquired the passenger aircraft for lease to CAI under finance lease arrangements and funded the acquisitions through long-term debt.

In April 2018, Cebu Aircraft Leasing Limited (CALL) and Sharp Aircraft Leasing Limited (SALL) were dissolved due to the sale of aircraft to third parties.

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

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards and amendments effective as of January 1, 2020. The Group did not early adopt any other standard, interpretation or amendment that has been issued but is not yet effective.

- Amendments to PFRS 3, *Definition of a Business*
  The amendments to PFRS 3 clarify the minimum requirements to be a business, remove the assessment of a market participant's ability to replace missing elements, and narrow the definition of outputs. The amendments also add guidance to assess whether an acquired process is substantive and add illustrative examples. An optional fair value concentration test is introduced which permits a simplified assessment of whether an acquired set of activities and assets is not a business.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted. These amendments may apply on future business combinations of the Group.

- Amendments to PFRS 9, PAS 39, *Financial Instruments: Recognition and Measurement* and PFRS 7, *Financial Instruments: Disclosures*
  The amendments is in response to the ongoing reform of interest rate benchmarks around the world. Many interbank offered rates (IBORs) are expected to be replaced by new benchmark Risk-Free Rates (RFRs) in the next few years. This presents potential effect on hedge accounting given the extensive use of interest rate benchmarks in global financial markets. This amendments aims to provide relief for hedging relationships.

  This amendment is effective retrospectively for periods beginning on or after January 1, 2020, with early application permitted.

- Amendments to PAS 1, *Presentation of Financial Statements,* and *PAS 8, Accounting Policies,*
  *Changes in Accounting Estimates and Errors, Definition of Material*
  The amendments refine the definition of material in PAS 1 and align the definitions used across PFRSs and other pronouncements. They are intended to improve the understanding of the existing requirements rather than to significantly impact an entity's materiality judgements.

  An entity applies those amendments prospectively for annual reporting periods beginning on or after January 1, 2020, with earlier application permitted.

**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.

Financial Instruments - Classification and Measurement
*Initial recognition and measurement of financial assets*
Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under PFRS 15.

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

*Contractual cash flows characteristics*
If the financial asset is held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the Group assesses whether the cash flows from the financial asset represent solely payments of principal and interest (SPPI) on the principal amount outstanding. Instruments that do not pass this test are automatically classified at fair value through profit or loss. In making this assessment, the Group determines whether the contractual cash flows are consistent with a basic lending arrangement, i.e., interest includes consideration only for the time

value of money, credit risk and other basic lending risks and costs associated with holding the financial asset for a particular period of time.

*Business model*

The Group's business model is determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument, rather it refers to how it manages its financial assets in order to generate cash flows.

The Group's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. Relevant factors considered by the Group in determining the business model for a group of financial assets include how the performance of the portfolio and the financial assets held within that portfolio are evaluated and reported to the Group's key management personnel, the risks that affect the performance of the portfolio (and the financial assets held within that portfolio) and how these risks are managed and how managers of the business are compensated.

*Subsequent measurement of financial assets*

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortized cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments); and

Financial assets at fair value through profit or loss.

*Investment securities at amortized cost*

A debt financial asset is measured at amortized cost if (i) it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These financial assets are initially recognized at fair value plus directly attributable transaction costs and subsequently measured at amortized cost using the Effective Interest Rate (EIR) method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortization is included in 'Interest income' in the consolidated statement of comprehensive income and is calculated by applying the EIR to the gross carrying amount of the financial asset, except for (i) purchased or originated credit-impaired financial assets and (ii) financial assets that have subsequently become credit-impaired, where, in both cases, the EIR is applied to the amortized cost of the financial asset. Losses arising from impairment are recognized in 'Impairment losses' in the consolidated statement of comprehensive income.

*Financial assets at fair value through other comprehensive income (FVOCI)*

Financial assets at FVOCI include debt and equity securities. After initial measurement, investment securities at AFVOCI are subsequently measured at fair value. The unrealized gains and losses arising from the fair valuation of financial assets at FVOCI are excluded, net of tax as applicable, from the reported earnings and are included in the statements of comprehensive income as 'Fair value reserves on financial assets at FVOCI.'

Debt securities at FVOCI are those that meet both of the following conditions: (i) the asset is held within a business model whose objective is to hold the financial assets in order to both collect contractual cash flows and sell financial assets; and (ii) the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the outstanding principal amount. The effective yield component of debt securities at FVOCI, as well as the impact of restatements on foreign currency-denominated debt securities at FVOCI, is reported in the consolidated statements of comprehensive income. Interest earned on holding debt securities at debt securities at FVOCI are reported as interest income using the effective interest method. When the debt securities at FVOCI are disposed of, the cumulative gain or loss previously recognized in the consolidated statements of comprehensive income is recognized in profit or loss. The expected credit losses (ECL) arising from impairment of such investments are recognized in OCI with a corresponding charge to 'Impairment losses and others' in the consolidated statements of comprehensive income.

Equity securities designated at FVOCI are those that the Group made an irrevocable election to present in OCI the subsequent changes in fair value. Dividends earned on holding equity securities at FVOCI are recognized in the consolidated statements of comprehensive income as 'Dividend income' when the right of the payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Gains and losses on disposal of these equity securities are never recycled to profit or loss, but the cumulative gain or loss previously recognized in the statements of comprehensive income is reclassified to 'Retained earnings' or any other appropriate equity account upon disposal. Equity securities at FVOCI are not subject to impairment assessment.

*Financial assets at fair value through profit or loss (FVTPL)*
Financial assets are measured at FVTPL unless these are measured at amortized cost or at FVOCI. Included in this classification are equity and debt investments held for trading and debt instruments with contractual terms that do not represent solely payments of principal and interest. Financial assets held at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of income as incurred. Subsequently, they are measured at fair value and any gains or losses are recognized in the consolidated statement of comprehensive income.

Additionally, even if the asset meets the amortized cost or the FVOCI criteria, the Group may choose at initial recognition to designate the financial asset at FVTPL if doing so eliminates or significantly reduces a measurement or recognition inconsistency (an accounting mismatch) that would otherwise arise from measuring financial assets on a different basis.

Trading gains or losses are calculated based on the results arising from trading activities of the Group, including all gains and losses from changes in fair value for financial assets and financial liabilities at FVTPL, and the gains or losses from disposal of debt instruments classified as FVOCI and investments securities at amortized cost.

*Derecognition of financial assets*
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the consolidated statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Initial recognition and measurement of financial liabilities*
Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or other financial liabilities. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

*Subsequent measurement of financial liabilities*
The measurement of financial liabilities depends on their classification, as described below:

*Financial liabilities at fair value through profit or loss*
Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of comprehensive income. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

*Other financial liabilities*
This category pertains to the Group's interest-bearing loans and borrowing and payables. After initial recognition, these other financial liabilities are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs in the consolidated statement of comprehensive income.

*Derecognition of financial liabilities*
A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of comprehensive income.

*Reclassifications of financial instruments*
The Group reclassifies its financial assets when, and only when, there is a change in the business model for managing the financial assets. Reclassifications shall be applied prospectively by the

Group and any previously recognized gains, losses or interest shall not be restated. The Group does not reclassify its financial liabilities.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses (ECLs) for all debt instruments not classified as FVTPL. ECLs represent credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*Incurred loss versus expected credit loss methodology*

The impairment requirements under PAS 39 (incurred loss model) are significantly different from those under PFRS 9 (expected loss model). Under the incurred loss model, loan and investment assets are regarded as impaired if there is no longer reasonable assurance that the future cash flows related to them will be either collected in their entirety or when due. Under the expected loss methodology, impairment is more forward-looking, in that a credit event (or impairment 'trigger') no longer has to occur before credit losses are recognized. ECL represents credit losses that reflect an unbiased and probability-weighted amount which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. ECL allowances will be measured at amounts equal to either (i) 12-month ECL or (ii) lifetime ECL for those financial instruments which have experienced a significant increase in credit risk (SICR) since initial recognition (General Approach). The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

*Staging assessment*

PFRS 9 establishes a three-stage approach for impairment of financial assets, based on whether there has been a significant deterioration in the credit risk of a financial asset. These three stages then determine the amount of impairment to be recognized.

For non-credit-impaired financial instruments:

- Stage 1 is comprised of all financial instruments which have not experienced a significant increase in credit risk (SICR) since initial recognition or is considered of low credit risk as of the reporting date. The Group recognizes a 12-month ECL for Stage 1 financial instruments. The 12-month ECL is the portion of lifetime ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.
- Stage 2 is comprised of all financial instruments which have experienced a SICR since initial recognition. The Group recognizes a lifetime ECL for Stage 2 financial instruments. Lifetime ECL are credit losses that results from all possible default events over the expected life of a financial instrument.

For credit-impaired financial instruments:

- Stage 3 is comprised of all financial assets that have objective evidence of impairment as a result of one or more loss events that have occurred after initial recognition with a negative impact on the estimated future cash flows of a loan or a portfolio of loans. The Group recognizes a lifetime ECL for Stage 3 financial instruments.

*Definition of "default" and "restored"*
The Group eventually classifies a financial instrument as in default when it is credit impaired, or becomes past due on its contractual payments for more than 90 days. As part of a qualitative assessment of whether a customer is in default, the Group considers a variety of instances that may indicate unlikeliness to pay. In certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. When such events occur, the Group carefully considers whether the event should result in treating the customer as defaulted.

An instrument is considered to be no longer in default (i.e. restored) if there is sufficient evidence to support that full collection is probable and payments are received for at least six months.

*Credit risk at initial recognition*
The Group uses internal credit assessment and approvals at various levels to determine the credit risk of exposures at initial recognition. Assessment can be quantitative or qualitative and depends on the materiality of the facility or the complexity of the portfolio to be assessed.

*Significant increase in credit risk*
The assessment of whether there has been a significant increase in credit risk is based on an increase in the probability of a default occurring since initial recognition. The SICR criteria vary by portfolio and include quantitative changes in probabilities of default and qualitative factors, including a backstop based on delinquency. The credit risk of a particular exposure is deemed to have increased significantly since initial recognition if, based on the Group's internal credit assessment, the borrower or counterparty is determined to require close monitoring or with well-defined credit weaknesses. For exposures without internal credit grades, if contractual payments are more than a specified days past due threshold, the credit risk is deemed to have increased significantly since initial recognition. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a SICR since initial recognition, the Group shall revert to recognizing a 12-month ECL.

*ECL parameters and methodologies*
ECL is a function of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), with the timing of the loss also considered, and is estimated by incorporating forward-looking economic information and through the use of experienced credit judgment.

The PD is an estimate of the likelihood of default over a 12-month horizon for Stage 1 or lifetime horizon for Stage 2. The PD for each individual instrument is modelled based on historic data and is estimated based on current market conditions and reasonable and supportable information about future economic conditions. The Group segmented its credit exposures based on homogenous risk characteristics and developed a corresponding PD methodology for each portfolio. The PD methodology for each relevant portfolio is determined based on the underlying nature or characteristic of the portfolio, behavior of the accounts and materiality of the segment as compared to the total portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

*Forward-looking information*
The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. A broad range of forward-looking information are considered as economic inputs, such as GDP growth, exchange rate, interest rate, inflation rate and other economic indicators. The inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The Group applied the general approach for customer receivables from its Banking Segment. For the trade receivables and contract assets of other segments, the standard's simplified approach was applied where ECLs are calculated based on lifetime expected credit losses. Therefore, the Group does not track changes in credit risk of these receivables, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. For the Real estate and hotels segment's installment contract and contract assets, the vintage analysis approach is used. This method accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period. The Group has established a provision matrix that is based on its historical credit loss experience , adjusted for forward-looking factors specific to the debtors and the economic environment.

For cash and cash equivalents, short-term investments and debt securities, the Group applies the low credit risk simplification. The probability of default and loss given defaults are publicly available and are considered to be low credit risk investments. It is the Group's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Group uses the ratings from Standard and Poor's (S&P), Moody's and Fitch to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

*Debt instruments measured at fair value through OCI*
The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the consolidated statements of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets are measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognized in OCI is recycled to the profit and loss upon derecognition of the assets.

<u>Write-off of Financial Assets</u>
A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows (e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the Group has effectively exhausted all collection efforts).

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Group assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business of default, and event of solvency or bankruptcy of the Group and all of the counterparties.

### 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.

### Hedge Accounting

The hedge accounting model under PFRS 9 aims to simplify hedge accounting, align the accounting for hedge relationship more closely with an entity's risk management activities and permit hedge accounting to be applied more broadly to a greater variety of hedging instruments and risks eligible for hedge accounting. At the date of initial application, all of the Group's existing hedging relationships were eligible to be treated as continuing hedging relationships.

Under PFRS 9, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Company will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- there is 'an economic relationship' between the hedged item and the hedging instrument;
- the effect of credit risk does not 'dominate the value changes' that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually hedges and the quantity of the hedging instrument that the Company actually uses to hedge that quantity of hedged item.

### 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.

Some inventories may be allocated to other asset accounts, for example, inventory used as a component of a self-constructed property, plant or equipment. Inventories allocated to another asset in this way are recognized as an expense during the useful life of that asset.

Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

*Finished goods, work-in-process, raw materials and packaging materials*

a. *Petrochemicals*
   Cost is determined using the moving average costing method. Cost of finished goods and work-in-process includes direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced.

b. *Branded consumer foods, agro-industrial and commodity food products*
   Cost is determined using the weighted average method. Under the weighted average costing method, the cost of each item is determined from the weighted average of the cost of similar items at the beginning of a period and the cost of similar items purchased or produced during the period. Cost of finished goods and work-in-process include direct materials and labor and a proportion of manufacturing overhead costs based on actual goods processed and produced, but excluding borrowing costs.

*Subdivision land and condominium and residential units for sale*
Subdivision land, condominium and residential units for sale in the ordinary course of business are carried at the lower of cost and NRV. Cost includes land costs, costs incurred for development and improvement of the properties and borrowing costs on loans directly attributable to the projects which were capitalized during construction.

NRV is the estimated selling price in the ordinary course of business less cost of completion and estimated costs necessary to make the sale.

The cost of inventory recognized in the consolidated statement of comprehensive income is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

*Factory supplies and spare parts*
Cost is determined using the weighted average method.

<u>Investments in Associates and Joint Ventures</u>
Associates pertain to all entities over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. 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 | 3 to 5 years |
| Transportation, furnishing and other equipment | 3 to 5 years |

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

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

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

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

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

*ARO*

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

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

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

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

Borrowing Costs

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

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

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

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

| | | |
|---|---|---|
| Swine livestock | - | Breeders (livestock bearer) |
| | - | Sucklings (breeders' offspring) |
| | - | Weanlings (comes from sucklings intended to be breeders or to be sold as fatteners) |
| | - | Fatteners/finishers (comes from weanlings unfit to become breeders; intended for the production of meat) |
| Poultry livestock | - | Breeders (livestock bearer) |
| | - | Chicks (breeders' offspring intended to be sold as breeders) |

Biological assets are measured on initial recognition and at each reporting date at its fair value less estimated costs to sell. The fair values are determined based on current market prices of livestock of similar age, breed and genetic merit. Costs to sell include commissions to brokers and dealers, nonrefundable transfer taxes and duties. Costs to sell exclude transport and other costs necessary to get the biological assets to the market.

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

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

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 | Customer Relationship | Trademarks |
|---|---|---|---|---|---|---|
| EUL | Finite (12 to 13.75 years) | Indefinite | Indefinite | Finite (5 years) | Finite (35 years) | Indefinite |
| Amortization method used | Amortized on a straight-line basis over the EUL of the license | No amortization | No amortization | Amortized on a straight-line basis over the EUL of the software cost | Straight line amortization | No amortization |
| Internally generated or acquired | Acquired | Acquired | Acquired | Acquired | Acquired | Acquired |

Impairment of Nonfinancial Assets

This accounting policy applies primarily to the Group's 'Investments in associates and joint ventures', 'Investment properties', 'Property, plant and equipment', 'Biological assets at cost' , 'Intangible assets' , 'Goodwill' 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, right-of-use assets, intangible assets with definite useful lives and costs*

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

*Goodwill*

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

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

The Group performs its impairment test of goodwill every 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.

**Significant Accounting Policies Generally Applicable to Foods, Agro-Industrial and Commodities and Petrochemicals**

Revenue Recognition
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer.

*Sales of goods*
Revenue from sale of goods and services is recognized at the point in time when control of the goods or services is transferred to the customer, generally on delivery of the goods. The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated. In determining the transaction price for the

sale of goods and services, the Group considers the effects of variable consideration, the existence of significant financing components, noncash consideration, and consideration payable to the customer, if any.

*Sale of sugar*
Sale of raw sugar is recognized upon (a) endorsement and transfer of quedans for quedan-based sales and (b) shipment or delivery and acceptance by the customers for physical sugar sales. Sale of refined sugar and alcohol is recognized upon shipment of delivery and acceptance by the customers. Sale of molasses warehouse receipts, which represents ownership title over the molasses inventories.

