SHAKEY'S PIZZA ASIA VENTURES, INC.

2021 MANAGEMENT REPORT

Shakey's Pizza Asia Ventures Inc. (SPAVI) or PIZZA, is the market leader in the Philippines for both chained pizza full-service restaurant and chained full service restaurant with 67.1% and 28.9% market share as cited by Euromonitor. As of December 31, 2021, it operated a total of 316 stores a mix of company-owned and franchise stores in the Philippines and abroad,

PIZZA has over 40 years of brand legacy in the Philippines. Originally an American brand established in 1954, Shakey's expanded into the Philippines in 1975, and has since become a household name to generations of Filipinos. PIZZA is a strong brand because of its unique products paired with excellent guest service. It is best known for its original thin crust pizza and iconic Chicken N' Mojos.

PIZZA owns the trademarks and licenses to operate the Shakey's brand in the Philippines. With this, PIZZA has full control over the management and execution of Shakey's Philippine operations. As the brand owner, PIZZA generates additional revenue from franchising while not having to pay royalty fees for the use of the Shakey's name. PIZZA also owns the rights and trademarks in Asia (except Malaysia and Japan), China, Middle East, Australia, and Oceania. This gives the company international expansion opportunities in the long-term. As of today, PIZZA operates stores in the Philippines, United Arab Emirates and Singapore.

PIZZA is able to serve the A, B and upper C income classes through its various sales channels. PIZZA's dine-in segment caters mostly to families and friends who want an affordable upgrade from the usual fast-food dining. At the same time, PIZZA also reaches it guests through its delivery segment. With the shift of consumer trends towards safety and convenience, PIZZA ensures that it continues to operate well-designed, comfortable, clean and guest-oriented stores, operate an efficient delivery system for guests, and expand its online sales platform to align itself with current market and consumption trends.

PIZZA is accessible nationwide through various store formats. These formats differ in size ranging from 120 sqm to 400 sqm. Smaller stores tend to need lower capital investment. This allows PIZZA flexibility to serve the demand of a specific market, while still achieving the desired profitability.

PIZZA has an in-house commissary that supplies proprietary raw materials and other baked products to its stores. With this vertical integration strategy, product quality is preserved and controlled while also enabling for higher sales margins.

Finally, PIZZA operates a simple business model that is cash generative and requires low upfront costs due to the simplicity of its products. This model enables high financial liquidity and an average payback period of 3 to 4 years. PIZZA also has a well-established franchised model with an industry-leading return on investment averaging 4 years.

In 2016, Century Pacific Group Inc. (CPGI) and the sovereign wealth fund of Singapore acquired majority ownership of PIZZA. CPGI is the parent company of Century Pacific Food Inc. (CNPF), the largest manufacturer of canned food in the Philippines.

Subsequently, on December 15, 2016, PIZZA successfully listed on the Main Board of the Philippine Stock Exchange (PSE) with a total of 1,531,321,053 common shares at ₱11.26 per share.

In June 2019, PIZZA acquired *Peri-Peri Charcoal Chicken*, an emerging fast casual and full service restaurant brand in the Philippines. The acquisition includes assets and intellectual property relating to the Peri business, including its brand, trade name, and the various proprietary recipes used by the chain to make its trademark peri-peri chicken.

In August 2020, the Company entered into a master franchise agreement with Singapore-based Koufu Group Ltd to bring the *R&B milk tea* brand to the Philippines. R&B is one of the leading milk tea and bubble tea players in Singapore. It currently has more than 1,000 outlets worldwide, spanning across China, US, Singapore, Cambodia, Vietnam, Malaysia and Indonesia. Under the agreement, PIZZA shall be awarded the territorial rights to sell *R&B* milk tea, bubble tea, and other specialty tea drinks in the Philippines, through stand-alone store formats and co-branding in select *Shakey's* and *Peri-Peri Charcoal Chicken* outlets.

Last December 2021, the Company entered into agreement to purchase assets and intellectual property relating to Potato Corner. Potato Corner is one of the leading and most established food kiosk chains in the Philippines. Since its inception in 1992, the brand has built a vast network of over 1,000 outlets domestically and has a growing international footprint in Asia and beyond.

FACTORS AFFECTING RESULTS OF OPERATIONS

The Philippine food service industry is a highly competitive market with low barriers to entry. PIZZA competes directly and indirectly with both local and foreign full-service, casual dining and fast food stores that offer dine-in, delivery, and catering services nationwide. Failure to successfully compete and consistently outperform its peers may adversely affect its business and financial and operational results.

PIZZA growth is partially dependent on the strength of its brand, recognized for its high-quality product offerings and world-class guest service, as well as excellent culture and warm ambience of its stores. Any damage to its brand reputation and negative publicity to its stores may have an impact on the business, results of operations, and its prospective plans.

PIZZA is reliant on its franchisees for the successful management and operations of its franchise stores. In addition, a portion of the company's revenue is derived from royalty and franchise payments. A failure by the franchisees to deliver what is expected of them may significantly harm the brand image and goodwill of the Shakey's brand, as well as adversely affect the business operations and results of operations of PIZZA.

PIZZA's growth is highly dependent on its ability to open new stores, maintain existing stores, and operate these stores in a profitable manner. Failure to successfully locate and secure suitable store locations in its target markets may delay PIZZA store openings and significantly affect its business and results of operations. In addition, PIZZA's expansion plans may be limited by unforeseen economic and market conditions that are beyond its control.

PIZZA relies on key third-party suppliers and its in-house commissary to supply key raw material requirements. A failure by these third-party suppliers to adhere to contractual obligations or a significant disruption in the supply chain and logistics can significantly affect its business operations.

PIZZA hires approximately 1,300 full-time employees, a portion of which are covered by a 5-year collective bargaining agreement renewed on October 15, 2021. Although PIZZA's operations have never been affected by any labor dispute in the past, it cannot assure that it will not experience labor unrest and activism in the future, which may affect its business, financial condition, and result of operations.

PIZZA outsources a portion of its labor requirements from a third-party manpower service provider. Significant changes in labor laws and regulations, particularly in relation to the use of manpower service providers, may impact labor costs, as well as adversely affect the business operations and results on operations of PIZZA.

PIZZA relies on third-party service providers for certain services and the failure by these service providers to adhere and perform contractual obligations may adversely affect the business operations and results of operations of PIZZA.

PIZZA's profitability and operating margins are partially dependent on its ability to anticipate and react to changes in food and beverage costs. Any significant changes in raw materials costs that are not handled properly by the company may affect its business and results of operations.

KEY VARIABLE AND OTHER QUALITATIVE AND QUANTITATIVE FACTORS

(i) Any known Trends, Events or Uncertainties (Material Impact on Liquidity and Sales)

Food service businesses are affected by changes in consumer tastes, international, national, regional and local economic conditions and demographic trends. For example, if prevailing health or dietary preferences cause consumers to avoid pizza and other products we offer in favor of foods that are perceived as more healthy, our business, financial condition and results of operations would be materially adversely affected. The timing of product launches, pricing and advertising efforts of competitors may also impact our sales of new menu items. In the past, we have introduced new products which were unsuccessful and there can be no guarantee that we will be able to introduce new menu items successfully in the future. If we cannot successfully introduce new menu offerings, our business, financial condition, and results of operations could be materially and adversely affected.

Majority of company-owned and franchised stores are currently located in the Philippines. As a result, our operations are significantly impacted, and will continue to be significantly impacted, by macroeconomic conditions in the Philippines. Demand for, and prevailing prices of, our menu offerings are directly related to the strength of the Philippine economy and consumer confidence, including overall growth levels and the amount of business activity in the Philippines. Over the past several years, economic growth in the Philippines has led to an increase in personal disposable income, resulting in increased purchasing power and greater demand for consumer products. Any deterioration in the Philippine economy may adversely affect consumer sentiment and lead to a contraction in demand for our products.

As of the date of this disclosure and other than as disclosed, we are not aware of any other trends, events or uncertainties that would have had or that could reasonably be expected to have a material favorable or unfavorable impact on our revenues from continuing operations.

ii) Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation

The Company entered into a loan agreement with BDO Unibank on June 8, 2016, which in turn was used to finance the acquisition of majority control of the Shakey's Group from the Prieto Family.

There are a number of other covenants under the loan, including a restriction on the amendments of constitutive documents that will impact the ability of the Company to fulfill its obligations under the loan without the consent of the lender.

(iii) All material off-balance sheet transactions, obligations including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period.

As of the date of this disclosure, PIZZA is not a financial guarantor of the obligations of any unconsolidated entity, and we were not a party to any off-balance sheet obligations or arrangement.

(iv) Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures

PIZZA makes capital expenditures annually to support our business goals and objectives. As part of its strategy, we invest capital in developing and constructing new stores. PIZZA also invests in on-going maintenance of existing stores.

The Company has historically funded our capital expenditures primarily through internally generated funds derived from operating income.

(v) Any Significant Elements of Income or Loss (from continuing operations) and Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%)

Causes for material changes are explained in Management's Discussion and Analysis or Plan of Operation and Notes to the Consolidated Financial Statements.

(vi) Seasonal Aspects that has Material Effect on the FS

PIZZA's net sales exhibits seasonal fluctuations. Historically, PIZZA typically follows family eating patterns at home, with our strongest sales levels occurring in the months of March, May, August and December, and our lowest sales levels occurring in the months of January, February, June and July. The Company takes advantage of stronger seasonal sales by implementing campaigns geared towards increasing average check per guest and launching marketing strategies to increase transaction count during seasons with lower sales levels.

(vii) Key Performance Indicators

The table below sets forth the key performance indicators of the Company for the three months ended March 31, 2021, and 2022.

	31 March 2022	31 March 2021
Gross Profit Margin *Gross Profit / Net Revenue*	24.2%	24.7%
Before Tax Return on Sales *Net Profit Before Tax / Net Revenue*	6.4%	3.1%
Return on Equity *Net Income / Average Equity*	3.1%	-7.0%
Net Gearing Ratio *(Interest-bearing liabilities – Cash) / Total Equity*	0.85x	0.84x
Current Ratio *Total Current Assets / Total Current Liabilities*	1.22x	1.82x

The table below sets forth the key performance indicators of the Company for the years ended December 31, 2019, 2020 and 2021.