*Rendering of tolling services*
Revenue derived from tolling activities is recognized as revenue at a point in time when the related services have been rendered.

**Significant Accounting Policies Generally Applicable to Air Transportation**

<u>Revenue Recognition</u>
Revenue from contracts with passengers and cargo customers, and any related revenue from services incidental to the transportation of passengers, is recognized when carriage is provided or when the passenger is lifted in exchange for an amount that reflects the consideration to which the Group expects to be entitled to.

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

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

Prior to the adoption of PFRS 15, passenger ticket and cargo waybill sales, excluding portion relating to awards under Lifestyle Rewards Program, are initially recorded under 'Unearned transportation revenue' account in the consolidated statement of financial position until earned and recognized under 'Revenue' account in the consolidated statement of comprehensive income when carriage is provided or when the passenger is lifted.

*Flight and booking services*
Revenue from services incidental to the transportation of passengers such as excess baggage, inflight sales and rebooking and website administration fees are initially recognized as contract liabilities under 'Unearned transportation revenue' account in the consolidated statement of financial position until the services are rendered.

Before the adoption of PFRS 15, ancillary fees (that is, baggage and booking fees) are recognized at the time of booking.

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

*Liability under Lifestyle Rewards Program*
The Group operates a lifestyle rewards program called 'Getgo'. A portion of passenger revenue attributable to the award of Getgo points, which is estimated based on expected utilization of these benefits, is deferred until utilized. The fair value of the consideration received in respect of the initial sale is allocated to the award credits based on its fair value. The deferred revenue is included under 'Other noncurrent liabilities' account in the consolidated statement of financial position. Any remaining unutilized benefits are recognized as revenue upon redemption or expiry.

There have been no changes in the accounting policy on the deferral and subsequent recognition of passenger revenue related to the award of Getgo points as effect of the adoption of PFRS 15.

**Significant Accounting Policies Generally Applicable to Real Estate and Hotels**

<u>Revenue Recognition</u>
*Revenue from Contract with Customers*
The Group primarily derives its real estate revenue from the sale of vertical and horizontal real estate projects. Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, except for the provisioning of water, electricity, and common use service area in its mall retail spaces, wherein it is acting as agent.

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

*Real estate sales – Philippines Operations – Performance obligation is satisfied over time*
The Group derives its real estate revenue from sale of lots, house and lot and condominium units. Revenue from the sale of these real estate projects under pre-completion stage are recognized over time during the construction period (or percentage of completion) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

In measuring the progress of its performance obligation over time, the Group uses input method. Input methods recognize revenue on the basis of the entity's efforts or inputs to the satisfaction of a performance obligation. Progress is measured based on actual resources consumed such as materials, labor hours expended and actual overhead incurred relative to the total expected inputs to the satisfaction of that performance obligation, or the total estimated development costs of the real estate project. The Group uses the cost accumulated by the accounting department to determine the actual resources used. Input method exclude the effects of any inputs that do not depict the entity's performance in transferring control of goods or services to the customer.

Estimated development costs of the real estate project include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis.

Any excess of progress of work over the right to an amount of consideration that is unconditional, recognized as residential and development receivables, under trade receivables, is included in the "contract asset" account in the asset section of the consolidated statement of financial position.

Any excess of collections over the total of recognized trade receivables and contract assets is included in the "contract liabilities" account in the liabilities section of the consolidated statement of financial position.

*Real estate sales – Philippines Operations – Performance obligation is satisfied at a point in time*
The Group also derives real estate revenue from sale of parcels of raw land. Revenue from the sale of these parcels of raw land are recognized at a point in time (i.e., upon transfer of control to the buyer) since based on the terms and conditions of its contract with the buyers, the Group's performance does not create an asset with an alternative use but the Group does not have an enforceable right to payment for performance completed to date. The Group is only entitled to payment upon delivery of the land to the buyer and if the contract is terminated, the Group has to return all payments made by the buyer.

*Real estate sales – China Operations*
Taking into account the contract terms per house purchase and sales contract, Chengdu Xin Yao's business practice and the legal and regulatory environment in China, most of the property sales contracts in China do not meet the criteria for recognizing revenue over time and therefore, revenue from property sales continues to be recognized at a point in time, while some property sales contracts meet the criteria for recognizing revenue over time as the properties have no alternative use to the Group due to contractual reasons and the Group has an enforceable right to payment from customer for performance completed to date. Under PFRS 15, revenue from property sales is generally recognized when the property is accepted by the customer, or deemed as accepted according to the contract, whichever is earlier, which is the point in time when the customer has the ability to direct the use of the property and obtain substantially all of the remaining benefits of the property.

*Rental income*
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

*Amusement income*
Revenue is recognized upon rendering of services or at a point in time.

*Revenue from hotel operations*
Revenue from hotel operations is recognized when services are rendered or at a point in time. Revenue from banquets and other special events are recognized when the events take place or at a point in time. Rental income on leased areas of the hotel is recognized on a straight-line basis over the lease term. Revenue from food and beverage are recognized when these are served. Other income from transport, laundry, valet and other related hotel services are recognized when services are rendered.

*Interest income*
Interest income is recognized as the interest accrues using the effective interest rate (EIR) method.

*Other income*
Other income is recognized when earned.

Costs Recognition

*Cost of Real Estate Sales*

The Group recognizes costs relating to satisfied performance obligations as these are incurred taking into consideration the contract fulfillment assets such as land and connection fees. These include costs of land, land development costs, building costs, professional fees, depreciation, permits and licenses and capitalized borrowing costs. These costs are allocated to the saleable area, with the portion allocable to the sold area being recognized as costs of sales while the portion allocable to the unsold area being recognized as part of real estate inventories.

Contract costs include all direct materials and labor costs and those indirect costs related to contract performance. Expected losses on contracts are recognized immediately when it is probable that the total contract costs will exceed total contract revenue. Changes in contract performance, contract conditions and estimated profitability, including those arising from contract penalty provisions, and final contract settlements which may result in revisions to estimated costs and gross margins are recognized in the year in which the changes are determined.

*Costs and General and Administrative Expense*

Costs and expenses are recognized in the consolidated statement of comprehensive income when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably.

Costs and expenses are recognized in the consolidated statement of comprehensive income:

- On the basis of a direct association between the costs incurred and the earning of specific items of income;
- On the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association can only be broadly or indirectly determined; or
- Immediately when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify or cease to qualify, for recognition in the consolidated statement of financial position as an asset.

*Contract Balances*

*Receivables*

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

*Contract assets*

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. This is reclassified as installment contract receivables when the monthly amortization of the customer is already due for collection.

*Contract liabilities*

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

The contract liabilities also include payments received by the Group from the customers for which revenue recognition has not yet commenced.

*Costs to obtain contract*
The incremental costs of obtaining a contract with a customer are recognized as an asset if the Group expects to recover them. The Group has determined that commissions paid to brokers and marketing agents on the sale of pre-completed real estate units are deferred when recovery is reasonably expected and are charged to expense in the period in which the related revenue is recognized as earned. Commission expense is included in the "Real estate costs and expenses" account in the consolidated statement of income.

Costs incurred prior to obtaining contract with customer are not capitalized but are expensed as incurred.

*Contract fulfillment assets*
Contract fulfillment costs are divided into: (i) costs that give rise to an asset; and (ii) costs that are expensed as incurred. When determining the appropriate accounting treatment for such costs, the Group firstly considers any other applicable standards. If those standards preclude capitalization of a particular cost, then an asset is not recognized under PFRS 15.

If other standards are not applicable to contract fulfillment costs, the Group applies the following criteria which, if met, result in capitalization: (i) the costs directly relate to a contract or to a specifically identifiable anticipated contract; (ii) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (iii) the costs are expected to be recovered. The assessment of this criteria requires the application of judgement, in particular when considering if costs generate or enhance resources to be used to satisfy future performance obligations and whether costs are expected to be recoverable.

The Group's contract fulfillment assets pertain to connection fees and land acquisition costs.

*Amortization, de-recognition and impairment of capitalized costs to obtain a contract*
The Group amortizes capitalized costs to obtain a contract to cost of sales over the expected construction period using percentage of completion following the pattern of real estate revenue recognition. The amortization is included within general and administrative expenses.

A capitalized cost to obtain a contract is derecognized either when it is disposed of or when no further economic benefits are expected to flow from its use or disposal.

At each reporting date, the Group determines whether there is an indication that cost to obtain a contract maybe impaired. If such indication exists, the Group makes an estimate by comparing the carrying amount of the assets to the remaining amount of consideration that the Group expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the Group uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant costs or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific performance indicators that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

**Significant Accounting Policies Generally Applicable to Banking**

The following revenues which are generally applicable to the banking segment are outside of the scope of PFRS 15:

*Interest income*
For all financial instruments measured at amortized cost and interest-bearing financial instruments classified as financial assets at FVOCI, interest income is recorded at the EIR, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options), includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the EIR, but not future credit losses.

The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original EIR and the change in carrying amount is recorded as 'Interest income'.

Under PFRS 9, when a financial asset becomes credit-impaired and is, therefore, regarded as Stage 3, the Group calculates interest income by applying the EIR to the net amortized cost of the financial asset. If the financial asset cures and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis. Under PAS 39, once the recorded value of a financial asset or group of similar financial assets carried at amortized cost has been reduced due to an impairment loss, interest income continues to be recognized using the original EIR applied to the new carrying amount.

Unearned discount is recognized as income over the terms of the receivables using the 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)*
Trading and securities gain (loss) represents results arising from trading activities, including all gains losses from changes in the fair values of FVPL investments. It also includes gains and losses realized from sale of debt securities at FVOCI.

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

**Other Income of the Group (Outside of Scope of PFRS 15)**

*Rental income*
The Group leases its commercial and office real estate properties to others through operating leases. Rental income on leased properties is recognized on a straight-line basis over the lease term and may include contingent rents based on a certain percentage of the gross revenue of the tenants, as provided under the terms of the lease contract. Contingent rents are recognized as revenue in the period in which they are earned.

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

<u>Provisions</u>
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.

<u>Contingencies</u>
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.

<u>Pension Costs</u>
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.

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

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor future taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and future taxable profit will be available against which the temporary differences can be utilized.

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

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

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

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

Leases – Group as a Lessee (Upon adoption of PFRS 16 beginning January 1, 2019)

The Group assesses whether a contract is, or contains a lease, at the inception of a contract. This assessment involves the exercise of judgment about whether it depends on a specified asset, whether the Group obtains substantially all the economic benefits from the use of the asset, whether the Group has the right to direct the use of the asset. The Group recognizes a right-of-use (ROU) asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases and leases of low-value assets.

*Right-of-use assets*
The Group recognizes ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, lease payments made at or before the commencement date less any lease incentives received, and any estimated costs to be incurred in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognized ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The depreciation period for each class of ROU assets follow:

| | Period |
|---|---|
| Land and improvements | 2 to 50 years |
| Buildings and improvements | 2 to 30 years |
| Passenger aircraft and other flight equipment | 1.25 to 18 years |
| Transportation and other equipment | 2 to 30 years |

ROU assets are also subject to impairment.

*Lease liabilities*
At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflected the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the commencement date if the interest rate implicit to the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

The current portion of lease liabilities is presented within the “Other current liabilities” account in the consolidated statement of financial position.

*Short-term leases and leases of low-value assets*
The Group applies the short-term lease recognition exemption to its short-term leases of other flight equipment, furniture and fixtures, and machineries (i.e., lease term of 12 months or less). It also applies the lease of low-value assets recognition exemption to leases of office spaces that are considered low-value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Leases (Prior to adoption of PFRS 16)

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.

Applicable to both periods prior to and upon adoption of PFRS 16 beginning January 1, 2019

*Group as a lessor*

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Initial direct costs incurred in negotiating operating leases are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as the rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Joint Operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group recognize in relation to its interest in a joint operation its assets, including its share of any assets held jointly; liabilities, including its share of any liabilities incurred jointly; revenue from the sale of its share of the output arising from the joint operation; share of the revenue from the sale of the output by the joint operation; and expenses, including its share of any expenses incurred jointly.

Earnings Per Share (EPS)

Basic EPS is computed by dividing net income for the period attributable to the ordinary equity holders of the Parent Company by the weighted average number of common shares outstanding during the year, adjusted for any subsequent stock dividends declared.

Diluted EPS amounts are calculated by dividing the net income attributable to ordinary equity holders of the Parent Company (after deducting interest of the preferred shares, if any) by the weighted average number of common shares outstanding during the year plus the weighted average number of common shares that would be issued on the conversion of all the dilutive potential common shares into common shares.

Dividends on Common Shares

Dividends on common shares are recognized as a liability and deducted from equity when approved by the BOD of the Parent Company in the case of cash dividends, and the BOD and shareholders of the Parent Company in the case of stock dividends.

Segment Reporting

The Group's operating segments are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. Financial information on operating segments is presented in Note 6 to the consolidated financial statements.

Subsequent Events

Any post-year-end event up to the date of approval of the BOD of the consolidated financial statements that provides additional information about the Group's position at the reporting date (adjusting event) is reflected in the consolidated financial statements. Any post-year-end event that is not an adjusting event is disclosed in the notes to the consolidated financial statements, when material.

Standards Issued but not yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Group does not expect that the future adoption of the said pronouncements will have a significant impact on its consolidated financial statements. The Group intends to adopt the following pronouncements when they become effective.

*Effective beginning on or after January 1, 2021*

- PIC Q&A 2018-12, *PFRS 15 Implementation issues affecting the Real Estate Industry,* and PIC Q&A 2018-14, *PFRS 15 Accounting for Cancellation of Real Estate Sales*
  On February 14, 2018, the PIC issued PIC Q&A 2018-12 which provides guidance on some implementation issues of PFRS 15 affecting the real estate industry. On October 25, 2018 and February 8, 2019, the SEC issued SEC Memorandum Circular No. 14 Series of 2018 and SEC Memorandum Circular No. 3 Series of 2019, respectively, providing relief to the real estate industry by deferring the application of the following provisions of the above PIC Q&A for a period of three years until December 31, 2020:
  a. Exclusion of land and uninstalled materials in the determination of percentage of completion (POC) discussed in PIC Q&A 2018-12-E;
  b. Accounting for significant financing component discussed in PIC Q&A 2018-12-D, and;
  c. Accounting for Common Usage Service Area (CUSA) Charges discussed in PIC Q&A 2018-12-H.

  Under the same SEC Memorandum Circular No. 3 Series of 2019, the adoption of PIC Q&A 2018-14 was also deferred until December 31, 2020.

  Except for the CUSA charges discussed under PIC Q&A 2018-12-H which applies to leasing transactions, the above deferral will only be applicable for real estate sales transactions.

  Effective January 1, 2021, real estate companies will adopt PIC Q&A 2018-12 and PIC Q&A 2018-14 and any subsequent amendments thereof retrospectively or as the SEC will later prescribe.

  As the Group already excludes land and uninstalled materials in the determination of POC, it availed of the deferral of adoption of provisions (b) and (c) of PIC Q&A 2018-12 and PIC Q&A 2018-14. These provisions would have the following impact in the consolidated financial statements:

  a. The mismatch between the POC of the real estate projects and right to an amount of consideration based on the schedule of payments explicit in the contract to sell would constitute a significant financing component. Interest income would have been recognized for contract assets and interest expense for contract liabilities using effective interest rate method and this would have impacted retained earnings as at January 1, 2018 and the revenue from real estate sales in 2019 and 2018. Currently, any significant financing component arising from the mismatch discussed above is not considered for revenue recognition purposes.
  b. The Group is acting as a principal for the provision of air-conditioning services. This would have resulted in the gross presentation of the related revenue and the related expenses and cost. Currently, the related revenue is presented net of costs and expenses. These would not result in any adjustment in the retained earnings as of January 1, 2018 and net income for 2019 and 2018.
  c. Upon sales cancellation, the repossessed inventory would be recorded at fair value plus cost to repossess (or fair value less cost to repossess if this would have been opted). This would have increased retained earnings as at January 1, 2018 and gain from repossession in 2019 and 2018. Currently, the Group records the repossessed inventory at its original carrying amount and recognize any difference between the carrying amount of the derecognized receivable and the repossessed property in profit or loss.

- *IFRIC Agenda Decision on Over Time Transfer of Constructed Goods (*IAS 23, *Borrowing Cost) for the Real Estate Industry*

  In March 2019, IFRIC published an Agenda Decision on whether borrowing costs can be capitalized on real estate inventories that are under construction and for which the related revenue is/will be recognized over time under par. 35(c) of IFRS 15. IFRIC concluded that borrowing costs cannot be capitalized for such real estate inventories as they do not meet the definition of a qualifying asset under IAS 23 considering that these inventories are ready for their intended sale in their current condition.