	31 Dec 2021	31 Dec 2020	31 Dec 2019
Gross Profit Margin *Gross Profit / Net Revenue*	23.2%	17.6%	29.3%
Before Tax Return on Sales *Net Profit Before Tax / Net Revenue*	4.2%	-7.0%	13.5%
Return on Equity *Net Income / Average Equity*	2.2%	-5.1%	18.0%
Net Gearing Ratio *(Interest-bearing liabilities – Cash) / Total Equity*	0.53x	0.88x	0.77x
Current Ratio *Total Current Assets / Total Current Liabilities*	1.89x	0.88x	1.03x

MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL POSITION
31 March 2022 vs. 31 December 2021

	31 March 2022	**31 Dec 2021**	**Change**
Cash and cash equivalents	531,148,935	485,414,521	9%

Trade and other receivables	861,752,104	723,983,367	19%
Financial assets at FVOCI	-	300,000,000	-
Inventories	478,112,634	432,876,226	10%
Prepaid expenses and other current assets	238,908,386	187,556,789	27%
Property and equipment	1,463,365,411	1,373,563,312	7%
Intangible assets	7,030,717,886	7,034,324,209	0%
Right-of-use asset	1,178,846,272	1,231,516,139	-4%
Deferred input value-added tax	24,438,691	28,234,552	-13%
Deferred tax assets	220,898,851	247,956,292	-11%
Rental and other non-current assets	2,823,986,044	589,287,521	379%
TOTAL ASSETS	**14,852,175,214**	**12,634,712,928**	**18%**
Accounts payable and other current liabilities	1,060,554,915	968,634,979	9%
Short-term loan	500,000,000	-	-
Current portion of loan payable	47,986,963	47,986,963	0%
Current portion of unearned franchise fees	18,965,155	18,965,155	0%
Lease liability - current	92,010,032	92,010,032	0%
Income tax payable	9,037,140	1,557,290	480%
Noncurrent portion of loan payable	5,292,570,991	3,692,570,991	43%
Dealers' deposit and other non-current liabilities	61,057,601	83,979,903	-27%
Unearned franchise fees	62,347,650	63,232,658	-1%
Lease liability - non-current	1,337,581,666	1,388,726,488	-4%
Accrued pension costs	113,044,818	96,260,947	17%
Total Liabilities	**8,595,156,931**	**6,453,925,406**	**33%**
Capital stock	1,683,760,178	1,683,760,178	0%
Additional paid-in capital	2,451,116,470	2,451,116,470	0%
Retained earnings	2,129,703,980	2,053,473,219	4%
Other components of equity	(7,562,345)	(7,562,345)	0%
Total Equity	**6,257,018,284**	**6,180,787,522**	**1%**
TOTAL LIABILITIES AND EQUITY	**14,852,175,214**	**12,634,712,928**	**18%**

Shakey’s Pizza Asia Ventures, Inc.’s total resources as of 31 December 2021 was at ₱14.85 billion, 18% higher than the 31 December 2021 level of ₱12.64 billion, due to the following:

9% Increase in Cash and Cash Equivalents

As of the end of the first quarter of 2022, cash and cash equivalents totaled ₱531 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash. Cash flow from operations generated ₱161 million, offset by ₱2.12 billion net ouflows on investing activities and ₱2.01 billion net inflows from financing activities.

19% Increase in Trade and Other Receivables

Trade and other receivables stood at ₱862 million as of the end of the first quarter of 2022 compared to ₱724 million in end 2021. The increase is driven by the recognition of higher third-party trade receivables, with receivable days increasing to 53 days to support franchisee partners.

10% Increase in Inventories

Inventories amounted to ₱478 million as of first quarter 2022 compared to ₱433 million as of year end 2021. The increase is due to higher inventory days to build supply security and avoid disruptions.

27% Increase in Prepaid expenses and other current assets

Prepaid expenses and other current assets stood at ₱239 million as of 31 March 2022 compared to ₱188 million in end 2021. The increase is due to increase in prepaid costs for operations as well as an increase in advanced payments to suppliers as part of supply chain management.

7% Increase in Property and equipment

The increase reflects the net movements on property, plant and equipment from additions, depreciation and retirement.

13% Decrease in Deferred input value-added tax

The decrease is driven by the adjustments on input value-added tax (VAT) as a result of increased movements in the output VAT and amortization of the input VAT.

11% Decrease in Deferred tax assets

The decrease is driven by the adjustment on previously recognized deferred tax assets as a result of the 2020 net operating loss carryover.

379% Increase in Rental and other non-current assets

The increase is driven by the increase in rental deposits and fund set aside for investments.

9% Increase in Accounts payable and other current liabilities

The slight increase is driven by normal timing differences in the settlement of trade payables.

Addition of Short-term loans payable, 43% increase in Non-Current loan payable

The short-term loans availed of in 2020 to support the Company's operations amidst the COVID-19 pandemic were fully settled as at the end of 2021. The loans availed in the first quarter of 2022 refers to support for working capital, asset purchases and capital investment requirements.

480% Increase in Income tax payable

Income tax payable stood at ₱9 million as of the end of the first quarter of 2022. This is an increase compared to the balance at year end 2021 of ₱2 million.

Decrease in Lease liability

Total lease liability stood at ₱1.48 billion as of year-end 2021, with ₱92 million recognized as the current portion and ₱1.39 billion as the non-current. The total amount is lower compared to the total lease liability of ₱1.53 billion in 2020.

17% Increase in Accrued Pension Costs
Accrued pension costs stood at ₱113 million as of end of the first quarter of 2022, an increase from the ₱96 million in end 2021 due to accruals on pension expense and other related adjustments to the defined benefit obligation of the Company.

4% Increase in Retained earnings
The increase in retained earnings is driven by the recognition of the Company's consolidated net income for the first quarter of 2022 of ₱76 million.

FINANCIAL POSITION
31 December 2021 vs. 31 December 2020

	31 Dec 2021	31 Dec 2020	Change
Cash and cash equivalents	485,414,521	607,674,132	-20%
Trade and other receivables	723,983,367	561,004,570	29%
Financial assets at FVOCI	300,000,000	120,000,000	150%
Inventories	432,876,226	444,941,572	-3%
Prepaid expenses and other current assets	187,556,789	132,042,576	42%
Property and equipment	1,373,563,312	1,419,634,223	-3%
Intangible assets	7,034,324,209	7,051,509,002	0%
Right-of-use asset	1,231,516,139	1,311,464,060	-6%
Deferred input value-added tax	28,234,552	48,423,974	-42%
Deferred tax assets	247,956,292	350,172,528	-29%
Rental and other non-current assets	589,287,521	173,125,540	240%
TOTAL ASSETS	**12,634,712,928**	**12,219,992,177**	**3%**
Accounts payable and other current liabilities	968,634,979	801,171,873	21%
Short-term loan	-	1,050,000,000	-100%
Current portion of loan payable	47,986,963	48,099,942	0%
Current portion of unearned franchise fees	18,965,155	16,020,186	18%
Lease liability - current	92,010,032	211,544,249	-57%
Income tax payable	1,557,290	3,156,468	-51%
Noncurrent portion of loan payable	3,692,570,991	3,740,497,427	-1%
Dealers' deposit and other non current liabilities	83,979,903	41,240,550	104%
Unearned franchise fees	63,232,658	73,600,393	-14%
Lease liability - non-current	1,388,726,488	1,319,058,770	5%
Accrued pension costs	96,260,947	131,238,332	-27%

Total Liabilities	**6,453,925,406**	**7,435,628,190**	**-13%**
Capital stock	1,683,760,178	1,531,321,053	10%
Additional paid-in capital	2,451,116,470	1,353,554,797	81%
Retained earnings	2,053,473,219	1,964,168,269	5%
Other components of equity	(7,562,345)	(64,680,132)	-88%
Total Equity	**6,180,787,522**	**4,784,363,987**	**29%**
TOTAL LIABILITIES AND EQUITY	**12,634,712,928**	**12,219,992,177**	**3%**

Shakey's Pizza Asia Ventures, Inc.'s total resources as of 31 December 2021 was at ₱12.63 billion, 3% higher than the 31 December 2020 level of ₱12.22 billion, due to the following:

20% Decrease in Cash and Cash Equivalents
As of end 2021, cash and cash equivalents totaled ₱485 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash. Cash flow from operations generated ₱866 million, offset by ₱797 million net ouflows on investing activities and ₱192 million net outflows on financing activities.

29% Increase in Trade and Other Receivables
Trade and other receivables stood at ₱724 million as of year-end 2021 compared to ₱561 million in 2020. The increase is driven by the recognition of higher third-party trade receivables.

3% Decrease in Inventories
Inventories amounted to ₱433 million as of year-end 2021 compared to ₱445 million in 2020. The decrease is due to lower merchandise inventory due to higher sales in December 2021 relative to December 2020.

42% Increase in Prepaid expenses and other current assets
Prepaid expenses and other current assets stood at ₱188 million as of year-end 2021 compared to ₱132 million in 2020. The increase is due to advanced payments to suppliers as part of supply chain management.

3% Decrease in Property and equipment
The decrease reflects the net movements on property, plant and equipment from depreciation, retirement and additions.

6% Decrease in Right-of-use asset
Right-of-use assets stood at ₱1.23 billion as of year-end 2021 compared to ₱1.31 billion in 2020.

29% Decrease in Deferred tax assets
The decrease is driven by the adjustment on previously recognized deferred tax assets as a result of the 2020 net operating loss carryover.

240% Increase in Rental and other non-current assets
The increase is driven by the increase in rental deposits and fund set aside for investments.

21% Increase in Accounts payable and other current liabilities

The slight increase is driven by normal timing differences in the settlement of trade payables.

Disposition of Short-term loans payable
The short-term loans availed of in 2020 to support the Company's operations amidst the COVID-19 pandemic was fully settled as at the end of 2021.