  The IFRIC Agenda Decision would change the Group's current practice of capitalizing borrowing costs on real estate projects with pre-selling activities.

  On February 11, 2020, the SEC issued Memorandum Circular No. 4, Series of 2020, providing relief to the real estate industry by deferring the mandatory implementation of the above IFRIC Agenda Decision until December 31, 2020. Effective January 1, 2021, the real estate industry will adopt the IFRIC Agenda Decision and any subsequent amendments thereto retrospectively or as the SEC will later prescribe. A real estate company may opt not to avail of the deferral and instead comply in full with the requirements of the IFRIC agenda decision.

  For real estate companies that avail of the deferral, the SEC requires disclosure in the Notes to the Financial Statements of the accounting policies applied, a discussion of the deferral of the subject implementation issues, and a qualitative discussion of the impact in the financial statements had the IFRIC Agenda Decision been adopted.

  The Group opted to avail of the relief as provided by the SEC. Had the Group adopted the IFRIC Agenda Decision, borrowing costs capitalized to real estate inventories related to projects with pre-selling activities would have been expensed out in the period incurred.

  This adjustment would have been applied retrospectively and would have resulted in the restatement of prior year financial statements. A restatement would have impacted interest expense, cost of sales, provision for deferred income tax, real estate inventories, deferred tax liability and opening balance of retained earnings.

- PFRS 17, *Insurance Contracts*
  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts.* This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

*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. *Revenue and cost recognition on real estate sales*

Identifying performance obligation

In 2018, the Group entered into a contract to sell covering a land upon which, site preparation will be performed prior to turnover to the buyer. The Group concluded that the revenue and cost of real estate sales should be recorded upon completion of the site preparation activities as specifically stated in the contract to sell, which is at a point in time, since there is only one performance obligation (i.e., developed land) and the Group does not have a right to demand payment for work performed to date from the buyer.

In 2018, the Group entered into a contract to sell covering raw land. The Group concluded that there is one performance obligation in this contract, the raw land. Revenue and cost of real estate sales should be recorded upon delivery of the raw land to the buyer which is at a point in time.

Revenue recognition method and measure of progress

For the revenue from real estate sales in the Philippines, the Group concluded that revenue is to be recognized over time because (a) the Group's performance does not create an asset with an alternative use and; (b) the Group has an enforceable right for performance completed to date. The promised property is specifically identified in the contract and the contractual restriction on the Group's ability to direct the promised property for another use is substantive. This is because the property promised to the customer is not interchangeable with other properties without breaching the contract and without incurring significant costs that otherwise would not have been incurred in relation to that contract. In addition, under the current legal framework, the customer is contractually obliged to make payments to the developer up to the performance completed to date. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the real estate property that will be transferred to the customer.

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

The Group has determined that input method used in measuring the progress of the performance obligation faithfully depicts the Group's performance in transferring control of real estate development to the customers.

<u>Principal versus agent considerations</u>
The contract for the mall retail spaces and office spaces leased out by the Group to its tenants includes the right to charge for the electricity usage, water usage, air conditioning charges and common usage service area (CUSA) like maintenance, janitorial and security services.

For the electricity and water usage and CUSA, the Group determined that it is acting as an agent because the promise of the Group to the tenants is to arrange for the electricity and water supply to be provided by a utility company and to provide services such as maintenance, janitorial and security services. The utility and service companies, and not the real estate developer, are primary responsible for the provisioning of the utilities while the Group, administers the leased spaces and coordinates with the utility and service companies to ensure that tenants have access to these utilities. The Group does not have the discretion on the pricing of the services provided since the price is based on the actual rate charged by the utility providers.

For the provision of air conditioning, the Group acts as a principal. This is because it is the Group who retains the right to direct the service provider of air conditioning to the leased premises. The right to the services mentioned never transfers to the tenant and the Group has the discretion on how to price the air conditioning charges. However, since the Group has availed of the relief to the real estate industry by deferring the application of accounting to CUSA charges discussed in PIC Q&A No. 2018-12-H, the Group retained its current assessment and accounting for air conditioning charges.

<u>Revenue and cost recognition</u>
The Group's real estate sales is recognized overtime and the percentage-of-completion is determined using input method measured principally based on total actual cost of resources consumed such as materials, labor hours expended and actual overhead incurred over the total expected project development cost. Actual costs also include incurred costs but not yet billed which are estimated by the project engineers. Expected project development costs include costs of land, land development, building costs, professional fees, depreciation of equipment directly used in the construction, payments for permits and licenses. Revisions in estimated development costs brought about by increases in projected costs in excess of the original budgeted amounts, form part of total project costs on a prospective basis and is allocated between costs of sales and real estate inventories.

b. *Revenue recognition on sale of goods from the food business*
Revenue recognition under PFRS 15 involves the application of significant judgment and estimation in the: (a) identification of the contract for sale of goods that would meet the requirements of PFRS 15; (b) assessment of performance obligation and the probability that the entity will collect the consideration from the buyer; (c) determining method to estimate variable consideration and assessing the constraint; and (d) recognition of revenue as the Group satisfies the performance obligation.

i. *Existence of a contract*
The Group enters into a contract with customer through an approved purchase order which constitutes a valid contract as specific details such as the quantity, price, contract terms and their respective obligations are clearly identified. In the case of sales to key accounts and distributors, the combined approved purchase order and trading terms agreement / exclusive distributorship agreement constitute a valid contract. In addition, part of the assessment process of the Group before revenue recognition is to assess the probability that the Group will collect the consideration to which it will be entitled in exchange for the goods sold that will be transferred to the customer.

ii. *Identifying performance obligation*
The Group identifies performance obligations by considering whether the promised goods or services in the contract are distinct goods or services. A good or service is distinct when the customer can benefit from the good or service on its own or together with other resources that are readily available to the customer and the Group's promise to transfer the good or service to the customer is separately identifiable from the other promises in the contract.

Based on management assessment, other than the sale of goods and services, no other performance obligations were identified except in the case of milling revenue.

iii. *Recognition of revenue as the Group satisfies the performance obligation*
The Group recognizes its revenue from the food business at a point in time, when the goods are sold and delivered and when services are already rendered.

iv. *Recognition of milling revenue under output sharing agreement*
The Group applies both output sharing agreement and cane purchase agreement in relation to milling operation. Under output sharing agreement, milling revenue is recognized based on the fair value of the millshare at average raw sugar selling price on the month with sugar production after considering in-purchase, which represents cane purchase agreement. Under cane purchase agreement, the Group purchases raw sugar from the traders and/or planters. The in-purchase rate is derived by determining the total raw sugar purchases and the total planters' share. Raw production costs are allocated systematically based on the output sharing and cane purchase agreement rates.

c. *Classification of financial assets from the banking business*

*Evaluation of business model in managing financial instruments*
The Group manages its financial assets based on business models that maintain an adequate level of financial assets to match its expected cash outflows, largely arising from customers' withdrawals and continuing loan disbursements to borrowers, while maintaining a strategic portfolio of financial assets for investment and trading activities consistent with its risk appetite.

The Group developed business models which reflect how it manages its portfolio of financial instruments. The Group's business models need not be assessed at entity level or as a whole but applied at the level of a portfolio of financial instruments (i.e., group of financial instruments that are managed together by the Group) and not on an instrument-by-instrument basis (i.e., not based on intention or specific characteristics of individual financial instrument).

In determining the classification of a financial instrument under PFRS 9, the Group evaluates in which business model a financial instrument or a portfolio of financial instruments belong to taking into consideration the objectives of each business model established by the Group, various risks and key performance indicators being reviewed and monitored by responsible officers, as well as the manner of compensation for them. The Bank's BOD approved its documentation of business models which contains broad categories of business models. The business model includes the Bank's lending activities as well as treasury business activities broken down into liquidity and investment portfolios. In addition, PFRS 9 emphasizes that if more than an infrequent and more than an insignificant sale is made out of a portfolio of financial assets carried at amortized cost, an entity should assess whether and how such sales are consistent with the objective of collecting contractual cash flows. In making this judgment, the Group considers certain circumstances documented in its business model manual to assess that an increase in the frequency or value of sales of financial instruments in a particular period is not necessarily inconsistent with a held-to-collect business model if the Group can explain the reasons for those sales and why those sales do not reflect a change in the Group's objective for the business model.

*Testing the cash flow characteristics of financial assets*
In determining the classification of financial assets under PFRS 9, the Group assesses whether the contractual terms of the financial assets give rise on specified dates to cash flows that are SPPI on the principal outstanding, with interest representing time value of money and credit risk associated with the principal amount outstanding. The assessment as to whether the cash flows meet the test is made in the currency in which the financial asset is denominated. Any other contractual term that changes the timing or amount of cash flows (unless it is a variable interest rate that represents time value of money and credit risk), i.e., cash flows that are non-SPPI, does not meet the amortized cost criteria. In cases where the relationship between the passage of time and the interest rate of the financial instrument may be imperfect, known as modified time value of money, the Group assesses the modified time value of money feature to determine whether the financial instrument still meets the SPPI criterion. The objective of the assessment is to determine how different the undiscounted contractual cash flows could be from the undiscounted cash flows that would arise if the time value of money element was not modified (the benchmark cash flows). If the resulting difference is significant, the SPPI criterion is not met. In view of this, the Group considers the effect of the modified time value of money element in each reporting period and cumulatively over the life of the financial instrument.

d. *Classification of financial assets from the other businesses*
The Group classifies its financial assets depending on the business model for managing those financial assets and whether the contractual terms of the financial assets are SPPI on the principal amount outstanding.

The Group performs the business model assessment based on observable factors such as:
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the Group's key management personnel
- Risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed
- Compensation of business units whether based on the fair value of those assets managed or on the contractual cash flows collected
- Expected frequency, value, and timing of sales

e. *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.

f. *Determining whether it is reasonably certain that a renewal and termination option will be exercised – Group as a lessee (Beginning January 1, 2019)*

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to renew the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group has several lease contracts that include renewal and termination options. The Group applies judgment in evaluating whether it is reasonably certain to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or terminate (e.g., a change in business strategy).

For most of its leases, the Group did not include the renewal or termination options in the lease term as the Group assesses that these options are not reasonably certain to be exercised. However, for some leases of parcels of land, the Group included the renewal period as part of the lease term due to significance of these assets to its operations. These leases have a short non-cancellable period (i.e., one year) and there will be a significant negative effect on the operations if a replacement is not readily available. Refer to Note 42 for the disclosure on the Group's leases.

g. *Classification of leases*

<u>*Operating Lease*</u>

*Operating lease commitments* - *Group as lessee (Prior to January 1, 2019)*

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 does 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 does not approximate the EUL of the assets being leased.

*Finance Lease*

*Group as lessee (Prior to January 1, 2019)*

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 borne by the lessee) that it has obtained all significant risks and rewards of ownership of the properties it leased on finance leases.

*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 borne by the lessee) that it has transferred all significant risks and rewards of ownership of the properties it leases out on finance leases.

*h. 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.

*i. 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.

*j. 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.

*k. 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.

*l. 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 25).

<u>Estimates</u>

The key assumptions concerning the future and other sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next year are discussed below:

*a. Impairment of goodwill and intangible assets*

The Group performed its annual impairment test on its goodwill and other intangible assets with indefinite useful lives as of reporting date. The recoverable amounts of the intangible assets were determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The following assumptions were also used in computing value in use:

*Growth rate estimates* - growth rates include 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.

Value-in-use is the most sensitive to changes in revenue growth rates and discount rates.

b. *Expected credit losses on receivables*

For loans and receivables from the banking business, ECL calculatiors are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Significant factors affecting the estimates on the ECL model include:

- Segmentation of the portfolio, where the appropriate ECL approach and/or model is used, including whether assessment should be done individually or collectively.
- Quantitative and qualitative criteria for determining whether ther have been SICR as at a given reporting date and the corresponding transfers between stages.
- Development of ECL models, including the various formulas and the vhoice of inputs
- Determination of correlations and interdependencies between risk factors, macroeconomic scenarios and economic inputs, such as inflation, policy rates and collateral values, and the resulting impact to PDs, LGDs and EADs.
- Selection of forward-looking information and determination of probability weightings to derive the ECL

For installment contracts and contract assets from the real estate business, the Group uses vintage analysis approach to calculate ECLs for installment contracts and contract assets. The vintage analysis accounts for expected losses by calculating the cumulative loss rates of a given loan pool. It derives the probability of default from the historical data of a homogenous portfolio that share the same origination period. The information on the number of defaults during fixed time intervals of the accounts is utilized to create the PD model. It allows the evaluation of the loan activity from its origination period until the end of the contract period.

For other receivables, provision matrix was used to calculate ECLs. The provision rates are based on historical default rates days past due for groupings of various segments that have similar loss patterns. The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions (i.e., gross domestic product and inflation rate) and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may alos not be representative of the customer’s acual default in the future.

c. *Valuation of ROU assets and lease liabilities*

The application of PFRS 16 requires the Group to make judgments that affect the valuation of the lease liabilities and the valuation of ROU assets. These include determining the lease term and determining the interest rate to be used for discounting future cash flows.

*Lease term*. The lease term determined by the Group comprises non-cancellable period of lease contracts, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. For lease contracts with indefinite term the Group estimates the length of the contract to be equal to the economic useful life of noncurrent assets located in the leased property and physically connected with it or determines the length of the contract to be equal to the average or typical market contract term of particular type of lease. The same economic useful life is applied to determine the depreciation rate of ROU assets.

*Discount rate.* The Group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is determined using the rate of interest rate swap applicable for currency of the lease contract and for similar tenor, corrected by the average credit spread of entities with rating similar to the Group's rating, observed in the period when the lease contract commences or is modified.

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.

e. *Revenue and cost recognition from the real estate business*

The Group's revenue recognition policies require management to make use of estimates and assumptions that may affect the reported amounts of revenue and costs. The Group's revenue and cost from real estate where performance obligation is satisfied over time and recognized based on the percentage of completion is measured principally on the basis of the estimated completion by reference to the actual costs incurred to date over the estimated total costs of the project. For the three months ended March 31, 2020 and 2019, the real estate sales recognized over time amounted to ₱6,567.9 million and ₱1,916.4 million, respectively, while the related cost of real estate sales amounted to ₱3,473.4 million and ₱906.0 million, respectively.

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 incomeare disclosed in Note 12 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 costs of restoration at the end of the contract period. Since the first operating lease entered by the Group in 2001, these costs are accrued based on an internal estimate which includes estimates of certain redelivery costs at the end of the operating aircraft lease. The contractual obligation includes regular aircraft maintenance, overhaul and restoration of the leased aircraft to its original condition. Regular aircraft maintenance is accounted for as expense when incurred, while overhaul and restoration are accounted on an accrual basis.

Assumptions and estimates used to compute ARO are reviewed and updated annually by the Group. As of March 31, 2020 and 2019, 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 19 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.

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.

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 ratesand salary increase rates. 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.

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.

*l.* *Recognition of deferred tax assets*
The Group reviews the carrying amounts of its deferred tax assets at each reporting date and reduces the deferred tax assets to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of deferred tax assets to be utilized.

The Group has certain subsidiaries which enjoy the benefits of an income tax holiday (ITH). As such, no deferred tax assets were set up on certain gross deductible temporary differences that are expected to reverse or expire within the ITH period.

## 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, 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.

*Corporate Governance and Management Services*
The CGMS was created to be primarily responsible for the execution of the enterprise risk management framework. The CGMS'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 CGMS 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 CGMS, 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 CGMS, 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 CGMS, 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 CGMS, 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 Strategy. The Corporate Strategy is responsible for the administration of strategic planning, budgeting and performance review processes of business units.

<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 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.

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With respect to the Banking Segment, there are several credit risk mitigation practices in place, as follow:
- The Banking Segment offers a variety of loan products with substantial collateral values. The policy on collateral and other credit enhancements are discussed further below.
- Limits are set on the amount of credit risk that the Banking Segment is willing to take for customers and counterparties, and exposures are monitored against such credit limits.
- The Banking Segment also observes related regulatory limits such as the single borrower's limit (SBL) and directors, officers, stockholders and related interests (DOSRI) ceiling.
- To protect against settlement risk, the Banking Segment employs a delivery-versus-payment (DvP) settlement system, wherein payment is effected only when the corresponding asset has been delivered.
- There is an internal credit risk rating system (ICRRS) in place, providing a structured format for collating and analyzing borrower data to arrive at a summary indicator of credit risk.
- Past due and non-performing loan (NPL) ratios are also used to measure and monitor the quality of the loan portfolio.

a. Credit risk exposure

The Group holds collateral in the form of real estate and chattel mortgages, government securities and standby letters of credit. The amount and type of collateral required depends on an assessment of credit risk. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:
- Mortgages over real estate and vehicle for consumer lending
- Chattels over inventory and receivable for commercial lending
- Government securities for interbank lending

It is the Group's policy to dispose of repossessed properties in an orderly fashion. In general, the proceeds are used to reduce or repay the outstanding claim, and are not occupied for business use.

b. Risk concentrations of the maximum exposure to credit risk

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

The Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. In order to avoid excessive concentrations of risks, identified concentrations of credit risks are controlled and managed accordingly.

c. Credit quality per class of financial assets

*Classification of Financial Assets by Class used by the Group except for the Banking Segment*
High grade cash and cash equivalents are short-term placements and working cash fund placed, invested, or deposited in foreign and local banks belonging to the top 10 banks in the Philippines in terms of resources and profitability.

Other high grade accounts are considered to be of high value since the counterparties have a remote likelihood of default and have consistently exhibited good paying habits.

Standard grade accounts are active accounts with minimal to regular instances of payment default, due to ordinary/common collection issues. These accounts are typically not impaired as the counterparties generally respond to credit actions and update their payments accordingly.

Substandard grade accounts are accounts which have probability of impairment based on historical trend. These accounts show propensity to default in payment despite regular follow-up actions and extended payment terms.

*Classification of Financial Assets by Class used by the Banking Segment*
For loans and receivables from customers, the Banking Segment's internal credit risk rating (ICCR) system was approved in 2007 and further enhanced to reflect latest updates. Last enhancement was made in 2017 for the ICRRS covering corporate credit exposures as defined by BSP Circular 439, initially for those borrowers with asset size of more than ₱15.0 million. In compliance with BSP Circular 855, the Banking Segment also developed another ICRRS in 2016 for those borrowers with asset size of ₱15.0 million and below which was also enhanced in 2018.

The Banking Segment's internal credit risk rating is as follows:

| **Grades** | **Categories** | **Description** |
|---|---|---|
| High grade | | |
| *Risk rating 1* | Excellent | Lowest probability of default; exceptionally strong capacity for financial commitments; highly unlikely to be adversely affected by foreseeable events. |
| *Risk rating 2* | Super Prime | Very low probability of default; very strong capacity for payment of financial commitments; less vulnerable to foreseeable events. |
| *Risk rating 3* | Prime | Low probability of default; strong capacity for payment of financial commitments; may be more vulnerable to adverse business/economic conditions. |
| *Risk rating 4* | Very Good | Moderately low probability of default; more than adequate capacity for payment of financial commitments; but adverse business/economic conditions are more likely to impair this capacity. |
| *Risk rating 5* | Good | More pronounced probability of default; business or financial flexibility exists which supports the |

| Grades | Categories | Description |
| --- | --- | --- |
| | | servicing of financial commitments; vulnerable to adverse business/economic changes. |
| Standard | | |
| *Risk rating 6* | Satisfactory | Material probability of default is present, but a margin of safety remains; financial commitments are currently being met although the capacity for continued payment is vulnerable to deterioration in the business/economic condition. |
| *Risk rating 7* | Average | Greater probability of default which is reflected in the volatility of earnings and overall performance; repayment source is presently adequate; however, prolonged unfavorable economic period would create deterioration beyond acceptable levels. |
| *Risk rating 8* | Fair | Sufficiently pronounced probability of default, although borrowers should still be able to withstand normal business cycles; any prolonged unfavorable economic/market conditions would create an immediate deterioration of cash flow beyond acceptable levels. |
| Sub-standard grade | | |
| *Risk rating 9* | Marginal | Elevated level of probability of default, with limited margin; repayment source is adequate to marginal. |
| *Risk rating 10* | Watch list | Unfavorable industry or company specific risk factors represent a concern, financial strength may be marginal; will find it difficult to cope with significant downturn. |
| *Risk rating 11* | Special mention | Loans have potential weaknesses that deserve close attention; borrower has reached a point where there is a real risk that the borrower's ability to pay the interest and repay the principal timely could be jeopardized due to evidence of weakness in the borrower's financial condition. |
| *Risk rating 12* | Substandard | Substantial and unreasonable degree of risk to the institution because of unfavorable record or unsatisfactory characteristics; with well-defined weaknesses that jeopardize their liquidation e.g. negative cash flow, case of fraud. |
| Past due and impaired | | |
| *Risk rating 13* | Doubtful | Weaknesses similar to "Substandard", but with added characteristics that make liquidation highly improbable. |
| *Risk rating 14* | Loss | Uncollectible or worthless. |

The Banking Segment's internal credit risk rating system intends to provide a structure to define the corporate credit portfolio, and consists of an initial rating for the borrower risk later adjusted for the facility risk.  Inputs include an assessment of management, credit experience, financial condition, industry outlook, documentation, security and term.

Below is the staging parameters adopted by the Banking Segment:

| Staging Parameter | Stage | Description |
|---|---|---|
| Staging by Days Past Due | | *Applicable to all loan products* |
| | 1 | Accounts with 0 - 30 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 1 accounts is 0 - 6 days). |
| | 2 | Accounts with 31 - 90 days past due (applicable for all loan products except for microfinancing loans wherein days past due for Stage 2 accounts is 7 - 10 days). |
| | 3 | Accounts with days past due of 91 days and above (applicable for all loan products except for microfinancing loans wherein days past due for Stage 3 accounts is 11 days and above). |
| Staging by Status | | |
| | 1 | Accounts tagged as Current in its Status are classified under Stage 1. |
| | 3 | Accounts tagged as ITL in its Status are classified under Stage 3. |
| Staging by Origination Rating vs Current Rating | | *Applicable to Commercial Loans (Large Scale and Medium Scale) only* |
| | 1 | If no movement in the ratings from origination rating against the latest rating, the staging will be based on the current ICRRS rating. If the account's current rating is either Excellent, Super Prime, Prime, Very Good, Good, Satisfactory, Average, Fair, the account will be tagged under Stage 1. |
| | 2 | If the account's current rating/equivalent Risk Level deteriorates by 2 notches from its origination rating/equivalent Risk Level, the account is tagged under Stage 2. If no movement in the ratings from origination rating against the latest rating, the staging will be based on the latest ICRRS rating. If the account's latest Rating is either Marginal, Watchlist or Especially Mentioned, account will be tagged under Stage 2. |
| Staging by Maturity Date vs Cut-off Date | | *Applicable to all loan products* |
| | 1 | If maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cutoff date from the maturity date is less than 30 days, the account is tagged under Stage 1 (For Microfinance loans, if maturity date of the account is after the cut-off date of the ECL Calculation, and if the days leading up to the cutoff date from the maturity date is less than 10 days, the account is tagged under Stage 1). |

| Staging Parameter | Stage | Description |
|---|---|---|
| | 3 | If maturity date of the account is prior to the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 30 days, the account is tagged under Stage 3 (For Microfinance loans, if Maturity Date of the account is prior the cut-off date of the ECL Calculation, and if the days leading up to the cut-off date from the maturity date is more than 10 days, the account is tagged under Stage 3). |

*External ratings*
In ensuring a quality investment portfolio, the Group monitors credit risk from investments using credit ratings based on Standard and Poor (S&P). Credit quality of due from BSP and other banks and interbank loans receivable are based on available accredited international and local credit raters using Fitch as standard of rating.

The Group assigns the following credit quality groupings based on ratings prior to PFRS 9 adoption as follows:

| Credit Quality | Fitch | Moody's | S&P | Stage* |
|---|---|---|---|---|
| High Grade | AAA to A- | Aaa to A3 | AAA to A- | 1 |
| Standard Grade | BBB+ to BB- | Baa1 to Ba3 | BBB+ to BB- | 1 |
| Substandard Grade | B+ to C- | B1 to Ca | B+ to C- | 2 |
| Past due and impaired | D | C | D | 3 |

**Applicable to Banking Segment only.*

d. *Aging analysis of receivables by class*

The aging analysis of the Group's receivables as of March 31, 2020 follow:

| | | 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* | **₱77,472,720** | **₱33,754** | **₱936,038** | **₱413,622** | **₱864,944** | **₱403,320** | **₱80,124,398** |
| Trade receivables | **17,872,275** | **2,164,522** | **713,929** | **385,559** | **1,165,558** | **196,514** | **22,498,357** |
| Due from related parties | **2,904,570** | **–** | **–** | **–** | **–** | **–** | **2,904,570** |
| Interest receivable | **1,099,465** | **72,212** | **39,176** | **17,590** | **75,832** | **21,500** | **1,325,775** |
| Others** | **6,687,264** | **631,107** | **6,339** | **3,460** | **355,185** | **342,739** | **8,026,094** |
| | **₱106,036,294** | **₱2,901,595** | **₱1,695,482** | **₱820,231** | **₱2,461,519** | **₱964,073** | **₱114,879,194** |

** Gross of unearned interest discount*
*** Excludes claims receivable of JGSPC and JGSOC amounting to ₱265,769,076.*

*Liquidity risk*
Liquidity risk is the risk of not being able to meet funding obligations such as the repayment of liabilities or payment of asset purchases as they fall due. The Group's liquidity management involves maintaining funding capacity to finance capital expenditures and service maturing debts, and to accommodate any fluctuations in asset and liability levels due to changes in the Group's business operations or unanticipated events created by customer behavior or capital market conditions. The Group maintains a level of cash and cash equivalents deemed sufficient to finance its operations. As part of its liquidity risk management, the Group regularly evaluates its projected and actual cash flows. It also continuously assesses conditions in the financial markets for opportunities to pursue fund-raising activities. Fund-raising activities may include obtaining bank loans and capital market issues both onshore and offshore.

With respect to the Banking Segment, liquidity risk is considered in assets and liabilities management. The Banking Segment seeks to lengthen liability maturities, diversify existing fund sources, and continuously develop new instruments that cater to different segments of the market. The Assets and Liabilities Committee (ALCO) is composed of some members of the Senior Management including the Lending Groups and Treasury Group Heads. ALCO conducts weekly meetings. The Banking Segment also has specialized units that help monitor market and regulatory developments pertinent to interest rates and liquidity position, as well as prepare cash position reports as needed to measure the liquidity and reserves position of the Banking Segment.

The Banking Segment also keeps credit lines with financial institutions, as well as a pool of liquid or highly marketable securities. Reserves management is another specialized function within the Banking Segment, complying with BSP reserve requirements, which may be a buffer against unforeseen liquidity drains.

The liquidity or maturity gap report is another tool for measuring liquidity risk. Although available contractual maturity dates are generally used for putting instruments into time bands, expected liquidation periods, often based on historical data, are used if contractual maturity dates are unavailable. The liquidity gap per time band is computed by getting the difference between the inflows and outflows within the time band. A positive liquidity gap is an estimate of the Banking Segment's net excess funds for the time band. A negative liquidity gap is an estimate of a future funding requirement of the Banking Segment. Although such gaps are a normal part of the business, a significant negative amount may bring significant liquidity risk. To help control liquidity risk arising from negative liquidity gaps, maximum cumulative outflow (MCO) targets are set for time bands up to one (1) year.

*Market risk*
Market risk is the risk of loss to future earnings, to fair value or future cash flows of a financial instrument as a result of changes in its price, in turn caused by changes in interest rates, foreign currency exchange rates, equity prices and other market factors.

The following discussion covers the market risks of the Group except for its Banking Segment:

*Foreign currency risk*
Foreign currency risk arises on financial instruments that are denominated in a foreign currency other than the functional currency in which they are measured. The Group makes use of derivative financial instruments, such as currency swaps, to hedge foreign currency exposure.

*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.

*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.

*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 raterisk relates primarily to the Group's financial assets at FVPL.

Except for RBC, which uses Earnings-at -Risk (EaR) as a tool for measuring and managing interest rate risk in the banking book, the tables below show the impact on income before income tax and equity of the estimated future yield of the related market indices of the Group's FVPL using a sensitivity approach.

*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.

Commodity derivative contracts maturing 3 months from reporting date are designated for hedge accounting. Derivative financial instruments which are part of hedging relationships do not expose the Group to market risk since changes in the fair value of the derivatives are offset by the changes in the fair value of the hedged items.

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 thefuture. Therefore, market shifts (i.e. an unexpected collapse of the market) will not be captured and may inflict losses larger than anything the VaR modelmay have calculated; and
e. The limitation relating to the pattern of historical returns being indicative of future returns is addressed by supplementing VaRwith daily stress testing reported to RBC's Risk Management Committee, Asset-Liability Committee (ALCO) and the concerned risk-takers.

VaR backtesting 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 backtesting.

*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 the Parent Company's loans and deposits, assesses investment opportunities and reviews the structure of assets and liabilities. RBC uses Earnings-at-Riskas a tool for measuring and managing interest rate risk in the banking book.

*Earnings-at-Risk objectives and methodology*
Earnings-at-Risk 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.

*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.

## 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.

*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*
Investment in unquoted equity security classified as FVOCI include interest in unlisted preference shares of stock of a fintech company. The adjusted net asset value approach was used in estimating the fair value of the equity security where assets and liabilities are restated to current fair values.

*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*
The carrying amount of the investment properties approximates its fair value as of reporting date. 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.

*Time deposits*
Fair values are estimated using the discounted cash flow methodology using RBC's current incremental borrowing rates for similar borrowings with maturities consistent with those remaining for the liabilities being valued.

*Long-term negotiable certificates of deposit (LTNCD)*
Fair values of LTNCD are estimated using quoated market rates for the instrument.

*Deposits from Lessees*
The fair value of customers' deposits is based on the discounted value of future cash flows using the applicable rates for similar types of loans and receivables as of reporting date.

*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.

*Fair Value Hierarchy Assets and Liabilities*
Assets and liabilities carried at far 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.

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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 Excomoversees 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 three months ended March 31, 2020 and 2019. Core earnings pertain to income before income tax excluding market valuation gains (losses) on financial assets at FVPL, market valuation gains on derivative financial instruments and foreign exchange gains (losses).

The Group's operating segment information follows:

| | March 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Foods, Agro-Industrial and Commodities** | **Air Transportation** | **Real Estate and Hotels** | **Petrochemicals** | **Banking** | **Other Supplementary Businesses** | **Adjustments and Eliminations** | **TOTAL OPERATIONS** |
| **Revenue** | | | | | | | | |
| Sale of goods and services: | | | | | | | | |
| External customers | **₱33,457,288** | **₱15,914,083** | **₱11,391,680** | **₱2,775,860** | **₱2,327,589** | **₱210,939** | **₱–** | **₱66,077,439** |
| Intersegment revenue | **–** | **–** | **82,136** | **152,300** | **–** | **–** | **(234,436)** | **–** |
| | **33,457,288** | **15,914,083** | **11,473,816** | **2,928,160** | **2,327,589** | **210,939** | **(234,436)** | **66,077,439** |
| Dividend income | **16,151** | **–** | **–** | **–** | **2,229** | **959,114** | **(571)** | **976,923** |
| Equity in net earnings of associates and joint ventures | **(47,247)** | **(54,322)** | **92,009** | **–** | **–** | **810,868** | **28,424** | **829,732** |
| **Total revenue** | **33,426,192** | **15,859,761** | **11,565,825** | **2,928,160** | **2,329,818** | **1,980,921** | **(206,583)** | **67,884,094** |
| Cost of sales and services | **23,342,936** | **10,599,378** | **5,591,991** | **3,635,503** | **683,284** | **9,587** | **(195,675)** | **43,667,004** |
| **Gross income (loss)** | **₱10,083,256** | **₱5,260,383** | **₱5,973,834** | **(₱707,343)** | **₱1,646,534** | **₱1,971,334** | **₱(10,908)** | **24,217,090** |
| General and administrative expenses | | | | | | | | **15,005,463** |
| Impairment losses and others | | | | | | | | **107,068** |
| **Operating income** | | | | | | | | **9,104,559** |
| Financing cost and other charges | | | | | | | | **(2,350,119)** |
| Finance income | | | | | | | | **339,518** |
| Other operating income | | | | | | | | **(20,633)** |
| **Core earnings** | | | | | | | | **7,073,325** |
| Market valuation gains (losses) on financial assets | | | | | | | | **(798,793)** |
| Foreign exchange gains (losses) | | | | | | | | **(1,255,572)** |
| **Income before income tax** | | | | | | | | **5,018,960** |
| Provision for income tax | | | | | | | | **1,030,546** |
| **Net income** | | | | | | | | **₱3,988,414** |
| **Net income attributable to equity holders of the Parent Company** | **₱1,097,563** | **(₱802,863)** | **₱2,034,296** | **(₱1,142,981)** | **₱209,734** | **₱447,478** | **₱59,437** | **₱1,902,664** |
| **EBIT** | **₱3,966,433** | **(₱692,863)** | **₱4,730,277** | **(₱956,569)** | **₱422,234** | **₱1,635,049** | **₱–** | **₱9,104,561** |
| Depreciation and amortization | **1,859,710** | **4,138,752** | **1,267,757** | **459,515** | **150,223** | **40,653** | **(130,464)** | **7,786,146** |
| **EBITDA** | **₱5,826,143** | **₱3,445,889** | **₱5,998,034** | **(₱497,054)** | **₱572,457** | **₱1,675,702** | **(₱130,464)** | **₱16,890,707** |