Decrease in Unearned franchise fees
Total unearned franchise fees stood at ₱82 million as of year-end 2021, with ₱19 million recognized as the current portion and ₱63 million as the non-current. The total amount is lower compared to the total unearned franchisee fees of ₱90 million in 2020.

Decrease in Lease liability
Total lease liability stood at ₱1.48 billion as of year-end 2021, with ₱92 million recognized as the current portion and ₱1.39 billion as the non-current. The total amount is lower compared to the total lease liability of ₱1.53 billion in 2020.

27% Decrease in Accrued Pension Costs
Accrued pension costs stood at ₱96 million as of year-end 2021, a decrease from the ₱31 million in 2020 due to the re-assessment of the defined benefit obligation of the Company.

10% Increase in Capital stock
The increase in capital stock results from the issuance of 152,439,025 primary shares to JE Holdings, the Company's new strategic investor.

81% Increase in Additional paid-in capital
The increase in additional paid-in capital results from the issuance of 152,439,025 primary shares to JE Holdings, the Company's new strategic investor, at P8.20 per share.

5% Increase in Retained earnings
The increase in retained earnings is driven by the recognition of the Company's consolidated net income of ₱123 million.

FINANCIAL POSITION
31 December 2020 vs. 31 December 2019

	31 Dec 2020	31 Dec 2019	Change
Cash and cash equivalents	**607,674,132**	507,701,190	20%
Trade and other receivables	**561,004,570**	709,483,495	-21%
Financial assets at FVOCI	**120,000,000**	120,000,000	0%
Inventories	**444,941,572**	477,127,376	-7%
Prepaid expenses and other current assets	**132,042,576**	123,970,333	7%
Property and equipment	**1,419,634,224**	1,615,292,163	-12%
Software	**233,331,243**	163,438,617	43%
Right-of-use asset	**1,311,464,060**	1,413,623,270	-7%
Goodwill	**1,264,082,949**	1,264,082,949	0%
Trademarks	**5,554,094,810**	5,549,307,154	0%
Deferred input value-added tax	**48,423,974**	67,963,872	-29%
Deferred tax assets	**350,172,528**	154,972,558	126%
Rental and other deposits	**173,125,540**	165,662,780	5%
TOTAL ASSETS	**12,219,992,177**	12,332,625,757	-1%
Accounts payable and other current liabilities	**801,171,872**	962,058,086	-17%
Short-term Loan	**1,050,000,000**	550,000,000	91%
Current portion of loan payable	**48,099,942**	48,120,934	0%
Current portion of unearned franchise fees	**16,020,186**	18,517,499	-13%
Lease Liability-Current	**211,544,249**	224,333,251	-6%
Income tax payable	**3,156,468**	82,626,816	-96%
Noncurrent portion of loan payable - net of current portion	**3,740,497,427**	3,788,597,369	-1%
Dealers' deposit and other non current liabilities	**41,240,550**	46,608,785	-12%
Unearned franchise fees	**73,600,393**	90,652,460	-19%
Lease liability	**1,319,058,770**	1,374,293,912	-4%
Accrued pension costs	**131,238,332**	78,310,299	68%
Total Liabilities	**7,435,628,189**	7,264,119,411	2%
Capital stock	**1,531,321,053**	1,531,321,053	0%
Additional paid-in capital	**1,353,554,797**	1,353,554,797	0%
Retained earnings	**1,964,168,269**	2,233,070,767	-12%
Other components of equity	**(64,680,132)**	(49,440,271)	31%
Total Equity	**4,784,363,987**	5,068,506,346	-6%
TOTAL LIABILITIES AND EQUITY	**12,219,992,177**	12,332,625,757	-1%

Shakey's Pizza Asia Ventures, Inc.'s total resources as of 31 December 2020 was at ₱12.21 billion, 1% lower than the 31 December 2019 level of ₱12.33 billion due to the following:

20% Increase in Cash and Cash Equivalents
As of end 2020, cash and cash equivalents totaled ₱608 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

21% Decrease in Trade and Other Receivables
Trade and other receivables stood at ₱561 million as of year-end 2020 compared to ₱709 million in 2019. The decrease is driven by the recognition of lower third party trade receivables.

7% Decrease in Inventories

Inventories amounted to ₱445 million as of year-end 2020 compared to ₱477 million in 2019. The decrease is due to lower merchandise inventory, particularly raw materials.

7% Increase in Prepaid expenses and other current assets
Prepaid expenses and other current assets stood at ₱132 million as of year-end 2020 compared to ₱124 million in 2019.

12% Decrease in Property and equipment
The decrease is mainly because of permanent store closures as a result of the COVID-19 pandemic.

43% Increase in Software
Software assets stood at ₱233 million as of year-end 2020 compared to ₱163 million in 2019.

7% Decrease in Right-of-use asset
Right-of-use assets stood at ₱1.31 billion as of year-end 2020 compared to ₱1.41 billion in 2019.

126% Increase in Deferred tax assets
The increase is driven by the recognition of income tax benefit as a result of net operating loss carryover.

17% Decrease in Accounts payable and other current liabilities
The decline is driven by the recognition of lower trade payables as a consequence of the COVID-19 pandemic.

91% Increase in Short-term loans payable
The increase in short-term loans payable is primarily used to support the Company's operations amidst the COVID-19 pandemic.