| | March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | TOTAL OPERATIONS |
| **Revenue** | | | | | | | | |
| Sale of goods and services: | | | | | | | | |
| External customers | ₱33,317,050 | ₱21,177,466 | ₱6,777,300 | ₱9,566,882 | ₱1,894,103 | ₱167,213 | ₱– | ₱72,900,014 |
| Intersegment revenue | – | – | 2,573 | 352,813 | – | – | (355,386) | – |
| | 33,317,050 | 21,177,466 | 6,779,873 | 9,919,695 | 1,894,103 | 167,213 | (355,386) | 72,900,014 |
| Dividend income | – | – | – | – | 2,229 | 639,045 | (1,199) | 640,075 |
| Equity in net earnings of associates and joint ventures | (16,301) | 20,846 | (4,092) | – | – | 1,687,714 | (14,632) | 1,673,535 |
| **Total revenue** | 33,300,749 | 21,198,312 | 6,775,781 | 9,919,695 | 1,896,332 | 2,493,972 | (371,217) | 75,213,624 |
| Cost of sales and services | 23,106,152 | 11,857,238 | 3,100,299 | 10,044,981 | 846,417 | – | (393,145) | 48,561,942 |
| **Gross income (loss)** | ₱10,194,597 | ₱9,341,074 | ₱3,675,482 | (₱125,286) | ₱1,049,915 | ₱2,493,972 | ₱21,928 | 26,651,682 |
| General and administrative expenses | | | | | | | | 14,306,824 |
| Impairment losses and others | | | | | | | | 796 |
| **Operating income** | | | | | | | | 12,344,062 |
| Financing cost and other charges | | | | | | | | (2,777,934) |
| Finance income | | | | | | | | 528,191 |
| Other operating income | | | | | | | | (321,538) |
| **Core earnings** | | | | | | | | 9,772,781 |
| Market valuation gains (losses) on financial assets | | | | | | | | 1,778,245 |
| Foreign exchange gains (losses) | | | | | | | | 218,351 |
| **Income before income tax** | | | | | | | | 11,769,377 |
| Provision for income tax | | | | | | | | 2,047,548 |
| **Net income** | | | | | | | | ₱9,721,829 |
| **Net income attributable to equity holders of the Parent Company** | ₱1,678,503 | ₱2,274,197 | ₱1,116,785 | (₱599,268) | ₱25,517 | ₱1,961,170 | (₱1,383) | ₱6,455,521 |
| **EBIT** | ₱3,950,430 | ₱3,845,758 | ₱2,593,666 | (₱494,747) | ₱96,874 | ₱2,352,081 | ₱– | ₱12,344,062 |
| Depreciation and amortization | 1,684,878 | 3,608,943 | 1,174,883 | 431,100 | 79,711 | 28,907 | – | 7,008,422 |
| **EBITDA** | ₱5,635,308 | ₱7,454,701 | ₱3,768,549 | (₱63,647) | ₱176,585 | ₱2,380,988 | ₱– | ₱19,352,484 |

| | March 31, 2020 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Foods, Agro-Industrial and Commodities** | **Air Transportation** | **Real Estate and Hotels** | **Petrochemicals** | **Banking** | **Other Supplementary Businesses** | **Adjustments and Eliminations** | **TOTAL OPERATIONS** |
| **Other information** | | | | | | | | |
| Non-cash expenses other than depreciation and amortization | | | | | | | | |
| Impairment losses on receivables | **₱–** | **₱–** | **₱–** | **₱–** | **₱106,461** | **₱–** | **₱–** | **₱106,461** |
| Impairment losses on inventories | **607** | **–** | **–** | **–** | **–** | **–** | **–** | **607** |

| | March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | TOTAL OPERATIONS |
| **Other information** | | | | | | | | |
| Non-cash expenses other than depreciation and amortization | | | | | | | | |
| Impairment losses on inventories | ₱795 | ₱– | ₱– | ₱– | ₱ | ₱– | ₱– | ₱795 |

Other information on the Group's operating segments follow:

| | **March 31, 2020** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Foods, Agro-Industrial and Commodities** | **Air Transportation** | **Real Estate and Hotels** | **Petrochemicals** | **Banking** | **Other Supplementary Businesses** | **Adjustments and Eliminations** | **Consolidated** |
| Segment assets | **₱169,446,595** | **₱155,238,772** | **₱194,794,896** | **₱116,408,541** | **₱129,803,157** | **₱192,856,126** | **(₱20,698,098)** | **₱937,849,989** |
| Segment liabilities | **₱76,193,550** | **₱114,663,269** | **₱91,062,225** | **₱61,464,783** | **₱113,138,950** | **₱101,430,267** | **(₱33,270,970)** | **₱524,682,074** |
| Capital expenditures | **₱1,832,957** | **₱954,938** | **₱2,593,930** | **₱5,206,686** | **₱38,822** | **₱17,715** | **₱–** | **₱10,645,048** |

| | March 31, 2019 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Foods, Agro-Industrial and Commodities | Air Transportation | Real Estate and Hotels | Petrochemicals | Banking | Other Supplementary Businesses | Adjustments and Eliminations | Consolidated |
| Segment assets | ₱168,652,990 | ₱157,977,017 | ₱189,651,210 | ₱115,700,303 | ₱131,141,546 | ₱187,953,904 | (₱22,767,451) | ₱928,309,519 |
| Segment liabilities | ₱73,468,488 | ₱114,441,735 | ₱89,573,539 | ₱60,088,111 | ₱114,081,072 | ₱99,227,403 | (₱31,217,972) | ₱519,662,376 |
| Capital expenditures | ₱3,059,707 | ₱4,414,709 | ₱1,832,220 | ₱6,841,466 | ₱15,099 | ₱12,442 | ₱– | ₱16,175,643 |

The table below presents the consolidated statement of financial position of the Group broken down between industrial and banking components:

| | **March 31, 2020** | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **Non-banks*** | **Banks*** | **Consolidated** | Non-banks* | Banks* | Consolidated |
| **ASSETS** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | **₱38,675,538** | **₱20,323,667** | **₱58,999,205** | ₱44,005,466 | ₱20,337,783 | ₱64,343,249 |
| Financial assets at fair value through profit and loss | **5,560,124** | **16,217** | **5,576,341** | 4,379,709 | 4,936 | 4,384,645 |
| Financial assets at fair value through other comprehensive income | **7,626,953** | **11,810,661** | **19,437,614** | 8,286,428 | 13,973,462 | 22,259,890 |
| Receivables - net | **27,762,528** | **24,325,194** | **52,087,722** | 23,666,188 | 24,046,722 | 47,712,910 |
| Inventories - net | **71,460,079** | **–** | **71,460,079** | 68,513,876 | – | 68,513,876 |
| Biological assets - net | **656,788** | **–** | **656,788** | 733,436 | – | 733,436 |
| Contract assets | **4,044,798** | **–** | **4,044,798** | 3,007,039 | – | 3,007,039 |
| Other current assets | **23,300,840** | **175,123** | **23,475,963** | 23,075,658 | 124,976 | 23,200,634 |
| Total current assets | **179,087,648** | **56,650,862** | **235,738,510** | 175,667,800 | 58,487,879 | 234,155,679 |
| **Noncurrent Assets** | | | | | | |
| Financial assets at fair value through other comprehensive income | **27,482,633** | **–** | **27,482,633** | 24,050,347 | – | 24,050,347 |
| Receivables - noncurrent | **4,487,461** | **56,502,656** | **60,990,117** | 3,677,362 | 57,236,186 | 60,913,548 |
| Investments at amortized cost | **–** | **11,355,345** | **11,355,345** | – | 11,357,261 | 11,357,261 |
| Investments in associates and JVs - net | **148,948,038** | **–** | **148,948,038** | 151,691,573 | – | 151,691,573 |
| Investments properties - net | **99,844,647** | **447,892** | **100,292,539** | 98,617,891 | 382,355 | 99,000,246 |
| Contract assets | **10,549,881** | **–** | **10,549,881** | 7,843,135 | – | 7,843,135 |
| Property, plant and equipment - net | **259,251,439** | **609,594** | **259,861,033** | 258,325,525 | 917,292 | 259,242,817 |
| Right-of-use assets | **19,476,463** | **612,676** | **20,089,139** | 20,140,085 | 391,336 | 20,531,421 |
| Biological assets - bearer | **261,993** | **–** | **261,993** | 224,128 | – | 224,128 |
| Goodwill - net | **31,761,277** | **244,327** | **32,005,604** | 31,761,277 | 244,327 | 32,005,604 |
| Intangibles - net | **12,627,873** | **1,312,254** | **13,940,127** | 12,598,588 | 1,299,802 | 13,898,390 |
| Other noncurrent assets | **14,267,479** | **2,067,551** | **16,335,030** | 12,570,260 | 825,109 | 13,395,369 |
| Total Noncurrent Assets | **628,959,184** | **73,152,295** | **702,111,479** | 621,500,171 | 72,653,668 | 694,153,839 |
| | **₱808,046,832** | **₱129,803,157** | **₱937,849,989** | ₱797,167,971 | ₱131,141,547 | ₱928,309,518 |

| | March 31, 2020 | | | December 31, 2019 | | |
|---|---|---|---|---|---|---|
| | **Non-banks*** | **Banks*** | **Consolidated** | Non-banks* | Banks* | Consolidated |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | | | | |
| **Current liabilities** | | | | | | |
| Accounts payable and accrued expenses | **₱60,591,705** | **₱82,200,112** | **₱142,791,817** | ₱59,307,014 | ₱87,020,358 | ₱146,327,372 |
| Short-term debt | **61,597,427** | **–** | **61,597,427** | 54,047,410 | – | 54,047,410 |
| Current portion of long-term debt | **12,194,330** | **–** | **12,194,330** | 6,819,094 | – | 6,819,094 |
| Derivative liabilities | **2,845,939** | **4,504** | **2,850,443** | 418,641 | 463 | 419,104 |
| Contract liabilities | **14,499,655** | **–** | **14,499,655** | 14,184,664 | – | 14,184,664 |
| Income tax payable | **1,285,506** | **20,297** | **1,305,803** | 1,768,571 | 2,700 | 1,771,271 |
| Other current liabilities | **19,050,146** | **413** | **19,050,559** | 21,569,617 | 410 | 21,570,027 |
| Total current liabilities | **172,064,708** | **82,225,326** | **254,290,034** | 158,115,011 | 87,023,931 | 245,138,942 |
| **Noncurrent liabilities** | | | | | | |
| Long-term debt - net of current portion | **209,455,530** | **–** | **209,455,530** | 212,116,441 | – | 212,116,441 |
| Deferred tax liabilities - net | **8,343,124** | **–** | **8,343,124** | 8,318,082 | – | 8,318,082 |
| Contract liabilities | **3,024,179** | **–** | **3,024,179** | 2,958,482 | – | 2,958,482 |
| Other noncurrent liabilities | **27,401,577** | **22,167,631** | **49,569,208** | 28,641,464 | 22,488,965 | 51,130,429 |
| Total noncurrent liabilities | **248,224,410** | **22,167,631** | **270,392,041** | 252,034,469 | 22,488,965 | 274,523,434 |
| Total Liabilities | **420,289,118** | **104,392,957** | **524,682,075** | 410,149,480 | 109,512,896 | 519,662,376 |
| **Stockholders' equity** | **299,053,265** | **9,998,524** | **309,051,789** | 294,575,357 | 10,236,285 | 304,811,642 |
| **Minority interest in consolidated subsidiaries** | **97,450,442** | **6,665,683** | **104,116,125** | 97,011,310 | 6,824,190 | 103,835,500 |
| | **₱816,792,825** | **₱121,057,164** | **₱937,849,989** | ₱801,736,147 | ₱126,573,371 | ₱928,309,518 |

**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
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.

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.

## 7. Cash and Cash Equivalents

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Cash on hand | **₱1,785,136** | ₱3,410,775 |
| Cash in banks | **27,647,808** | 28,576,315 |
| Cash equivalents | **29,566,261** | 32,356,159 |
| | **₱58,999,205** | ₱64,343,249 |

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.

## 8. **Derivative Financial Instruments**

*Derivatives designated as accounting hedges*
As part of its asset and liability management, the Group uses derivatives 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.

- Zero cost collars and commodity swaps
  CAI enters into zero cost collars and commodity swaps derivative contracts to manage its exposure to fuel price fluctuations. The notional quantity is the amount of the derivatives' underlying asset or liability, reference rate or index and is the basis upon which changes in the value of derivatives are measured. These swaps and collars can be exercised at various calculation dates with specified quantities on each calculation date. These instruments have various maturity dates through 2020 until 2021. Such fuel derivatives are designated as accounting hedges beginning September 1, 2019.

  These derivatives designated for hedge accounting has a net liability position of ₱2.4 billion as of March 31, 2020 and a net asset position of ₱47.9 million as of December 31, 2019.

- Foreign currency forwards
  CAI enters into foreign currency forwards to manage its exposures to foreign currency-denominated transactions given global operations. These forwards have various maturity dates through 2020. Similarly, these FX derivatives are designated as accounting hedges beginning September 1, 2019.

  As of March 31, 2020 and December 31, 2019, fair value of these derivatives resulted to a net liability position amounting to ₱12.1 million and ₱174.2 million, respectively.

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.

<u>Hedge Effectiveness Results</u>
The hedge is assessed to be effective as the critical terms of the hedging instrument match the terms of the hedged item.

*Derivatives not designated as accounting hedges*
The Group's derivatives not designated as accounting hedges include transactions to take positions for risk management purposes.

- Zero cost collars and Commodity swaps
  On March 16, 2020, CAI discontinued application of hedge accounting on some of its fuel hedges following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19. These fuel hedges have fair value of ₱438.8 million net liability upon discontinuation.

- Foreign currency forwards
  On March 16, 2020, CAI likewise discontinued hedge accounting application on some FX forwards because of reduced forecasted fuel purchase following the suspension of flights in response to government-imposed enhanced community quarantine over the entire Luzon due to outbreak of COVID-19 and due to unforeseen drop in oil prices. These FX hedges have fair value of ₱13.8 million net liability upon discontinuation.

  For the three months ended March 31, 2020 and 2019, CAI recognized the net changes in fair value of these derivatives in profit or loss amounting to ₱419.6 million loss and ₱1.0 billion gain, respectively, as a result of the reclassification adjustment and subsequent changes in the fair value of these hedges.

  As of March 31, 2020, CAI's derivatives not designated as accounting hedges have a net liability position of ₱204.8 million. As of December 31, 2019, CAI has no derivatives not designated as accounting hedges.

- Foreign currency swaps
  RBC entered into foreign currency swap transactions with a net negative fair value of ₱3.3 million as of March 31, 2020 and a net positive fair value of ₱0.5 million as of December 31, 2019. In 2020 and 2019, RBC recognized net changes in fair value of derivatives amounting to ₱7.2 million gain and ₱3.8 million loss, respectively.

- Call Option
  As part of change in ownership of URC Oceania Group, Intersnack was given an option to acquire an additional 9% equity share in UHC. As of March 31, 2020 and December 31, 2019, the call option has a positive fair value of ₱310.2 million and ₱305.8 million, respectively.

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'.

## 9. Financial Assets at Fair Value through Profit or Loss

These investments that are held for trading consist of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Debt securities: | | |
| Government | **₱14,982** | ₱3,943 |
| Equity securities: | | |
| Quoted | **1,532,579** | 1,718,537 |
| Investment in convertible note | **4,027,545** | 2,661,172 |
| Derivatives (Note 8) | **1,235** | 993 |
| | **₱5,576,341** | ₱4,384,645 |

*Sea Limited*
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.

In 2019, the note was converted into 1,834,188 ordinary shares of Sea Limited which was then sold for a total price of US$43.7 million, resulting in realized market valuation gain of US$10.9 million (₱566.6 million).

*Oriente*
On December 14, 2018, JGDEV entered into a Securities Exchange Agreement with ORT Philippines Holdings Pte. Ltd. (ORT Philippines), wherein JGDEV sold to the latter all its shares (including deposit for future subscription) in Oriente Techsystem Philippines Corporation (OETC) and Paloo Financing Inc. (Paloo). Also, ORT Philippines transferred to JGDEV 6,627,087 Series A-2 Preferred shares of Oriente Finance Group Limited (OFGL) and a convertible note with a face value of $1.975 million. As of December 31, 2018, the convertible note of OFGL is classified under financial assets at fair value through profit or loss while the preferred shares are classified under financial assets at FVOCI. In 2018, the Group recorded gain from the disposal of its investment in OETC and Paloo amounting to ₱198.1 million.

On December 5, 2019, the convertible note with face value of $1.975 million was converted to 819,641 Series B-1 preferred shares. The Series A-2 and Series B-1 preferred shares are classified under financial assets at FVOCI.

*JUUL Labs, Inc*
In August 2019, JGSPL invested in USD50.0 million Convertible Notes of JUUL Labs, Inc. ("JUUL Labs"). JUUL Labs is a private company based in California, USA, which is in the business of manufacturing and distributing e-cigarettes.

The Convertible Notes have the following features:

1. Repayable after 5 years;
2. 7% p.a. coupon accruing and compounding quarterly paid in kind thru increase in the outstanding principal ("Accreted principal");
3. Conversion into class of shares (or mix thereof) as specified in paragraph 1.12 of the Note Purchase Agreement;
4. Conversion can be:
    a. Automatic in the event of any of the following qualified financing events (e.g., qualified private financing, qualified IPO and qualified direct listing), with conversion price determined as the higher of the valuation floor and lower of valuation cap and discounted valuation in the financing event; or
    b. Optional (i) in the event of financing events whereby conditions for qualification were not met, and in that case the conversion price is determined using the basis in (a) above; (ii) upon JUUL Labs' direct listing or starting on the 24th month anniversary, and in such cases the conversion price is the valuation cap; and (iii) when exercised on maturity date and the conversion price is USD30.4 million; and
5. Early redemption at the option of JUUL Labs but subject to the consent of majority investors or one (1) owner provided the Issuer offered the same terms to other investors. The redemption price should not be less than the accreted principal as of the redemption date.

*Snapcart Group (HK) Limited*
On March 5, 2019, JGDEV entered into a Deed of Adherence with Snapcart Group (HK) Limited pursuant to the Convertible Loan Agreement entered into in February 20, 2019. The consideration is for a loan amount of $1.0 million at a rate of 3% interest per annum. On March 31, 2020, the convertible loan was converted to 102,402 Series B shares of the Company.

*Zuzu Hospitality Solutions Pte. Ltd.*
On September 10, 2019, JGDCPL entered into a Note Purchase Agreement with Zuzu Hospitality Solutions Pte. Ltd. (Zuzu Hospitality) to invest in a Convertible Note amounting to SGD1 million. Zuzu Hospitality is a private company incorporated and based in Singapore that offers outsourced revenue management to independent hotels. Zuzu Hospitality currently operates in Indonesia and Taiwan.

## 10. Financial Assets at Fair Value through Other Comprehensive Income

Financial Assets at Fair Value through Other Comprehensive Income

This account consists of investments in:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Debt securities: | | |
| Government | **₱5,622,334** | ₱9,392,807 |
| Private | **12,850,000** | 11,902,368 |
| | **18,472,334** | 21,295,175 |
| Equity securities: | | |
| Quoted | **27,956,119** | 24,528,007 |
| Unquoted | **491,793** | 487,055 |
| | **28,447,912** | 25,015,062 |
| | **₱46,920,246** | ₱46,310,237 |

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

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

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Current portion | **₱19,437,613** | **₱22,259,890** |
| Noncurrent portion | **27,482,633** | **24,050,347** |
| | **₱46,920,246** | **₱46,310,237** |

The Group has classified its 24.3 million PLDT shares representing 11.3% ownership interest as financial assets at FVOCI, which have carrying values of ₱27.5 billion and ₱24.1 billion as of March 31, 2020 and December 31, 2019, respectively.

## 11. **Receivables**

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Finance receivables | **₱79,818,617** | ₱79,837,553 |
| Trade receivables | **22,498,357** | 22,032,154 |
| Due from related parties | **2,904,570** | 2,547,715 |
| Interest receivable | **1,325,775** | 1,180,130 |
| Other receivables | **8,291,863** | 4,718,742 |
| | **114,839,182** | 110,316,294 |
| Less allowance for impairment losses | **1,761,343** | 1,689,836 |
| | **₱113,077,839** | ₱108,626,458 |

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

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Current portion | **₱52,087,722** | ₱47,712,910 |
| Noncurrent portion | **60,990,117** | 60,913,548 |
| | **₱113,077,839** | ₱108,626,458 |

Noncurrent receivables consist of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Trade receivables | **₱3,157,461** | ₱57,236,186 |
| Finance receivables | **56,502,656** | 2,347,362 |
| Due from related parties | **1,330,000** | 1,330,000 |
| | **₱60,990,117** | ₱60,913,548 |

<u>Trade Receivables</u>
Included in trade receivables are installment contract receivables of the real estate segment of the Group. These are collectible in monthly installments over a period of between one year to ten years. 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.

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

<u>Others</u>
Other receivables include claims receivables, and other non-trade receivables.

## 12. **Inventories**

This account consists of inventories held as follows:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Subdivision land, condominium and residential units for sale | **₱36,069,749** | ₱36,062,897 |
| Raw materials | **11,582,973** | 10,718,500 |
| Spare parts, packaging materials and other supplies | **11,436,389** | 10,901,829 |
| Finished goods | **10,562,543** | 9,155,597 |
| Work-in-process | **1,803,918** | 1,667,557 |
| By-products | **4,507** | 7,496 |
| | **₱71,460,079** | ₱68,513,876 |

Land held for future development previously presented as non-current asset includes land which the BOD has previously approved to be developed into residential development for sale. Before the adoption of PIC Q&A 2018-11, the classification was based on the Group's timing to start the development of the property. This was reclassified under inventories in the consolidated statement of financial position. Land with undetermined future use was retained to investment properties.

The Group recognized impairment losses on its inventories included under 'Impairment losses and others' amounting to ₱0.6 million and ₱0.8 million in 2020 and 2019, respectively (see Note 34).

## 13. **Other Current Assets**

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Input value-added tax (VAT) | **₱10,531,276** | ₱9,301,277 |
| Advances to suppliers (Note 2) | **4,458,629** | 4,859,810 |
| Restricted cash | **2,530,323** | 2,533,018 |
| Prepaid expenses | **2,509,010** | 2,542,683 |
| Creditable withholding tax | **1,974,238** | 1,785,546 |
| Advances to lot owners and joint operations | **1,437,610** | 2,142,571 |
| Utility deposits | **8,461** | 8,417 |
| Others | **26,417** | 27,312 |
| | **₱23,475,964** | ₱23,200,634 |

Input VAT
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 RLC 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.

Prepaid Expenses
This account consists of prepayments on rent, insurance, taxes, and office supplies.

Restricted cash
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.

## 14. Investments in Associates and Joint Ventures

Details of this account follow:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 Audited |
|---|---|---|
| Acquisition cost: | | |
| Balance at beginning of year | **₱119,256,845** | ₱117,629,555 |
| Additional investments | – | 1,544,790 |
| Reclassification / transfer | – | 82,500 |
| Balance at end of year | **119,256,845** | 119,256,845 |
| Accumulated equity in net earnings: | | |
| Balance at beginning of year | **32,981,672** | 26,863,846 |
| Equity in net earnings | **829,732** | 13,357,511 |
| Elimination of unrealized gains on downstream sales | **(106,327)** | (225,847) |
| Reclassification / transfer | **–** | (147,579) |
| Dividends received | **(3,464,504)** | (6,866,260) |
| Balance at end of year | **30,240,573** | 32,981,671 |
| Share in unrealized gain (loss) on financial assets at fair value thru other comprehensive income (FVOCI) of associates: | | |
| Balance at beginning of year | **34,851** | (141,405) |
| Share in net changes in fair value of financial assets at FVOCI of associates | **3,085** | 176,256 |
| Balance at end of year | **37,936** | 34,851 |
| Share in remeasurements of the net defined benefit liability of associates: | | |
| Balance at beginning of year | **(584,450)** | 585,931 |
| Share in net changes in remeasurements of the net defined benefit liability of associates | **2** | (1,170,381) |
| | **(584,448)** | (584,450) |
| Cumulative translation adjustment | **294,582** | 300,106 |
| | **149,245,488** | 151,989,023 |
| Less allowance for impairment losses | **297,450** | 297,450 |
| | **₱148,948,038** | ₱151,691,573 |

The composition of the carrying value of the Group's investments in associates and joint ventures and the related percentages of ownership interest are shown below:

| | Effective Ownership | | Carrying Value | |
|---|---|---|---|---|
| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
| | | | (In Million Pesos) | |
| **Associates** | | | | |
| Domestic: | | | | |
| Manila Electric Company (Meralco) | **29.56** | 29.56 | **₱77,629.4** | ₱80,372.8 |
| Global Business Power Corporation (GBPC) | **30.00** | 30.00 | **12,080.8** | 11,979.7 |
| Oriental Petroleum and Mining Corporation (OPMC) | **19.40** | 19.40 | **765.7** | 758.3 |
| Luzon International Premiere Airport Development Corp. (LIPAD) | **33.00** | 33.00 | **166.0** | 171.3 |
| G2M Solutions Philippines Pte. Ltd (G2M) | **0.00** | 0.00 | **160.5** | 160.5 |
| Cebu Light Industrial Park, Inc. (CLIPI) | **20.00** | 20.00 | **58.0** | 59.1 |
| 1Aviation Groundhandling Services Corp. | **27.15** | 27.05 | **15.7** | 30.7 |
| Summit Supply Chain Solutions, Inc. (SSCSI) | **50.00** | 50.00 | **30.0** | 30.0 |
| Shang Robinsons Properties, Inc. (SRPI) | **30.49** | 30.49 | **–** | – |
| Foreign: | | | | |
| United Industrial Corp., Limited (UICL) | **37.05** | 37.05 | **54,303.4** | 54,303.4 |
| Zyllem Pte. Ltd | **13.33** | 13.33 | **48.1** | 50.8 |
| Air Black Box (ABB) | **10.18** | 10.15 | **43.7** | 43.7 |
| | | | **145,301.3** | 147,960.3 |
| **Joint Ventures** | | | | |
| Domestic: | | | | |
| RHK Land Corporation | **36.58** | 36.58 | **1,367.4** | 1,375.5 |
| Robinsons DoubleDragon Corporation | **40.07** | 40.07 | **608.6** | 613.3 |
| SIA Engineering (Philippines) Corp. (SIAEP) | **23.75** | 23.67 | **459.9** | 470.6 |
| RLC DMCI Property Ventures, Inc | **30.49** | 30.49 | **359.9** | 361.3 |
| Aviation Partnership (Philippines) Corp. (APPC) | **33.25** | 33.14 | **236.5** | 247.5 |
| Philippine Academy for Aviation Training (PAAT) | **33.93** | 33.82 | **240.7** | 237.7 |
| Vitasoy-URC, Inc (VURCI) | **27.63** | 27.63 | **18.5** | 76.3 |
| MPIC-JGS Airport Holdings, Inc. | **41.25** | 41.25 | **3.8** | 3.8 |
| Danone Universal Robina Beverages, Inc. (DURBI) | **27.63** | 27.63 | – | – |
| Foreign: | | | | |
| Calbee-URC Malaysia Sdn. Bhd (CURM) | **27.63** | 27.63 | **31.7** | 32.5 |
| Proper Snack Foods Limited (PSFL) | **27.68** | 27.68 | **319.7** | 312.8 |
| | | | **3,646.7** | 3,731.3 |
| | | | **₱148,948.0** | ₱151,691.6 |

*Investment in Meralco*

On June 14, 2017, the Parent Company acquired an additional 27,500,000 common shares of Meralco for a total cost of ₱6.9 billion. After this transaction, the total number of shares held by the Parent Company is 333,189,397 representing 29.56% of Meralco's total outstanding common shares.

*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.

*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.

*UICL*
UICL, a company incorporated and listed 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.

Effective 2020, UICL is only required to file financial reports semi-annually instead of quarterly in accordance with the new rules of the Singapore Stock Exchange (SGX). Under the recent changes in the SGX-ST Listing Rules, a listed company would only be required to report its financials on a quarterly basis if:
(1) it has received a disclaimer of opinion, adverse opinion or qualified opinion from its auditors on its
latest financial statement; or
(2) its auditors have expressed a material uncertainty relating to going concern on its latest financial statements; or
(3) SGX RegCo has regulatory concerns with the listed company (e.g. where there have been material disclosure breaches or where the listed company faces issues that have material financial impact.

As UIC is not a company which falls within any of the categories listed above, it is therefore no longer required under the SGX-ST Listing Rules to release its financial statements on a quarterly basis. To align with the current year's presentation, the Group has restated the comparative accounts and excluded equity in net earnings of UIC for the period ended March 31, 2019.

Accordingly, equity in net earnings of associates for the first quarter of 2019 has been restated to ₱1.7 billion from the previously reported amount of ₱2.7 billion. Had the restatement not been made, the Group's 2019 consolidated statement of comprehensive income would have reported the following:

| | |
|---|---|
| Net income | ₱10.8 billion |
| Net income attributable to: | |
| Equity holders of the Parent | 7.5 billion |
| Noncontrolling interest | 3.3 billion |
| Other comprehensive income, net of tax | 1.4 billion |
| Total comprehensive income | 12.2 billion |
| Basic/diluted earnings per share | 1.05/share |

Individually immaterial investees

*LIPAD*
On February 18, 2019, the Parent Company invested in Luzon International Premiere Airport Development Corporation (LIPAD). The shares acquired represented 33% of LIPAD's total outstanding common shares. LIPAD is a corporation organized and incorporated in the Philippines to engage in the operation and maintenance of airports, whether operating as a domestic or international airport or both, including day-to-day administration, functioning, management, manning, upkeep, and repair of all facilities necessary for the use or required for the safe and proper operation of airports.

*CLIPI*
The Group accounts for its investments in CLIPI as an associate as it owns 20.0% of the issued share capital of CLIPI. In 2015, CLIPI returned EHI's deposit for future stock subscription amounting to ₱5.0 million. As of March 31, 2020, the Group has deposit for future stock subscription in CLIPI amounting to ₱10.0 million. These represents 20.0% of CLIPI's proposed increase in authorize capital stock.

*G2M*
On September 20, 2018, the Parent Company invested in G2M's convertible note amounting to \$5.9 million. The Parent Company paid \$2.97 million to G2M as first installment payment. On January 2020, the Parent Company paid the second installment since the conditions were met. The convertible note gives the Parent Company the right to convert to 14.90% of the outstanding stock of G2M. The Parent Company has one representation on the BOD of the G2M.

*PAAT*
Investment in PAAT pertains to CAI's 60.00% investment in shares of the joint venture. However, the joint venture agreement between the CAI and CAE International Holdings Limited (CAE) states that CAI is entitled to 50.00% share on the net income/loss of PAAT. As such, the CAI recognizes equivalent 50.00% share in net income and net assets of the joint venture.

*1Aviation*
Investment in 1Aviation refers to CAI's 40.00% investment in shares of the joint venture. The joint venture agreement indicates that the agreed ownership ratio is 40% for CAI and the remaining 60% shall be collectively owned by PAGSS and an individual. CAI recognizes 40% share in net income and net assets of the joint venture.

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

*ABB*
In May 2016, CAI entered into Value Alliance Agreement with other low cost carriers (LCCs), namely, Scoot Pte. Ltd, Nok Airlines Public Company Limited, CEBGO, and Vanilla Air Inc. The alliance aims to increase passenger traffic by creating interline partnerships and parties involved have agreed to create joint sales and support operations to expand services and products available to passengers. This is achieved through LCCs' investment in Air Black Box (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% shareholding proportion to ABB which is classified as an investment in an associate and is accounted for at equity method. ABB started its operations in 2018, the investment is recognized at cost and is subject to any remeasurement within the measurement period. As of March 31, 2020 and December 31, 2019, the net carrying amount of the Group's investment with 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 on January 27, 2012 and started commercial operations in December 2012.

*URC Beverages Ventures, Inc.*
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. Subsequent to the sale HURC remains to exist as a jointly controlled entity.

In September 2018, URC entered into a share purchase agreement with its joint venture partner, ConAgra Grocery Products Company, LLC., to acquire its 50% equity interest in HURC for a total consideration of ₱3.2 million. The acquisition of the HURC shares made HURC a wholly-owned subsidiary of URC.

On January 7, 2019, the SEC approved the amendment of the HURC's Articles of Incorporation for the change in its corporate name from Hunt - Universal Robina Corporation to URC Beverage Ventures, Inc. (UBVI).

*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 Danone Universal Robina Beverages, Inc. (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.

In 2018, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 5,000,000 common shares for a total cost of ₱82.5 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

In 2019, URC made additional subscriptions to the unissued authorized capital stock of DURBI consisting of 10,000,000 common share for a total cost of ₱125.0 million. The capital infusion was not presented as additional investment but was applied to the 2017 excess of the share in net loss over the investment.

*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.

*PSFL*
On June 30, 2017, Griffin's Food Limited (Griffin's) purchased 50.1% of the shares in Proper Snack Foods Ltd (a Nelson, New Zealand based business with the 49.9% shareholder being an individual) for a total consideration of approximately NZ$8.0 million, or ₱282.1 million. PSFL manufactures and distributes crisps.

*Calbee-URC Malaysia*
On August 23, 2017, URC Malaysia entered into a joint venture agreement with Calbee, Inc., a corporation duly organized in Japan to form Calbee – URC Malaysia Sdn Bhd (CURM), a corporation registered with the Companies Commission of Malaysia organized to manufacture savoury snack products. Total consideration amounted to MYR2.7 million (₱34.3 million).