96% Decrease in Current lease liability
Current lease liability stood at ₱3.16 million as of year-end 2020 compared to ₱82.63 million in 2019.

12% Decrease in Retained earnings
The decrease in retained earnings is due to the recognition of consolidated net loss of ₱254 million.

FINANCIAL POSITION
31 December 2019 vs. 31 December 2018

	31 Dec 2019	31 Dec 2018	Change
Cash and cash equivalents	**507,701,190**	433,777,621	17%
Trade and other receivables	**709,483,495**	359,544,119	97%
Financial assets at fair value through profit and loss	**120,000,000**		
Inventories	**477,127,376**	597,145,719	-20%
Prepaid expenses and other current assets	**123,970,333**	219,854,297	-44%
Property and equipment	**1,615,292,163**	1,711,899,346	-6%
Intangible Asset	**6,976,828,720**	6,065,715,622	15%
Right-of-use assets	**1,413,623,270**	-	
Deferred input value-added tax	**67,963,872**	63,451,832	7%
Deferred tax assets	**154,972,558**	31,044,664	399%
Pension asset	**-**	13,666,188	-100%
Rental and other noncurrent assets	**165,662,780**	137,079,814	21%
TOTAL ASSETS	**12,332,625,757**	9,633,179,222	28%
Short-term loans payable	**550,000,000**	-	
Accounts payable and other current liabilities	**962,058,086**	799,504,485	20%
Current portion of:			
Long-term loans payable	**48,120,934**	48,449,757	-1%
Contract liabilities	**18,517,499**	19,285,813	-4%
Lease liabilities	**224,333,251**	-	
Income tax payable	**82,626,816**	100,558,936	-18%
Noncurrent current portion of:			
Long-term loans payable	**3,788,597,369**	3,836,966,162	-1%
Contract liabilities	**90,652,460**	93,314,414	-3%
Lease liabilities	**1,374,293,912**	-	
Accrued pension costs	**78,310,299**	-	
Accrued rent	**-**	101,853,055	-100%
Dealers' deposits and other noncurrent liabilities	**46,608,785**	63,425,467	-27%
Total Liabilities	**7,264,119,411**	5,063,358,089	43%
Capital stock	**1,531,321,053**	1,531,321,053	0%
Additional paid-in capital	**1,353,554,797**	1,353,554,797	0%
Retained earnings	**2,233,070,767**	1,668,017,627	34%
Other components of equity	**(49,440,272)**	16,927,656	-392%
Total Equity	**5,068,506,346**	4,569,821,133	11%
TOTAL LIABILITIES AND EQUITY	**12,332,625,757**	9,633,179,222	28%

Shakey's Pizza Asia Ventures, Inc.'s total resources as of 31 December 2019 was at ₱12.33 billion, 28% higher than the 31 December 2018 level of ₱9.63 billion due to the following:

17% Increase in Cash and Cash Equivalents
As of end 2019, cash and cash equivalents totaled ₱508 million. Cash includes cash on hand and in banks while cash equivalents are short-term, highly liquid investments that are easily convertible to cash.

97% Increase in Trade and Other Receivables
Trade and other receivables stood at ₱709 million as of year-end 2019 compared to ₱360 million in 2018. The increase is driven by the recognition of higher third party trade receivables.

20% Decrease in Inventories
Inventories amounted to ₱477 million as of year-end 2019 compared to ₱597 million in 2018. The decrease is due to lower merchandise inventory, particularly raw materials.

44% Decrease in Prepaid expenses and other current assets
The decrease is primarily due to lower advances to suppliers of raw materials.

6% Decrease in Property and equipment
The decrease is mainly because of the recognition of higher depreciation expenses related to PFRS 16.

15% Increase in Intangible assets
The increase is due to the recognition of trademark and goodwill from the acquisition of the *Peri-Peri* business.

Recognition of Right-of-use asset
The recognition of ₱1.41 billion in right-of-use asset is due to the application of PFRS 16 effective January 1, 2019.

399% Increase in Deferred tax assets
The increase is driven by the recognition of deferred tax assets on lease liabilities and difference in depreciation due to adoption of PFRS 16.

21% Increase in Rental and other deposits
The increase is due to additional rental deposits made during 2019.

Recognition of Short-term loans payable
The recognition of ₱550 million in short-term loans is primarily used to partially fund the *Peri-Peri* acquisition.

20% Increase in Accounts payable and other current liabilities
The increase is driven by the recognition of higher non-trade payables.

34% Increase in Retained earnings
The increase in retained earnings is due to the recognition of consolidated net income after tax of ₱865 million.

RESULTS OF OPERATIONS
31 March 2022 vs. 31 March 2021

	31 March 2022	**31 March 2021**	**Change**
Revenues	1,610,091,419	1,281,461,570	26%
Cost of sales	(1,219,697,021)	(964,714,290)	26%
Gross income	**390,394,397**	**316,747,280**	**23%**
General and administrative expenses	(229,077,623)	(195,184,162)	17%
Interest expense	(62,712,235)	(82,528,237)	-24%
Other income, net	3,833,631	496,613	672%
Income before income tax	**102,438,170**	**39,531,494**	**159%**
Provision for income tax	26,207,409	10,806,760	143%
Net income	**76,230,761**	**28,724,734**	**165%**

Results of Operations for the year ended 31 March 2022 compared to the year ended 31 March 2021

26% Increase in Revenues
Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱1.61 billion for the first quarter of 2022, increasing by 26% from the reported net revenues of ₱1.28 billion for the same quarter in 2021. This was mainly driven by dine-in
recovery, coupled with the addition of Potato Corner operations starting March.

26% Decrease in Costs of Sales
For the first quarter of 2022, consolidated cost of sales increased by 26% from ₱965 million in first quarter 2021 to ₱1.22 billion. Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent and utilities.

23% Increase in Gross Income
Consolidated gross profit amounted to ₱390 million for the first quarter of 2022, higher by 23% from ₱317 million in the previous year. This yielded a gross profit margin of 24%.

17% Increase in General and Administrative Expenses
First quarter 2022 consolidated general and administrative expenses totaled ₱229 million, representing an 14% cost-to-sales ratio. This is lower compared to 15% during the same period in 2021.

24% Decrease in Interest Expense
Interest expense of ₱63 million was recorded for the first quarter of 2022. This amount pertains to interest on the acquisition loan used to acquire the wholly-owned subsidiaries. The decrease versus last year's is due to the full settlement of the ₱1.05 billion loan used to support operating activities that were negatively affected by the COVID-19 pandemic.

672% Increase in Other Income
Other income is composed mainly of other income from franchisees, service income, provisions and gains and losses from store retirement. Other income totaled ₱4 million as of the first quarter

of 2022. The increase is mainly driven by the recognition of gains of pre-termination of leases as mandated by PFRS 16, as well as the lower provision on inventory in the first quarter of 2022 relative to 2021.

Reversal of Net Loss to Recognition of Net Income
Overall, the robust topline, combined with efficient operations, led to a net income of ₱76 million, 165% higher than the same period the year before. PIZZA's net profit margin likewise expanded by 250 bps to 4.7%.

RESULTS OF OPERATIONS
31 December 2021 vs. 31 December 2020

	31 Dec 2021	31 Dec 2020	Change
Revenues	5,480,427,588	5,296,771,546	3%
Cost of sales	(4,206,711,163)	(4,364,157,309)	-4%
Gross income	**1,273,716,425**	**932,614,237**	**37%**
General and administrative expenses	(837,345,396)	(972,712,600)	-14%
Interest expense	(292,179,579)	(333,303,573)	-12%
Other income, net	86,488,120	4,890,761	1668%
Income before income tax	**230,679,570**	**(368,511,175)**	**-163%**
Provision for (benefit from) income tax	107,699,412	(114,921,887)	-194%
Net income (loss)	**122,980,158**	**(253,589,288)**	**-149%**
Total other comprehensive income	57,117,787	(15,239,861)	-475%
TOTAL COMPREHENSIVE INCOME	**180,097,945**	**(268,829,149)**	**-167%**

Results of Operations for the year ended 31 December 2021 compared to the year ended 31 December 2020

3% Increase in Revenues
Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱5.48 billion, increasing by 3% from the reported net revenues of ₱5.30 billion for the twelve months ending December 31, 2020.

4% Decrease in Costs of Sales
For the year ending 2021, consolidated cost of sales dropped by 4% from ₱4.36 billion in 2020 to ₱4.21 billion. Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent and utilities.

37% Increase in Gross Income
Consolidated gross profit amounted to ₱1.27 billion for the full year 2021, higher by 37% from ₱933 million in the previous year. This yielded a gross profit margin of 23% from 18% previously.

14% Decrease in General and Administrative Expenses
For the twelve months ending December 31, 2021, consolidated general and administrative

expenses totaled ₱837 million, representing an 15% cost-to-sales ratio. This is lower compared to 18% during the same period in 2020.

12% Decrease in Interest Expense

Interest expense of ₱292 million was recorded for the twelve months ending December 31, 2021. This amount pertains to interest on the acquisition loan used to acquire the wholly-owned subsidiaries, as well as the ₱1.05 billion loan used to support operating activities that were negatively affected by the COVID-19 pandemic.

1,668% Increase in Other Income

Other income totaled ₱86 million as of year-end 2021. This is composed mainly of other income from franchisees, service income, provisions and loss from store retirement. This is an increase from the ₱5 million reported in 2020 which was impacted by the recognition of provisions and loss from store retirement.

Reversal of Net Loss to Recognition of Net Income

For the year ending 2021, consolidated net income after tax stood at ₱123 million, yielding a net income margin of 2.2%. This is a reversal from 2020's recorded net loss after tax of ₱254 million.