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

On May 23, 2018, Shang Robinsons Properties, Inc., the JVC, was incorporated. Both RLC and SPI each own 50% of the outstanding shares in the JVC. The office address of the JVC is at Lower Ground Floor, Cyber Sigma Building, Lawton Avenue, Fort Bonifacio Taguig.

RLC and SPI, through SRPI, shall build and develop a property situated at McKinley Parkway corner 5th Avenue and 21st Drive at Bonifacio Global City, Taguig, Metro Manila. The project is intended to be a mixed-use development and may include residential condominium units, serviced apartments and commercial retail outlets. SRPI also plans to pursue other development projects.

*RHK Land Corporation (RHK Land)*
On February 5, 2018, RLC's BOD approved the agreement with Hong Kong Land Group (HKLG) represented by Hong Kong Land International Holdings, Ltd. and its subsidiary Ideal Realm Limited to form a joint venture corporation (JVC).

On June 14, 2018, RHK Land Corporation, the JVC, was incorporated. RLC and HKLG owns 60% and 40%, respectively, of the outstanding shares in the JVC. The principal office of the JVC is at 12F Robinsons Cyberscape Alpha, Sapphire and Garnet Roads, Ortigas Center, Pasig City.

RLC and HKLG, through RHK Land, shall engage in the acquisition, development, sale and leasing of real property. The JVC shall initially undertake the purchase of a property situated in Block 4 of Bridgetowne East, Pasig City, develop the property into a residential enclave and likewise carry out the marketing and sales of the residential units. RHK Land also plans to pursue other development projects.

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

*Robinsons DoubleDragon Corporation (RDDC)*
On December 26, 2019, Robinsons DoubleDragon Corp. (RDDC) was incorporated as the joint venture company (JVC) between RLC and DoubleDragon Corporation. The primary purpose is to engage in realty development.

*RLC DMCI Property Ventures, Inc.*
In October 2018, RLC entered into a Joint Venture Agreement with DMCI Project Developers, Inc. (DMCI PDI) to develop, construct, manage, and sell a residential condominium situated in Las Piñas City. Both parties agreed to incorporate a joint venture corporation where each party will hold a 50% ownership.

On March 18, 2019, RLC DMCI Property Ventures, Inc. (RLC DMCI) was incorporated as the joint venture company (JVC) between RLC and DMCI PDI. The proposed project is intended to be a multi-tower residential condominium and may include commercial spaces.

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

*Summit Supply Chain Solutions, Inc.*
On December 18, 2019, the Parent Company invested in Summit Supply Chain Solutions, Inc (SSCSI). SSCSI shall engage in the business of providing domestic transportation, logistics, warehousing and distribution of cargoes, and other supply chain management activities. SSCSI is expected to start commercial operations in June 2020.

*Zyllem Pte. Ltd.*
In August 2019, JGDCPL invested in 7,476,857 Series A+ shares of Zyllem Pte. Ltd. (Zyllem) at SGD0.1806 per share, or total subscription price of SGD1.35 million. Zyllem is a private company incorporated and based in Singapore that provides fast, cost-effective and reliable on-demand delivery service. Zyllem operates in certain cities in Southeast Asia. Post-subscription, JGDCPL holds 13.33% ownership interest in Zyllem. Also, under the Shareholders' Agreement, subject to JGDCPL holding less than 10% ownership interest, JGDCPL is entitled to appoint one (1) director. The investment in Zyllem is accounted for as investment in an associate since the Group has one representation on the BOD of Zyllem.

## 15. **Other Noncurrent Assets**

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Advances to suppliers - net of current portion | **₱5,771,664** | ₱5,493,256 |
| Deferred tax assets | **3,841,132** | 2,462,526 |
| Security and miscellaneous deposits | **1,711,289** | 1,058,800 |
| Advances to lot owners - net of current portion | **1,265,493** | 1,886,053 |
| Utility deposits | **750,254** | 746,384 |
| Others | **2,995,198** | 1,748,350 |
| | **₱16,335,030** | ₱13,395,369 |

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 March 31, 2020, this account also includes pre-purchase of Airbus A330 life limited engine parts.

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
Others include deferred input VAT, prepaid rent, deposits to various joint venture partners, and repossessed chattels. The deposits to various joint venture partners represent RLC's 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 Group's share in the completed units or share in the sales proceeds of the units, depending on the agreement with the other party.

## 16. **Accounts Payable and Accrued Expenses**

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Deposit liabilities | **₱76,491,352** | ₱82,445,508 |
| Trade payables | **31,571,351** | 32,659,165 |
| Accrued expenses | **18,226,532** | 18,520,442 |
| Airport and other related fees payable | **3,201,958** | 4,366,215 |
| Dividends payable | **3,151,971** | 43,288 |
| Bills payable | **1,566,323** | 2,040,506 |
| Output VAT | **1,527,598** | 1,627,771 |
| Withholding taxes payable | **347,499** | 418,311 |
| Due to related parties | **128,005** | 114,835 |
| Other payables | **6,579,228** | 4,091,331 |
| | **₱142,791,817** | ₱146,327,372 |

<u>Deposit Liabilities</u>
Deposit liabilities represent the savings, demand and time deposit liabilities of RBC and LSB. Remaining deposit liabilities of the RBC and LBC bear annual fixed interest rates ranging from nil to 3.5% in 2020 and 2019.

As of March 31, 2020, RBC and LSB are in compliance with the regulations.

<u>Long-Term Negotiable Certificates of Deposit (LTNCD)</u>
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. On July 6, 2018, the Parent Company issued additional LTNCD amounting to ₱1.78 billion with nominal interest rate of 4.875% and EIR of 5.15% payable every quarter which will mature on January 6, 2024. The proceeds was used to diversify RBC's maturity profile and funding sources and general corporate purposes.

<u>Trade Payables</u>
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.

<u>Airport and Other Related Fees Payable</u>
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
Other payables consist of management bonus and other non-trade payables.

## 17. Other Current Liabilities

This account consists of:

| | March 31, 2020 (Unaudited) | December 31, 2019 (Audited) |
|---|---|---|
| Unearned transportation revenue | **₱8,877,351** | ₱11,881,600 |
| Current portion of lease liabilities | **6,453,808** | 5,784,085 |
| Deposit from lessees (Note 19) | **2,989,152** | 2,928,599 |
| Derivative liabilities | **2,850,443** | 419,103 |
| Advances from agents and others | **508,698** | 567,139 |
| Customer's deposits | **221,551** | 408,605 |
| | **₱21,901,003** | ₱21,989,131 |

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.

## 18. Short-term and Long-term Debts

Short-term Debts
Short-term debts consist of:

| | March 31, 2020 | December 31, 2019 |
|---|---|---|
| Parent Company: | | |
| Philippine Peso - with interest rate of 4.05% to 5.25% in 2020 and 4.7% in 2019 | **₱9,801,186** | ₱2,000,000 |
| Foreign currency - with interest rate of 2.4% in 2019 | – | 7,029,404 |
| | **9,801,186** | 9,029,404 |
| Subsidiaries: | | |
| Foreign currencies - unsecured with interest rates ranging from 1.6% to 3.14% in 2020 and 2.2% to 4.4% in 2019 | **12,200,716** | 9,822,360 |
| Philippine Peso - with interest rates of 4.05% to 6.15% in 2020 and 4.7% to 4.9% in 2019 | **39,595,525** | 35,195,646 |
| | **51,796,241** | 45,018,006 |
| | **₱61,597,427** | ₱54,047,410 |

Long-term Debts

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

| | Maturities | Interest Rates | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) | Condition |
|---|---|---|---|---|---|
| Parent Company: | | | | | |
| Fixed Rate Retail Bonds: | | | | | |
| ₱30.0 billion Fixed Rate Retail Bonds | | | | | |
| ₱5.3 billion bonds | 2021 | 5.24% | **₱5,305,577** | ₱5,303,583 | Unsecured |
| ₱0.2 billion bonds | 2024 | 5.30% | **175,593** | 175,550 | Unsecured |
| Term Loans | | | | | |
| ₱5.0 billion Term Loan | 2022 | 4.65% | **4,987,941** | 4,986,693 | |
| ₱5.0 billion Term Loan | 2024 | 4.93% | **4,933,679** | 4,932,841 | |
| ₱10.0 billion Term Loan | 2023 | BDO's 30-day prime rate (5.75%) | **9,950,575** | 9,946,897 | Unsecured |
| ₱5.0 billion Term Loan | 2023 | Floating (6.118%) | **4,975,111** | 4,973,325 | Unsecured |
| ₱5.0 billion Term Loan | 2024 | 4.9010% | **4,966,552** | 4,964,870 | Unsecured |
| ₱7.0 billion Term Loan | 2024 | Floating (4.08%) | **6,953,279** | 6,950,883 | Unsecured |
| | | | **42,248,307** | 42,234,642 | |
| Subsidiaries: | | | | | |
| Foreign currencies: | | | | | |
| JGSPL | | | | | |
| US$750.0 million guaranteed notes | 2023 | 4.38% | **32,491,119** | 32,455,022 | Guaranteed |
| CAI | | | | | |
| USD Commercial loan from foreign banks | 2025 | 3% to 5%; 2% - 5% (US$ Libor) | **29,438,733** | 30,470,347 | - do - |
| JPY Commercial loan | | | **8,451,942** | 8,424,916 | |
| URC | | | | | |
| NZ$395.0 million term loan | 2023 | NZ 3.15% (BKBM+1.10%) | **11,818,986** | 13,296,757 | Guaranteed |
| AU$484.2 million term loan | 2021 | AU 3.393% (BBSY BID+1.25%) | **15,025,840** | 17,089,321 | |
| | | | **97,226,620** | 101,736,363 | |
| Philippine Peso: | | | | | |
| RLC | | | | | |
| ₱10.6 billion loan facility | 2022 | 4.80% | **10,605,142** | 10,601,369 | Unsecured |
| ₱1.4 billion loan facility | 2025 | 4.93% | **1,357,467** | 1,357,154 | - do - |
| ₱4.5 billion loan facility | 2027 | 4.95% | **4,468,368** | 4,472,866 | - do - |
| ₱7.0 billion loan facility | 2024 | 4.75% | **6,698,781** | 6,837,576 | - do - |
| ₱6.5 billion loan facility | 2021 | 3.83% | **6,490,925** | 6,489,197 | - do - |
| ₱5.0 billion loan facility | 2023 | 3.89% | **4,957,999** | 4,957,109 | - do - |
| JGSPC | | | | | |
| ₱19.5 billion term loan | 2024 | Floating (4.08% to 5.4%) | **27,508,000** | 19,508,000 | |
| JGSOC | | | | | |
| ₱2.5 billion term loan | 2024 | 6.64% and 6.62% | **2,492,000** | 2,492,000 | |
| CAI | | | | | |
| Commercial loans | 2027 | 2-3% (PDST-R2) | **17,596,251** | 18,249,258 | Guaranteed |
| | | | **82,174,933** | 74,964,529 | |
| | | | **221,649,860** | 218,935,534 | |
| Less current portion | | | **12,194,330** | 6,819,094 | |
| | | | **₱209,455,530** | ₱212,116,440 | |

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

<u>Subsidiaries' Foreign Currency Loans</u>

*JGSPL 4.375% Senior Unsecured Notes Due 2023*

On January 24, 2013, JGSHPL issued US$750.0 million, 4.375% seniorunsecured notes due 2023. The notes are unconditionally and irrevocably guaranteed by the Parent Company.

*CAI's US Dollar Commercial Loan From Foreign Banks*

From 2007 to 2019, CAI entered into commercial loan facilities to partially finance the purchase of 19 Airbus A320 aircraft, seven (7) Airbus A321 CEO aircraft, five (5) aircraft engines, and one (1) Airbus A321 NEO aircraft. The security trustees of these commercial loan facilities established SPEs – PTALL, PTHALL, SAALL, SBALL, SCALL, SDALL, TOADAC and RALL – which purchased the aircraft from the supplier pursuant to (a) five to ten-year finance lease arrangement for the Airbus A320, A321 CEO, and A321 NEO aircraft; and (b) six-year finance lease arrangement for the engines. CAI has the option to purchase the aircraft and the engines for a nominal amount at the end of such leases. The lease rentals made by CAI to these SPEs correspond to the loan payments made by the SPEs to the commercial facility lenders.

In 2018, CAI prepaid the US dollar loan facilities for ten (10) Airbus A320 aircraft resulting to dissolution of PTHALL, SAALL and SBALL (Note 1). CAI subsequently entered into four (4) Philippine peso commercial loan facilities and six (6) USD commercial loans for the same aircraft. CAI also prepaid the loan facilities of the engines and entered into US dollar commercial loans to finance the acquisition of seven (7) Airbus A321 CEO aircraft.

In 2019, CAI entered into a US dollar commercial loan facility to finance the acquisition of one (1) Airbus A321NEO aircraft.

The terms of the CAI commercial loans from foreign banks follow:

- Term of six to ten years starting from the delivery date of each aircraft.
- Combination of annuity style and equal principal repayments made on a semi-annual and quarterly basis.
- Mixed interest rates with fixed annual interest rates ranges from 3.00% to 5.00% and variable rates based on US dollar LIBOR plus margin.
- Upon default, the outstanding amount of loan plus accrued interest will be payable, and the lenders will foreclose on secured assets, namely the aircraft.

As of March 31, 2020 and December 31, 2019, the total outstanding balance of the US dollar commercial loans amounted to ₱29.4 billion (US$580.9 million) and ₱30.5 billion (US$601.8 million), respectively. Interest expense amounted to ₱260.2 million and ₱351.5 million in 2020 and 2019, respectively.

*CAI's Japanese Yen Commercial Loans*

In 2019, CAI entered into a Japanese commercial loans covering four (4) Airbus A321NEO aircraft. The loan requires semi-annual installments with a maturity not longer than 14 years at a variable interest rate based on JPY LIBOR plus margin.

As of March 31, 2020 and December 31, 2019, the total outstanding balance of the Japanese yen commercial loans amounted to ₱8,451.9 million (¥17.9 billion) and ₱8,424.9 million (¥18.2 billion). Interest expense amounted to ₱6.4 million and nil in 2020 and 2019, respectively.

The Group is required to comply with affirmative and negative covenants until termination of loans. As of March 31, 2020 and December 31, 2019, the Group is not in breach of any loan covenants.

The Group is not in breach of any terms on the commercial loans.

*URC NZ Finance Company Limited NZD395 Million Term Loan due 2023*
On October 22, 2018, URC NZ FinCo entered into a term loan facility agreement guaranteed by the Parent Company payable in five years, amounting to NZ$395.0 million (₱14.4 billion), with various banks for payment of the NZ$420 million term loan due in 2019. The loan obtained bears a market interest rate plus a certain spread, payable quarterly, and maturing on October 22, 2023.

*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.

<u>Philippine Peso Loans</u>

*Parent Company ₱30.0 Billion Fixed Rate Retail Bonds*
On February 28, 2014, the Parent Company issued a ₱30.0 billion fixed rate retail bond. The bond was issued in three series: (1) Five-year bond amounting to ₱24.5 billion fixed at 5.2317% due 2019; (2) Seven-year bond amounting to ₱5.3 billion fixed at 5.2242% due 2021; and (3) Ten year bond amounting to ₱176.3 million fixed at 5.3% due 2024. Interest is calculated on a 30/360-day count basis and are payable semi-annually starting August 27, 2014 and the 27th day of February and August of each year thereafter. Net proceeds from the bond issuance were used to partially finance its acquisition of Meralco shares and for general corporate purposes. On February 2019, the Parent Company fully settled its five-year bond amounting to ₱24.5 billion.

*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.

*Parent Company ₱10.0 Billion Term Loan with BDO due in June 2023*
On June 8, 2018, the Company borrowed ₱10.0 billion under Term Loan Facility Agreement with BDO.

*Parent Company ₱5.0 Billion Term Loan with MBTC due in June 2023*
On June 14, 2018, the Company borrowed ₱5.0 billion under Term Loan Facility Agreement with MBTC.

*Parent Company ₱7.0 Billion Term Loan with BPI due in August 2024*
On August 23, 2019, the Parent Company borrowed ₱7.0 billion under Term Loan Facility Agreement with BPI. Interest for 2019 amounted to ₱100.6 million. The loan obtained bears a market interest rate plus a certain spread, payable quarterly.

*Parent Company ₱5.0 Billion Term Loan with PNB due in August 2024*
On August 23, 2019, the Parent Company borrowed ₱5.0 billion under Term Loan Facility Agreement with PNB with a fixed rate at 4.901% per annum and shall be payable quarterly in arrears. Interest for 2019 amounted to ₱87.3 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 ₱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.

*RLC ₱7.0 Billion Term Loan due in March 2024*
On March 15, 2017, RLC borrowed ₱7.0 billion million under Term Loan Facility Agreements with Metropolitan Bank & Trust Company. The loan was released on March 15, 2017 amounting to ₱7.0 billion with interest rate at 4.75% per annum and shall be payable quarterly, computed on the basis of a year of 365 calendar days for the actual number of days elapsed.

*RLC ₱6.5 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.

*CAI Philippine Peso Commercial Loans*
From 2016 to 2017, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of eight (8) ATR 72-600 and two (2) Airbus A330 aircraft.

In 2018, the Group entered into Philippine peso commercial loan facilities to partially finance the acquisition of four (4) ATR 72-600 aircraft and refinance four (4) Airbus A320 aircraft.

The terms of the commercial loans follow:

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

As of March 31, 2020 and December 31, 2019, the total outstanding Philippine Peso commercial loans amounted to ₱17,596.3 million and ₱18,249.3 million, respectively. Interest expense incurred from these loans amounted to ₱194.7 million and ₱323.7 million in 2020 and 2019, respectively.

The commercial loans of the Group are secured by the related aircraft. The Group is required to comply with affirmative and negative covenants until termination of loans. As of March 31, 2020 and December 31, 2019, the Group is not in breach of any loan covenants.

<u>Debt Covenants</u>
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 ₱5.0 Billion, ₱5.0 Billion, ₱10.0 Billion, ₱5.0 Billion, ₱5.0 Billion and ₱7.0 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 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 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 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 March 31, 2020 and December 31, 2019.

## 19. Other Noncurrent Liabilities

This account consists of:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| Deposit liabilities - net of current portion | **₱ 21,275,978** | ₱21,550,058 |
| Lease liabilities | **14,402,345** | 15,320,070 |
| ARO | **5,599,252** | 6,233,061 |
| Deposit from lessees - net of current portion | **3,237,121** | 3,171,545 |
| Pension liabilities | **2,847,827** | 2,693,911 |
| Deferred revenue on rewards program | **1,059,981** | 1,234,903 |
| Derivative liabilities | **66,246** | 13,507 |
| Others | **1,080,459** | 913,374 |
| | **₱49,569,209** | ₱51,130,429 |

Deposit Liabilities

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

ARO

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 certain redelivery costs at the end of the operating aircraft lease.

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.

Deposits from Lessees

Deposits from lessees (including the current portion shown in Note 17) represent cash received from tenants representing three to six months' rent which shall be refunded to tenants at the end of lease term. These are initially recorded at fair value, which is obtained by discounting its future cash flows using the applicable rates of similar types of instruments. The deposits from lessees were discounted using PDST-F rate plus 2.0% spread.

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.

Deferred Revenue on Rewards Program
This account pertains to estimated liability under the Getgo lifestyle rewards program.

The rollforward analyses of deferred revenue follow:

| | **2020** | 2019 |
|---|---|---|
| Balance at beginning of year | **₱1,234,903** | ₱954,057 |
| Add: Estimated liability on issued points | – | 924,714 |
| Subtotal | **1,234,903** | 1,878,771 |
| Less: Estimated liability on redeemed points | **30,159** | 246,829 |
| Estimated liability on expired points | **144,763** | 397,039 |
| Balance at end of year | **₱1,059,981** | ₱1,234,903 |

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.

## 20. **Equity**

Details of the Parent Company's authorized capital stock as of March 31, 2020 and December 31, 2019 follow:

| | Par Value | Shares | Amount |
|---|---|---|---|
| Common shares | ₱1.00 | 12,850,800 | ₱12,850,800 |
| Preferred voting shares | 0.01 | 4,000,000 | 40,000 |
| Preferred non-voting shares | 1.00 | 2,000,000 | 2,000,000 |
| | | 18,850,800 | ₱14,890,800 |

As of March 31, 2020 and December 31, 2019, the paid-up capital of the Group consists of the following:

| | |
|---|---|
| Capital stock: | |
| Common shares - ₱1 par value | **₱7,162,842** |
| Preferred voting shares - ₱0.01 par value | **40,000** |
| | **7,202,842** |
| Additional paid-in capital | **23,553,025** |
| Total paid-up capital | **₱30,755,867** |

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 theParent 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 publicoffering (IPO) | 1,428,175 common shares | 1.00 | 4.40 | – | 1,428,175 common shares |
| June 30, 1994 | Conversion of convertible bonds into common shares | 428,175common shares | 1.00 | 13.75 | – | 3,725 common shares |
| July 3, 1998 | Stock rights offering (1:2) | 2,060,922 common shares | 1.00 | 2.00 | – | 2,060,922 common shares |

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:

| | **March 31, 2020 (Unaudited)** | December 31, 2019 (Audited) |
|---|---|---|
| (a) Gross debt | | |
| Short-term debt (Note 18) | **₱61,597,427** | ₱54,047,410 |
| Current portion of long-term debt (Note 18) | **12,194,330** | 6,819,094 |
| Long-term debt, net of current portion (Note 18) | **209,455,530** | 212,116,441 |
| Derivative liabilities (Note 8) | **2,916,689** | 432,611 |
| | **₱286,163,976** | ₱273,415,556 |
| (b) Capital | **₱413,167,914** | ₱408,647,142 |
| (c) Debt-to-capital ratio (a/b) | **0.69:1** | 0.67:1 |

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 10.0% for both solo basis (head office and branches) and consolidated basis (parent company and subsidiaries engaged in financial allied undertakings). Qualifying capital and risk-weighted assets are computed based on BSP regulations.

The regulatory Gross Qualifying Capital of RBC consists of Tier 1 (core) and Tier 2 (supplementary) capital. Tier 1 capital comprises share capital, retained earnings (including current year profit) and non-controlling interest less required deductions such as deferred tax and unsecured credit accommodations to DOSRI. Tier 2 capital includes unsecured subordinated note, revaluation reserves and general loan loss provision. Certain items are deducted from the regulatory Gross Qualifying Capital, such as but not limited to equity investments in unconsolidated subsidiary banks and other financial allied undertakings, but excluding investments in debt capital instruments of unconsolidated subsidiary banks (for solo basis) and equity investments in subsidiary 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 0.0% to 125.0% depending on the type of exposure, with the risk weights of off-balance sheet exposures being subjected further to credit conversion factors. Following is a summary of risk weights and selected exposure types:

| Risk weight | Exposure/Asset type* |
|---|---|
| 0% | Cash on hand; claims collateralized by securities issued by the non-government, BSP; loans covered by the Trade and Investment Development Corporation of the Philippines; real estate mortgages covered by the Home Guarantee Corporation |
| 20% | COCI, claims guaranteed by Philippine incorporated banks/quasi-banks with the highest credit quality; claims guaranteed by foreign incorporated banks with the highest credit quality; loans to exporters to the extent guaranteed by Small Business Guarantee and Finance Corporation |
| 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 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 0.0% to 100.0%, 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 100.0%, while items not involving credit risk has a CCF of 0.0%.

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 0.0% to 1.5% (interest rate-related) and from 1.0% to 7.5% (exchange rate-related), depending on the residual maturity of the contract. For 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 CAR remains unchanged at 10% 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 capital adequacy ratio, 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 Bangko Sentral ng Pilipinas (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 ₱15.0 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.

As of March 31, 2020, RBC was in compliance with the required CAR.

<u>Restricted Retained Earnings</u>

*Parent Company*
On December 18, 2019, the BOD approved the appropriation of retained earnings amounting to ₱25.0 billion and the reversal of the appropriation made in prior years amounting to ₱24.5 billion.

As of March 31, 2020, the ₱101.2 billion restricted retained earnings of the Parent Company are earmarked for the following: (a) settlement of a certain subsidiary's loan obligations guaranteed by the Parent Company (Note 23); (b) settlement of Parent Company loan obligations and retail bonds; (c) capital investment related to digital venture businesses amounting to ₱2.5 billion; (d) capital investments related to the Clark International Airport expansion project amounting to ₱5.9 billion; (e) investments related to NAIA rehabilitation and expansion project (f) 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 | ₱46.0 billion | Maturing in 2022 to 2024 |
| Retail Bonds | Parent Company | ₱5.5 billion | Maturing in 2021 and 2024 |

As part of its debt covenant, the Parent Company has to maintain certain financial ratios such as: (a) the Group's current ratio of not lesser than 1.0:1.0; and (b) the Group's debt-to-equity ratio of not greater than 2.0:1.0. A certain portion of the Parent Company's retained earnings is restricted to maintain these financial ratios.

*URC*
On December 18, 2018, the BOD approved the reversal of the appropriation of retained earnings in the aggregate amount of ₱2.5 billion, which was approved by the BOD in its resolutions adopted on September 27, 2016 and December 15, 2017.

*RLC*
On December 9, 2019, RLC's BOD approved the reversal of the retained earnings it appropriated in 2018 amounting to ₱27.0 billion as the related projects to which the retained earnings were earmarked were completed already. The amount was originally earmarked for the continuing capital expenditures of the Group for subdivision land, condominium and residential units for sale, investment properties and property and equipment.

On the same date, RLC's BOD also approved the appropriation of ₱27.0 million, out of the unappropriated retained earnings, to support the capital expenditure requirements of RLC for various projects. These projects and acquisitions are expected to be completed in various dates in 2020 up to 2024.

*CAI*
On December 4, 2019 and December 12, 2018, CAI's BOD appropriated ₱26.0 billion and ₱22.0 billion, respectively, from its unrestricted retained earnings for purposes of the Group's re-fleeting program. Appropriations as of December 31, 2018, and 2017 were reversed in the following year. The appropriated amount as of March 31, 2020 and December 31, 2019 will be used for the settlement of aircraft and engine lease commitments in 2020.

As of March 31, 2020 and December 31, 2019, CAI has appropriated retained earnings totaling ₱26.0 billion.

*RBC*
In compliance with existing BSP regulations, 10.0% of the net profits realized by RBC from its trust business is appropriated to surplus reserve. The yearly appropriation is required until the surplus reserve for trust business equals 20.0% of RBC's regulatory capital.

In 2020 and 2019, RBC's BOD approved to appropriate reserves for trust reserves amounting to nil.

In 2019, RBC's BOD approved to appropriate reserves for expected credit losses amounting to ₱498.7, in compliance with the requirements of the BSP Circular No. 1011. Under this BSP Circular, the Bank shall treat Stage 1 provisions for loan accounts as General Provisions (GP) while Stage 2 and 3 provisions shall be treated as Specific Provisions (SP). The Bank shall set up GLLP equivalent to 1% of all outstanding on-balance sheet loan accounts, except for accounts considered as credit risk-free under existing regulations. In cases when the computed allowance for credit losses on Stage 1 accounts is less than the 1% required GP, the deficiency shall be recognized by appropriating the ‘Surplus’ account. GP recognized in profit or loss as allowance for credit losses for Stage 1 accounts and the amount appropriated in surplus shall be considered as Tier 2 capital subject to the limit provided under the CAR framework.

*Accumulated equity in net earnings of the subsidiaries and associates*
A portion of the Group’s retained earnings corresponding to the net earnings of the subsidiaries and accumulated equity in net earnings of the associates and joint ventures amounting to ₱108.9 billion and ₱113.8 billion as of March 31, 2020 and December 31, 2019, respectively, is not available for dividend declaration. The accumulated equity in net earnings becomes available for dividends upon receipt of cash dividends from the investees.

Equity Reserve
In July 2019, Intersnack, a European enterprise engaged in the savory snacks market with an extensive product portfolio, agreed to buy 40% of the Group’s Oceania business (SBA and Griffin’s) to leverage on the Group’s and Intersnack’s know-how from their respective markets. This transaction is expected to yield better manufacturing, supply chain and sustainability practices and will set the groundwork for an even larger and more efficient Oceania operations. Consideration for the transaction consisted of cash and Yarra Valley Group Holding Pty Ltd. (Yarra Valley) net assets amounting to US$142.0 million (₱7.2 billion) and US$10.1 (₱0.5 billion), respectively.

On December 23, 2019, the Australian FIRB approved the transaction. Following the approval, the transaction was completed on December 23, 2019.

As a result of the sale, the equity interest of URC changed from 100.0% to 60.0%. The excess of the total consideration received over the carrying amount of the equity transferred and call option issued to NCI amounting to ₱1.3 billion is presented under “Equity reserve” in the consolidated statements of financial position. See Note 8 for disclosure on the call option.

## 21. **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. Robinsons Bank Corporation manages the plan based on the mandate as defined in the trust agreement.

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 Group expects to contribute ₱508.9 million into the pension fund in 2020.

## 22. **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

| | **March 31, 2020 (Unaudited)** | March 31, 2019 (Unaudited) |
|---|---|---|
| Income attributable to equity holders of common shares of the Parent Company | **₱1,902,664** | ₱6,455,520 |
| Weighted average number of common shares | **7,162,842** | 7,162,842 |
| Basic/diluted earnings per share | **₱0.27** | ₱0.90 |

## 23. **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.

The Parent Company has signed various financial guarantee agreements with third parties for the short-term and long-term loans availed by its subsidiaries (see Note 18). 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.

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 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.

Approval requirements and limits on the amount and extent of related party transactions
Material related party transactions (MRPT) refers to any related party transactions, either individually, or in aggregate over a twelve (1)-month with the same related party, amounting to ten percent (10%) or higher of the Group's total consolidated assets based on its latest audited financial statements.

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

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

## 24. 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.

## 25. Contingent Liabilities

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.

## 26. Subsequent Events

On March 16, 2020, the President of the Philippines issued Proclamation No. 929 declaring a state of calamity throughout the Philippines due to COVID-19 which resulted to the imposition of an Enhanced Community Quarantine (ECQ) throughout Luzon starting midnight of March 16, 2020.

In compliance with the notice of the Securities and Exchange Commission dated March 12, 2020, the Group disclosed to the public the measures it has undertaken to manage the risk of COVID-19 in its CY2019 Annual report. It shared that it has an existing crisis management plan and primary

operating measures established in the areas of: (1) Employee Health and Safety, (2) Public Health and Safety, and (3) Business Continuity.
The Group has ensured that it fully complies with all the government-mandated measures to contain the COVID-19 outbreak in the country. These however have caused disruptions to certain areas of the Group's diverse portfolio of businesses and economic activities as follows:

- Travel restrictions imposed by the Philippine government and other countries have resulted to significant reduction in air travel demand for the Air transportation segment;
- The Real estate and hotels segment has temporarily closed down some of its commercial properties and suspended the construction of its residential properties. Only essential business establishments within its malls such such as supermarkets, pharmacies and banks remain open for limited operating hours;
- The Foods, agro-industrial and commodities businesses' selling operations remain open and currently has sufficient inventory that enables it to operate its business at normal levels across different geographic locations where it has facilities, in both domestic and international markets. But as the situation continues to evolve, the segment nevertheless remains vigilant on the potential impact of the outbreak on its supply chain and consumer demand;
- Identified as an essential business establishment under the government's ECQ guidelines, the Banking segment has ensured continued operations and uninterrupted services to provide the financial requirements of its clients as well as to support the entire financial system; and
- The Petrochemicals plants continue to operate and deliveries to customers are unhampered to ensure that necessary raw materials are available for the nation's supply chain.

The Group has implemented several austerity measures to mitigate the impact of this outbreak to the Group's businesses. In particular, the Group has undertaken the following:

- For its Real estate and hotels, Foods, agro-industrial and commodities, Banking and Petrochemicals segments which are, or a part or parts thereof, considered essential business establishments in accordance with the government's ECQ guidelines, a skeletal work force and rotation schedules for highly critical functions and activities have been employed. To supplement this, various precautionary measures were also implemented such as strict adherence to personal hygiene practices, mandatory temperature checks and social distancing protocols, and proper and frequent sanitation and deep disinfection of plant premises, offices, branches and supermarkets.
- For the other employees of the Group, work-from-home arrangements, job reassignment and other flexible personnel resourcing measures have been implemented.
- For its Air transportation segment, prior to the suspension of all flights beginning March 19, 2020, lost capacity due to cancellation of international flights have been redeployed into the domestic network. In addition, various cost saving and cash preservation initiatives were undertaken.
- The Banking segment opens as many branches feasible, ensures cash availability in ATMs, maintains availability of various digital and online products, and has provided its customers 30-day grace period for loan payments.

## JG SUMMIT HOLDINGS, INC. AND SUBSIDIARIES

## SCHEDULE OF FINANCIAL SOUNDNESS INDICATORS
## AS OF MARCH 31, 2020 AND DECEMBER 31, 2019 AND FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

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

| Financial Ratios | **2020** | 2019 |
|---|---|---|
| **Profitability Ratio** | | |
| Operating margin | **13%** | 16% |
| | | |
| **Liquidity Ratio** | | |
| Current ratio | **0.93** | 0.96 |
| | | |
| **Capital Structure Ratios** | | |
| Gearing ratio | **0.69** | 0.67 |
| Net debt to equity ratio | **0.55** | 0.52 |
| Asset to equity ratio | **2.27** | 2.27 |
| Interest rate coverage ratio | **7.19** | 6.97 |