RESULTS OF OPERATIONS
31 December 2020 vs. 31 December 2019

	31 Dec 2020	31 Dec 2019	Change
Revenues	5,296,771,546	8,239,093,787	-36%
Cost of Sales	4,364,157,309	5,827,018,168	-25%
Gross Income	932,614,237	2,412,075,619	-61%
General and Administrative Expenses	(972,712,600)	(1,051,602,075)	-8%
Interest Expense	(333,303,573)	(311,472,803)	7%
Interest Income	2,886,826	715,119	304%
Other Income - Net	2,003,935	58,591,814	-97%
Income Before Income Tax	(368,511,175)	1,108,307,674	-133%
Provision for (Benefit from) Income Tax	(114,921,887)	243,071,407	-147%
Net Income	(253,589,288)	865,236,267	-129%
Total Other Comprehensive Income	(15,239,861)	(66,367,927)	-77%
Total Comprehensive Income	(268,829,149)	798,868,340	-134%

Results of Operations for the year ended 31 December 2020 compared to the year ended 31 December 2019.

36% Decrease in Revenues

Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱5.30 billion, declining by 36% from reported revenues of ₱8.24 billion for the twelve months ending December 31, 2019.

25% Decrease in Costs of Sales

For the year ending 2020, consolidated cost of sales dropped by 25% from ₱5.83 billion in 2019 to ₱4.36 billion. Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.

61% Decrease in Gross Income
Consolidated gross profit amounted to ₱933 million for the full year 2020, lower by 61% from ₱2.41 billion in the previous year. This yielded a gross profit margin of 18% from 29% previously.

8% Decrease in General and Administrative Expenses
For the twelve months ending December 31, 2020, consolidated general and administrative expenses totaled ₱973 million, representing an 18% cost-to-sales ratio. This is higher compared to 13% during the same period in 2019.

7% Increase in Interest Expense
Interest expense of ₱333 million was recorded for the twelve months ending December 31, 2020. This amount pertains to interest on the ₱3.8 billion remaining of the acquisition loan used to acquire the wholly-owned subsidiaries, as well as the ₱1.05 billion loan used to support operating activities that were negatively affected by the COVID-19 pandemic.

97% Decrease in Other Income
Consolidated other income totaled ₱2 million as of year-end 2020. This is composed mainly of other income from franchisees, service income and loss from store retirement.

129% Decrease in Net Income
For the year ending 2020, consolidated net income after tax stood at negative ₱254 million, yielding a net income margin of negative 5%. This is a reversal from 2019's recorded net income after tax of ₱865 million.

RESULTS OF OPERATIONS
31 December 2019 vs. 31 December 2018

	31 Dec 2019	**31 Dec 2018**	**Change**
Revenues	8,239,093,787	7,578,718,618	9%
Costs Of Sales	(5,827,018,168)	(5,399,319,411)	8%
Gross Income	2,412,075,619	2,179,399,207	11%
General And Administrative Expenses	(1,051,602,075)	(973,225,277)	8%
Interest Expense	(311,472,803)	(188,515,123)	65%
Other Income - Net	59,306,933	64,578,557	-8%
Income Before Income Tax	1,108,307,674	1,082,237,364	2%
Provision For (Benefit From) Income Tax	243,071,407	241,321,936	1%
Net Income	865,236,267	840,915,428	3%
Total Other Comprehensive Income	(66,367,928)	23,087,415	-387%
Total Comprehensive Income	798,868,340	864,002,843	-8%

Results of Operations for the year ended 31 December 2019 compared to the year ended 31 December 2018.

9% Increase in Revenues
Consolidated net revenues, composed of sales from company-owned stores, franchise and royalty fees from franchisees, and revenues from wholly-owned subsidiaries, reached ₱8.24 billion, surging by 9% from reported revenues of ₱7.58 billion for the twelve months ending December 31, 2018.

8% Increase in Costs of Sales
For the year ending 2019, consolidated cost of sales grew by 8% from ₱5.40 billion in 2018 to ₱5.83 billion. Consolidated cost of sales is mainly composed of raw material and packaging costs, direct labor costs, and store-related costs including rent, utilities, etc.

11% Increase in Gross Income
Consolidated gross profit amounted to ₱2.41 billion for the full year 2019, surging by 11% from ₱2.18 billion in the previous year. This yielded a gross profit margin of 29% as the Company executed inventory-buying strategies and implemented price increases.

8% Increase in General and Administrative Expenses
For the twelve months ending December 31, 2019, consolidated general and administrative expenses totaled ₱1.05 billion, representing a 13% cost-to-sales ratio. This is similar compared to 13% during the same period in 2018.

65% Increase in Interest Expense
Interest expense of ₱311 million was recorded for the twelve months ending December 31, 2019. This amount pertains to interest on the ₱3.8 billion remaining of the acquisition loan used to acquire the wholly-owned subsidiaries, as well as the ₱550 million loan used to partially fund the *Peri-Peri acquisition*.

8% Decrease in Other Income
Consolidated other income totaled ₱59 million as of year-end 2019. This is composed mainly of ₱45 million income from service fees and expired loyalty fund points. Service fee is a recurring item composed of freight costs, call center expenses, IT infrastructure, charged to franchisees. Other items included in other income are ₱11 million other income from franchisees, ₱4 million accretion income from deposits, and ₱2 million interest income.

3% Increase in Net Income
For the year ending 2019, consolidated net income after tax reached ₱865 million, yielding a net income margin of 11%. This is an increase of 3% versus the 2018 recorded net income after tax of ₱841 million.